

F-4811

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
REGISTRATION DIVISION
(651) 296-6328

IN THE MATTER OF THE REGISTRATION OF:
BRER AFFILIATES INC F/A
By BRER AFFILIATES INC

ORDER AMENDING
REGISTRATION

WHEREAS, an application to amend the registration and
amendment fee have been filed,

IT IS HEREBY ORDERED that the registration dated
August 11, 2011, is amended as of the date set forth below.

A handwritten signature in black ink, reading "Mike Rothman". The signature is written in a cursive, flowing style. A horizontal line is drawn under the signature.

MIKE ROTHMAN
Commissioner
Department of Commerce
85 7th Place East, Suite 500
St Paul, MN 55101

Date: January 19, 2012

UNIFORM FRANCHISE REGISTRATION APPLICATION

File No. F-4811
(Insert file number of immediately preceding filing of Applicant)

State: MINNESOTA

State of Minnesota
Dept. of Commerce

JAN 18 2012
Rec'd \$ 100

Fee: \$100.00

APPLICATION FOR (Check only one):

- ☐ INITIAL REGISTRATION OF AN OFFER AND SALE OF FRANCHISES
☐ RENEWAL APPLICATION OR ANNUAL REPORT
☐ PRE-EFFECTIVE AMENDMENT
☒ POST-EFFECTIVE AMENDMENT

1. Full legal name of Franchisor: **BRER Affiliates Inc. formerly known as Prudential Real Estate Affiliates, Inc.**
2. Name of the franchise offering: **BRER Affiliates Inc.**
3. Franchisor's principal business address: **3333 Michelson Drive, Suite 1000
Irvine, California 92612**
4. Name and address of Franchisor's agent in this State authorized to receive service of process:
**Minnesota Department of Commerce, Market Assurance Division, 85 7th Place East,
Suite 500, Saint Paul, Minnesota 55101**
5. The states in which this application is or will be shortly on file:

Hawaii
Illinois
Michigan
Minnesota
South Dakota
Virginia
Washington
Wisconsin

6. Name, address, telephone and facsimile numbers, and e-mail address of person to whom communications regarding this application should be directed:

Dianne Falco, BRER Affiliates Inc., 3333 Michelson Drive, Ste. 1000, Irvine, California 92612, (949) 794-4719 Direct, (877) 360-8478 Fax2Mail

NAME CHANGE

1-19-12
Danne
8-11-11



Prudential

Dianne Falco
Paralegal

BRER Affiliates Inc.
3333 Michelson Drive, Suite 1000, Irvine, CA 92612
Bus 949 794-4719 Fax 877 360-8478
dianne.falco@prudential.com

VIA UPS OVERNIGHT MAIL

January 12, 2012

Mr. Daniel Sexton
State Program Administrator Director
Registration Division
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-3165

Re: BRER Affiliates Inc. formerly known as Prudential Real Estate Affiliates, Inc. ("Applicant")
Residential Offering
Your File No. F-4811

Dear Mr. Sexton:

On behalf of Applicant and pursuant to Section 80C.07 of the Minnesota Statutes, in order to amend Applicant's franchise registration enclosed are the following:

1. Post-Effective Amendment No. 1 to Applicant's existing Franchise registration, accompanied by one copy of the Franchise Disclosure Document, incorporating therein certain exhibits, including Applicant's franchise agreement, which has been marked to show material changes from the previous version filed with your office on August 11, 2011.
2. Check payable to Minnesota State Treasurer in the amount of \$100 in payment of the filing fee.
3. Consent to Service of Process, Corporate Verification and Certification.

Please review these enclosures at your earliest convenience and advise me at (949) 794-4719, and in writing at the above address, of any comments or questions you may have. If all documents are in order, we would appreciate your notification in writing when Applicant's franchise amendment will be effective.

Sincerely,

Dianne Falco
Paralegal

Enclosures

Certification

I certify and swear under penalty of law that I have read and know the contents of this application, including the Franchise Disclosure Document with an issuance date of December 14, 2011 attached as an exhibit, and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions. I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge.

Executed at Irvine, California, on January 12, 2012

Franchisor: **BRER Affiliates Inc. formerly known as
Prudential Real Estate Affiliates, Inc.**

By: _____

Name: David S. Beard

Title: Vice President

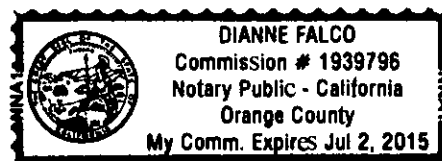
STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

Subscribed and sworn to (or affirmed) before me on this 12th day of January 2012, by David S. Beard, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature _____

Dianne Falco

(Seal)



UNIFORM FRANCHISE CONSENT TO SERVICE OF PROCESS

BRER Affiliates Inc., formerly known as Prudential Real Estate Affiliates, Inc., a corporation organized under the laws of the State of Delaware (the "Franchisor"), irrevocably appoints the officers of the States designated below and their successors in those offices, its attorney in those States for service of notice, process or pleading in an action or proceeding against it arising out of or in connection with the sale of franchises, or a violation of the franchise laws of that State, and consents that an action or proceeding against it may be commenced in a court of competent jurisdiction and proper venue within that State by service of process upon this officer with the same effect as if the undersigned was organized or created under the laws of that State and had lawfully been served with process in that State. We have checked below each state in which this application is or will be shortly on file, and provided a duplicate original bearing an original signature to each state.

_____ California: Commissioner of Corporations	_____ North Dakota: Securities Commissioner
_____ Hawaii: Commissioner of Securities	_____ Rhode Island: Director, Department of Business Regulation
_____ Illinois: Attorney General	_____ South Dakota: Director of the Division of Securities
_____ Indiana: Secretary of State	_____ Virginia: Clerk, Virginia State Corporation Commission
_____ Maryland: Securities Commissioner	_____ Washington: Director of Financial Institutions
<input checked="" type="checkbox"/> _____ Minnesota: Commissioner of Commerce	_____ Wisconsin: Administrator, Division of Securities, Department of Financial Institutions
_____ New York: Secretary of State	

Please mail or send a copy of any notice, process or pleading served under this consent to:

MICHAEL E. WASENIUS, ESQ.
BRER AFFILIATES INC.
3333 MICHELSON DRIVE, SUITE 1000
IRVINE, CALIFORNIA 92612

Dated: January 12, 2012

Franchisor:
BRER Affiliates Inc.

By: _____

Name: David S. Beard
Title: Vice President

Certificate of Acknowledgment

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

On January 12, 2012, before me, Dianne Falco, Notary Public, personally appeared David S. Beard, Vice President of BRER Affiliates Inc., who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY of PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Dianne Falco (Seal)



FRANCHISE DISCLOSURE DOCUMENT

BRER AFFILIATES INC.

(FORMERLY KNOWN AS)

PRUDENTIAL REAL ESTATE AFFILIATES, INC.

A Delaware Corporation

3333 Michelson Drive, Suite 1000

Irvine, CA 92612

(949) 794-7900

www.prudential.com



Prudential

Franchise Business: As a franchisee, you will independently own and operate a residential real estate brokerage business under our Service Marks. We offer Prudential Real Estate franchises only to existing real estate brokers meeting our qualifications.

Total Investment: The total investment necessary to begin operation of a Prudential Real Estate franchised business is from \$40,760 to \$71,635. This includes \$32,500 that must be paid to franchisor and its affiliate. The fee for the first Additional Location is \$12,500 and the fee for each subsequent Additional Location is \$7,500 if you operate more than one real estate brokerage office when you sign the Franchise Agreement.

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, Prudential Real Estate in connection with the proposed franchise sale. Note, however, that no government agency has verified the Information contained in this document.

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Network Support Department at 3333 Michelson Drive, Suite 1000, Irvine, CA 92612, (949) 794-7900.

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

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

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

ISSUANCE DATE: July 4, December 14, 2011

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 administrator listed in Exhibit E for information about the franchisor or about franchising in your state.

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

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

- 1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION/LITIGATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION/LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE/LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
- 3. THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.**

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

The laws of the states listed below require us to disclose the following additional information. The effective dates below are the dates we completed the required filings in the respective states.

Registration State	Effective Date
California (Exempt)	
Hawaii	
Illinois	
Indiana (Exempt)	
Maryland (Exempt)	
Michigan	
Minnesota	
New York (Exempt)	
North Dakota (Exempt)	
Rhode Island (Exempt)	
South Dakota	
Virginia	
Washington	
Wisconsin	

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EXHIBITS

Exhibit A	Franchise Agreement and Exhibits
Exhibit B	Financial Statements
Exhibit C	Franchisees as of 12/31/2010
Exhibit D	Former Franchisees
Exhibit E	State Administrators
Exhibit F	Agents for Service of Process
Exhibit G	Form of Promissory Note and Franchise Term Note
Exhibit H	Operations Manual Table of Contents
Exhibit I	State Laws Requiring Licensing of Real Estate Brokers and Agents
Exhibit J	Agreement Regarding Use of Domain Name
Exhibit K	State Disclosure Addenda and Franchise Agreement Riders

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

Item 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

A. Terminology

~~The Franchisor is PRUDENTIAL-REAL ESTATE-AFFILIATES, INC. ("Prudential Real Estate,")~~ To simplify the language in this disclosure document, "we," "us," or "our" means Prudential Real Estate, the Franchisor. "You," means the person to whom we grant a franchise to or renew our franchise relationship with. If You are a corporation, partnership, limited liability company, or other legal entity, the term "Principals" means all persons and other legal entities that now own or later acquire more than 10% of the outstanding equity or voting interests of the entity.

B. The Franchisor, Our Parents, Predecessors and Affiliates.

The Franchisor is BRER AFFILIATES INC. (fka Prudential Real Estate Affiliates, Inc.) We are a Delaware corporation with our principal business address at 3333 Michelson Drive, Suite 1000, Irvine, California 92612. Our telephone number is (949) 794-7900. ~~See Exhibit F for our~~ Our agent for service of process in ~~Your state~~ the states whose franchise laws require us to name an agent for service is shown on Exhibit F.

On December 6, 2011, Brookfield RPS US Acquisition Corporation ("BRPS") purchased all of the outstanding stock of our parent corporation, BRER Services Inc. (fka Prudential Real Estate and Relocation Services, Inc.) ("BRERS"), from Prudential Financial, Inc. BRPS is an indirect subsidiary of Brookfield Asset Management Inc., a Canadian corporation with its principal place of business in Toronto, Ontario, Canada. ("BAM") BAM's principal business address is Brookfield Place, Suite 300, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3. In the United States, BAM, through its indirect subsidiary, Real Living Real Estate, LLC, operates the Real Living real estate franchise system. BAM also owns another franchising subsidiary, Brookfield Real Estate Services Manager Limited, which operates the Royal LePage (including its Johnston & Daniel division) and Via Capitale (formerly, La Capitale) real estate franchise systems in Canada under a management agreement with Residential Income Fund, L.P. ("RIP"), a related company that owns the majority of the franchise agreements in those systems. BAM also owns Real Living International LP ("RLI"), an entity formed in 2010 to expand the Real Living franchise system outside of the United States of America. We are a wholly owned subsidiary of BRERS.

We were formed in February 2004 to operate the franchise system for real estate brokerages and began offering residential real estate brokerage franchises on April 1, 2004. ~~We do~~ Prior to our name change, we did business under the name "Prudential Real Estate" and "Prudential Real Estate Affiliates." We will continue using the words "Prudential Real Estate" to refer to ourselves for certain purposes. We will continue to use the words "Prudential Real Estate" to describe our franchise system and network of franchisees.

Before February, 2004, the Prudential Real Estate franchise system was operated by Prudential Real Estate and Relocation Services, Inc. (~~"PRERS"~~) BRERS (formerly known as The Prudential Real Estate Affiliates, Inc.). PRERSBRERS is a Delaware corporation and has the same principal business address as we do.

~~PRERSBRERS~~, our predecessor as Franchisor, began offering residential real estate brokerage franchises on February 1, 1988. Some residential franchisees also conduct commercial real estate brokerage services. ~~PRERSBRERS~~ had offered a different franchise program exclusively to commercial-only real estate brokers for commercial real estate brokerage services since November 1997. Prudential-Real-Estate has We have continued to offer a commercial-only franchise since April 1, 2004, and as of December 31, 2010 there were 14 franchises operating under the commercial-only franchise, including conversions from existing residential franchises. ~~Prudential-Roal-Estato does and intends to do business under the name "Prudential-Real-Estate-Affiliates, Inc."~~

~~We are a wholly-owned subsidiary of PRERS, which, in turn, is a wholly-owned subsidiary of Prudential Financial, Inc., a Delaware corporation ("Prudential Financial"). Prudential Financial's principal office is located at 751 Broad Street, Newark, New Jersey 07102. As a result of the sale of BRERS from Prudential Financial, Inc. to BRPS, except for a limited number of specifically identified new franchise sale prospects that were pending at the time of the sale, The Prudential Insurance Company of America ("Prudential Insurance"), the owner of the Prudential Name and Service Marks, will only permit us to renew the franchise of any existing franchisee in the franchise network whose franchise agreement expires on or before December 6, 2013, for a period not to exceed five years. No other franchise sales or renewals will be permitted. These restrictions apply to both our residential franchise network and our commercial-only franchise network.~~

~~Prudential Financial, directly and through other affiliates and subsidiaries, offers a wide variety of insurance and financial services including, for example, life insurance. The common stock of Prudential Financial is traded on the New York Stock Exchange under the symbol "PRU." As a publicly-traded company, Prudential Financial must file detailed financial reports and information with the Securities and Exchange Commission. You may access those reports online at the Securities and Exchange Commission's website at www.sec.gov or at Prudential Financial's website at www.investor.prudential.com.~~

~~Prudential Financial also, directly and through its affiliates and subsidiaries, offers a variety of real estate related services. At various times, those services have included and may in the future include property management, commercial real estate brokerage, mortgage origination, mortgage brokerage, title insurance, and appraisal, escrow and other services. Prudential Financial, through its affiliates and subsidiaries, manages, buys and sells real estate investments for its own general account and for other investors.~~

Our affiliate, BRER Real Estate Services Company LLC (fka Prudential Real Estate Services Company, LLC) ("PRESCoBRESCo"), is a Texas limited liability company, provides real estate technology services to certain franchisees based on an agreement that is separate from the Franchise Agreement. These services consist of an online consumer-facing website and desktop tools designed to generate sales leads and to enable follow-up, tracking and reporting of these leads. You may be offered the opportunity to contract with PRESCoBRESCo for such services following Your entry into the Franchise Agreement. PRESCoBRESCo was formed in 2004 in connection with Prudential Real Estate's acquisition of eRealty, Inc., which formerly operated real estate brokerage offices in various cities across the United States. eRealty, Inc.'s existing real estate brokerages have been assimilated into Prudential Real Estate's franchise system. PRESCoBRESCo's principal business address is 1800 Bering Drive, Suite 251, Houston, Texas 77057.

Our affiliate, Brookfield Relocation Inc. (fka Prudential Relocation, Inc.) ("PrudentialBrookfield Relocation"), a Colorado corporation, offers relocation services principally to corporate and governmental clients to assist in transferring employees. Before 2006, some relocation services were offered through Prudential Residential Services, Limited Partnership ("PRSLP"), another affiliate of ours. In January 2006, PRSLP was converted into a corporation and then merged into PrudentialBrookfield Relocation. PrudentialBrookfield Relocation is a wholly owned subsidiary of our parent and predecessor as Franchisor, PRBRSBRS, and maintains its principal office at 16260 N. 71st Street, Scottsdale, Arizona 85254.

Our affiliate, BRER Referral Services Inc. ("BRS") (fka Prudential Referral Services, Inc. ("PRS")), a Delaware corporation, with the same principal business office as ours, operates a real estate broker referral network, which You must join. You and PRSBRS will enter into the form of agreement that is attached as Exhibit C to the Franchise Agreement pursuant to which You will pay PRSBRS the fees that we identify in Item 6. You will work with our Regional franchise staff to develop a list of Referral Service Areas ("RSA") that You can reasonably service. This RSA list will also be used for PRSBRS broker-to-broker referrals from Prudential.com and PREA-Center. The RSA list is non-exclusive and we and PRSBRS each may change the RSA at any time, for any reason, including without limitation, the addition of new franchisees in an RSA. The RSA list of communities may be similar to, but is not related to and may not be identical to the list of Effective Service Areas developed by Prudential Relocation, Inc. for its purposes.

~~Our affiliate, The Prudential Real Estate Financial Services of America, Inc. ("PREFSA"), a California corporation, which has the same principal business address as we do, operates as a commercial lender providing financing and lines of credit for working capital, mergers and acquisitions, capital expenditures, and other business purposes to selected now and existing franchisees. As a result, PREFSA has acquired debt and/or equity positions in certain franchised real estate brokerage companies.~~

C. Prior Business Experience of Prudential Real Estate and Any Affiliates That Offer Franchises in Any Line of Business or Provide Products or Services to Our Franchisees.

We describe our prior business experience and that of our parent, predecessor and affiliates that offer goods or services to our franchisees in subsection B. Neither we nor our affiliates have offered franchises in any other line of business. We ~~offer~~will continue to operate a separate franchise program to commercial-only real estate brokers for commercial real estate broker services.

D. Prudential Real Estate Franchises.

~~We offer and sell Prudential Real Estate franchises~~If You are one of the new franchise sale prospects specifically identified in the sale transaction between Prudential Financial Inc. and BRPS, we can offer and sell You a franchise permitting You to operate a residential and/or commercial real estate brokerage business under our Service Marks for locations throughout the United States and certain foreign countries. ~~Affiliates of ours offer Prudential Real Estate franchises for specific countries; be Prudential Service Marks from your locations in the United States.~~

If You are one of the existing franchisees we are permitted to renew our franchise relationship with, we can renew your franchise permitting You to continue to operate your residential and/or commercial real estate brokerage business under the Prudential Service Marks from your locations in the United States for

a term permitted by the owner of the Prudential Service Marks. We intend to continue entering into permitted renewals in certain Provinces in Canada where we currently have franchisees that are operationally identical to the franchises that we offer may award or renew in the United States.

The ~~Prudential-Real-Estate~~Our franchise permits You to offer the specific real estate brokerage services that we designate and, under certain circumstances, specific related real estate services, to customers. You will do or continue to do business using the specific Service Marks that we designate that are owned and licensed to us by our affiliate, ~~The Prudential Insurance Company of America~~ (“Prudential Insurance”). See Item 13. ~~The Prudential-Real-Estate~~Our franchise does not award You an exclusive territory (except in certain circumstances). This means that we may, directly or indirectly through our affiliates, own, operate, franchise or license others to operate any type of real estate brokerage businesses under the Service Marks or other names without restriction. See Item 12.

~~Because of the differences among countries and the varying situations associated with international business transactions, we and our affiliates may award foreign country real estate brokerage franchises under the Service Marks upon substantially different terms than the Prudential Real Estate franchises that we award in the United States. Furthermore, the Prudential Real Estate franchises that we award~~The franchises that we renew for locations in Alaska and Hawaii may be on materially different terms than the ~~Prudential-Real-Estate~~ franchises that we award for locations within the continental United States. ~~The Prudential-Real-Estate franchises that we award for certain markets in the United States that experience relatively low volumes of residential brokerage business and are outside of a Metropolitan Statistical Area as defined by the U.S. Office of Management and Budget (“OMB”) may be on materially different terms than the Prudential Real Estate franchises that we award for locations within a Metropolitan Statistical Area.~~

~~Prudential-Real-Estate~~Our franchisees may apply to ~~Prudential~~Brookfield Relocation to become a designated vendor for ~~Prudential~~Brookfield Relocation’s listing inventory, marketing assistance and home finding referrals. Your purchase of a Prudential Real Estate franchise or a renewal of your existing franchise relationship with us does not guaranty that You will be appointed ~~Prudential~~as a Brookfield Relocation designated vendor. ~~Prudential~~Brookfield Relocation selects designated vendors based on its own independent service standards, its assessment of the ability of a franchisee/broker to provide adequate services within a specific area, the number of brokers available to provide service in a specific area, corporate client direcdons, and other factors. If ~~Prudential~~Brookfield Relocation appoints You as a designated vendor, neither we nor ~~Prudential~~Brookfield Relocation guarantee the number or percentage of relocation referrals You may receive or whether You will receive any referrals (including referrals from ~~Prudential~~Brookfield Relocation). ~~Prudential~~Brookfield Relocation makes referrals to brokers in designated communities (Effective Service Areas). Effective Service Areas are determined by ~~Prudential~~Brookfield Relocation, in its own discretion. Effective Service Areas are non-exclusive and may be changed by ~~Prudential~~Brookfield Relocation at any time, for any reason, including without hmitafion, the addition of new Prudential Real Estate franchisees in an Effective Service Area.

~~Prudential~~Brookfield Relocation’s application process typically takes more than 90 days to complete and requires Your attendance at an orientation in Phoenix, Arizona and ~~Prudential~~Brookfield Relocation’s certification of Your real estate agents in the servicing of relocation referrals.

E. Specialized Industry Law.

Real estate brokerage is subject to state laws and regulation. See Exhibit I for a list of state laws. It is also subject to the Federal laws, including, without limitation, the Real Estate Settlement Procedures Act, commonly known as RESPA, and the Fair Housing Act.

F. General Market for Your Services and General Description of Your Competition.

~~Pmdontial-Roal-Estato~~Our franchisees will compete with other companies offering residential real estate brokerage services including other national and international franchise networks.

G. Your Owner's Obligations.

If You are a corporation, partnership, limited liability company or other type of legal entity, each Principal who owns or later acquires more than 10% of the outstanding equity or voting interests of the entity must sign a copy of our Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee at page 41 and 42 of the Franchise Agreement, agreeing among other things, to jointly and severally personally guaranty the entity's obligations to us under all contracts that the entity signs with us.

Item 2: BUSINESS EXPERIENCE

Graham Badun – Director

Mr. Badun has been a Director since December 6, 2011. He has been the Managing Partner and CEO of Brookfield Residential Property Services in Toronto, Ontario, Canada since October 1998.

James J. Mallozzi

Thomas A. Hogan – Director, Chairman of the Board

~~Mr. Mallozzi joined Pmdontial-Roal-Estate-Affiliates, Inc. in October 2009 and was appointed Chairman of the Board and Director. From January 1, 2008 to October 2009, Mr. Mallozzi served as Senior Vice President and Head of Institutional Solutions Group for Prudential Retirement in Hartford, Connecticut. From October 2005 to December 31, 2007, Mr. Mallozzi served as Senior Vice President, Marketing, Product and Advisory Services of Prudential Retirement in Hartford, Connecticut. From June 2004 to September 2005, Mr. Mallozzi served as Senior Vice President and Chief Marketing and Strategy Officer of Prudential Retirement in Hartford, Connecticut.~~Hogan has been our Director, Secretary and General Counsel since December 6, 2011. Mr. Hogan served as General Counsel at GMAC Home Services from November 1998 until October 2010, and has been General Counsel at Brookfield Residential Property Services in Morristown, NJ since October 2010.

Earl W. Lee – Director, President

In January 2009, Mr. Lee was re-appointed President. He had previously held the position of President from May 2000 until January 2007 and has been was a member of the Board of Directors since May 2000.

Charles E. Larson — Director, Executive Vice President and Chief Financial Officer

Mr. Larson has been a member of the Board of Directors of Prudential Real Estate Affiliates, Inc. since December 2003 and has been Executive Vice President and Chief Financial Officer since January 2004. From 1999 until December 2003, Mr. Larson was Vice President and Comptroller.

Louis F. Gonzalez — Senior Vice President, Sales and Service Operations — North America

In March 2008, Mr. Gonzalez was appointed Senior Vice President, Sales & Services Operations — North America. Mr. Gonzalez joined Prudential Real Estate Affiliates, Inc. in August 2007 and was appointed Senior Vice President for Strategic Initiatives and interim President of the Western Region. From April 2005 to August 2007, Mr. Gonzalez served as Vice President of Affiliate Services for Sotheby's International Realty Affiliates, LLC in Parsippany, New Jersey. From August 2004 to April 2005, Mr. Gonzalez served as Vice President of Membership Sales for Sotheby's International Affiliates, LLC in Parsippany, New Jersey. From July 2001 to August 2004, Mr. Gonzalez served as Vice President of Franchise Development for Coldwell Banker Corporation in Parsippany, New Jersey.

Michael E. Wasenius — Senior Vice President, General Counsel and Secretary

Mr. Wasenius has held the office of Senior Vice President, General Counsel and Secretary since February 1998. He is also Executive Vice President, General Counsel and Secretary of Prudential Relocation, Inc. and has held this position since October 2001. His office is located in Shelton, Connecticut.

David S. Beard — Vice President, Corporate Counsel and Assistant Secretary

Mr. Beard has held the office of Vice President, Corporate Counsel and Assistant Secretary since September 2004. Mr. Beard was an Associate Attorney with Snell & Wilmer, L.L.P. in Irvine, California from June 1998 until August 2004.

Patricia M. Mansur-Brown — Vice President, Corporate Counsel and Assistant Secretary

Ms. Mansur-Brown has held the office of Vice President, Corporate Counsel and Assistant Secretary since March 2001.

Melody McWilliams — Vice President, Support Services

Ms. McWilliams has been Vice President of Support Services since January 2007. She was promoted Vice President in April 2004. She held the position of Assistant Cashier from January 2002 to April 2004. Ms. McWilliams was Director, Franchise Operations until April 2004.

Peter J. Sanford Lois A. Stevens — Vice President, Credit and Investments

Mr. Sanford has been Vice President of Credit and Investments since January 1997. Lois A. Stevens — Vice President, Financial Reporting and Controller

Ms. Stevens has held the office of Vice President, Financial Reporting and Controller since September 2005. From May 2004 to May 2005, Ms. Stevens served as Vice President, Internal Audit for Triple Net Properties, LLC in Costa Mesa, California. From July 1987 to February 2004, she served in various senior management roles including Vice President Finance for McCormick and Company, Inc. in Anaheim, California and Hunt Valley, Maryland.

Bernard J. Jacob – Treasurer

Mr. Jacob has been an employee of Prudential since January 2002 and has held various positions within the organization. He is Senior Vice President and was appointed Treasurer at Prudential Financial, Inc. in August 2006. Mr. Jacob served as the Senior Financial Officer for Prudential's U.S. Individual Life and Annuities business segments until March 2004. Upon joining Prudential in 2002, Mr. Jacob assumed responsibility for developing and coordinating strategic business planning and development activities for Prudential's Insurance Division.

Keith M. Smith – Senior Vice President – Business Development

In December 2008, Mr. Smith became Senior Vice President – Business Development. From March 2008 to December 2008, Mr. Smith was President of the Southern Region. From January 2007 to February 2008, Mr. Smith was President of the Central Region. In March 2002, he was appointed Regional Vice President, Eastern Region Sales. Until March 2002, he was Regional Vice President, Network Development for the Eastern Region.

Item 3: LITIGATION

Except for the 2233 actions described below, there is no litigation that must be disclosed in this disclosure document.

Pending Actions

There are no actions pending against us that must be disclosed in this disclosure document.

Litigation Against Franchisees Commenced in the Past Fiscal Year

Prudential Real Estate Affiliates, Inc. v. Mason McDuffie Real Estate, Inc., Mason McDuffie Real Estate, Inc., Tahoe/Truckee Resort Properties, Tri-Valley Realty Group, Sacramento Area Realty Group, Nor-Cal Realty Group, A. David Cobo, Edmond Krafchow, Resort Properties 6229, Inc., MCM Partners, Inc., Capital Area Realty, Inc., and Finnegan's Rainbow, Inc. (Superior Court of California, County of Orange, Case No. 30-2010-00413451). Mason McDuffie Real Estate, Inc., a California corporation ("MMRE") was a PREA franchisee. Mason McDuffie Real Estate, Inc., a Nevada corporation, Tahoe/Truckee Resort Properties, Tri-Valley Realty Group, Sacramento Area Realty Group, and Nor-Cal Realty Group (collectively, the "co-franchisees"), were co-franchisees with MMRE under the franchise agreement with PREA. Resort Properties 6229, Inc., MCM Partners, Inc., Capital Area Realty, Inc., and Finnegan's Rainbow, Inc. were general partners with MMRE in the general partnership co-franchisees. Edmond Krafchow and A. David Cobo are principals and/or officers of MMRE and executed guaranties in favor of PREA for amounts due under PREA's Franchise Agreement with MMRE and the co-franchisees. ("PREA") v. Cerdano Realty LLC, a Massachusetts limited liability company ("Cerdano Realty"), Pedro Cerdano, and Carolina Cerdano aka Carolina Pedro (Case No. CV11-02687 GHK (cwx)) United States District Court for the Central District of California). Cerdano Realty was a franchisee of

PREA. On March 30, 2011, PREA filed a complaint against Cordano Realty, Pedro Cordano, and Carolina Cordano aka Carolina Pedro seeking damages for Breach of Contract, Breach of Contract, Account Stated and Open Book Account, arising out of the defendants' failure to pay various sums due PREA under the franchise agreement and guarantees. On July 22, 2011, the court entered a default judgment against Cordano Realty, Pedro Cordano, and Carolina Cordano aka Carolina Pedro in the full amount of PREA's claim.

~~On September 30, 2010, PREA filed a complaint against the defendants seeking damages for breach of contract, account stated, and open book account. PREA's claims arose out of defendants' failure to pay various sums due to PREA pursuant to MMRE and the co-franchisee's franchise agreement, a promissory note, and repayment guarantees. The defendants filed an answer to the complaint and asserted various affirmative defenses. MMRE and Edmond Krafchow also filed a cross-complaint against PREA for recovery of usurious interest and for declaratory relief. PREA denied the allegations contained in the answers and cross-complaint. PREA filed a demurrer to the cross-complaint. On January 21, 2011, the court issued an order granting PREA's application for a right to attach order against MMRE, Edmond Krafchow and A. David Cobo in the amount of \$968,353.69.~~

Prudential Real Estate Affiliates, Inc. ("PREA") v. Lehman Realty Services, Inc. ("LRS"), Jerry N. Lehman aka Jerry Lehman aka Jerome N. Lehman aka Jerome Lehman ("Mr. Lehman"), and Elizabeth Lehman ("Ms. Lehman") (Case No. CV 11-02679 SVW (FFMx) United States District Court for the Central District of California). LRS was a franchisee of PREA doing business in Florida. On March 30, 2011, PREA filed a Complaint against LRS, Mr. Lehman, and Ms. Lehman, seeking damages for Breach of Contract, Breach of Contract, Account Stated, and Open Book Account, arising out of the defendants' failure to pay the outstanding amounts owing on certain promissory notes and failure to pay various sums due PREA under two franchise agreements and guarantees. On July 25, 2011, Ms. Lehman filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Florida (Case No. 11-30551 (EPK)). Thus, PREA's action in the Central District of California is stayed as to Ms. Lehman. On August 26, 2011, PREA filed a motion for summary judgment against Mr. Lehman and a motion for default judgment against LRS. Prior to the Court deciding these motions, Mr. Lehman, LRS, and PREA reached a settlement agreement. Mr. Lehman and LRS agreed to a stipulated judgment in favor of PREA. On September 23, 2011, the Court entered judgment in favor of PREA and against Mr. Lehman and LRS, jointly and severally.

The Prudential Insurance Company of America, Inc. ("Prudential") and Prudential Real Estate Affiliates ("PREA"), Inc. v. Corman Associates, Inc. ("Corman"), William W. Sieg, and Melissa A. Sieg (Case No. SACV 11-636 DOC (FFMx) United States District Court for the Central District of California). Corman was a franchisee of PREA doing business in Pennsylvania. On April 25, 2011, Prudential and PREA filed a Complaint against Corman, William W. Sieg, and Melissa A. Sieg seeking damages for Breach of Contract for the defendants' failure to pay the outstanding amounts owing on a promissory note and failure to pay various sums due PREA under the franchise agreement and guarantee. PREA and Prudential also sought injunctive relief for the defendants' infringement of Prudential's and PREA's state and federal trade names and service marks. The Court granted default judgment against the defendants and entered judgment in favor of PREA and against the defendants. Moreover, the Court granted preliminary injunction enjoining the defendants' use of Prudential's and PREA's state and federal trade names and service marks.

The Prudential Insurance Company of America, Inc. ("Prudential") and Prudential Real Estate Affiliates, Inc. ("PREA") v. VonMatt Partners, Inc. ("VonMatt"), Michael C. Von Hollen, and Herbert C. Von Hollen (Case No. SACV 11-00974 DOC (RNBx) United States District Court for the Central District of California). VonMatt was a franchisee of PREA doing business in Iowa. On June 29, 2011, Prudential and PREA filed a Complaint against VonMatt, Michael C. Von Hollen, and Herbert C. Von Hollen seeking damages for Breach of Contract for the defendants' failure to pay the outstanding amounts owing on certain promissory notes and failure to pay various sums due PREA under the franchise agreement and guarantee. PREA and Prudential also sought injunctive relief for the defendants' infringement of Prudential's and PREA's state and federal trade names and service marks. The defendants failed to respond to the Complaint. The defendants did, however, stop using PREA's and Prudential's state and federal trade names and service marks. On November 1, 2011, the Court entered default judgment in favor of PREA and against the defendants.

Prudential Real Estate Affiliates, Inc. ("PREA") v. Brendan M. Loughran, Jr. and Loughran & Assoc. Real Estate, Inc. aka Loughran & Associates Real Estate, Inc. ("Loughran & Assoc.") (Case No. SACV 11-1015 AG (MLGx) United States District Court for the Central District of California). Loughran & Assoc. was a franchisee doing business in Massachusetts. On July 8, 2011, PREA filed a Complaint against Loughran & Assoc. and Brendan M. Loughran, Jr. seeking damages for Breach of Contract, Account Stated, and Open Book Account, arising out of the defendants' failure to pay various sums due PREA under the franchise agreement and guarantee. On October 21, 2011, PREA filed a motion for default judgment against the defendants seeking the amounts alleged in the Complaint. PREA's motion for default judgment is currently set for hearing on November 21, 2011.

Prudential Real Estate Affiliates, Inc. ("PREA") v. Fulton Murray (Case No. SACV 11-1452 AJVS (MLGx) United States District Court for the Central District of California). Fulton Murray was the principal owner of a former franchisee doing business in New Mexico. On September 21, 2011, PREA filed a Complaint against Fulton Murray seeking damages for Breach of Contract, Account Stated, and Open Book Account, arising out of Fulton Murray's failure to pay the outstanding amounts owing on certain promissory notes and failure to pay various sums due PREA under his guarantee of the franchise agreement. The action is still pending.

Prudential Real Estate Affiliates, Inc. ("PREA") v. Nutec Enterprises, Inc. ("Nutec") and Roxie Ramey (Case No. 30-2011-00513448 in the Superior Court of California, County of Orange, Central Judicial District). Nutec was a franchisee doing business in California. On October 6, 2011, PREA filed a Complaint against Nutec and Roxie Ramey seeking damages for Breach of Contract, Account Stated, and Open Book Account, arising out of the defendants' failure to pay the outstanding amounts owing on a promissory note and failure to pay various sums due PREA under the franchise agreement and guarantee. The defendants' response to the Complaint is currently due on November 28, 2011.

The parties reached a settlement of the dispute pursuant to which PREA was paid \$1,900,000 by MMRE. The parties also stipulated to a judgment against defendants and cross-complainants Mason-McDuffie Real Estate, Inc., a California corporation, and Edmond Krafchow, and defendant Mason-McDuffie Real Estate, Inc., a Nevada corporation, for an additional \$100,000 payable on or before August 1, 2011. A final judgment was entered against defendants and cross-complainants Mason-McDuffie Real Estate, Inc., a California corporation, and Edmond Krafchow, and defendant Mason-McDuffie Real Estate, Inc., a Nevada corporation, in favor of PREA, the cross-complaint against PREA was dismissed with prejudice, and the complaint against A. David Gebe, Tahoe/Truckee Resort Properties, Tri-Valley Realty

Group, Sacramento Area Realty Group, and Nor-Cal Realty Group, Resort Properties-6229, Inc., MCM Partners, Inc., Capital Area Realty, Inc., and Finnegan's Rainbow, Inc. was dismissed with prejudice. Prudential Real Estate Affiliates, Inc. ("PREA") v. South O'Town Realty Company, Inc. ("South O'Town") and Katherine R. Sanders (Case No. SACV 11-01558 DOC (RNBx) United States District Court for the Central District of California). South O'Town was a franchisee doing business in Alabama. On October 7, 2011, PREA filed a Complaint against South O'Town and Katherine R. Sanders seeking damages for Breach of Contract, Account Stated, and Open Book Account, arising out of the defendants' failure to pay the outstanding amounts on a promissory note and failure to pay various sums due PREA under the franchise agreement and guarantee. The defendants' response to the Complaint is currently due on November 18, 2011.

Prudential Real Estate Affiliates, Inc. v. Carter-Duffey, Inc., dba Prudential Carter-Duffey-Realtors, Bon Carter, and Joe H. Duffey Glacier Real Estate and E. Kits Smith (Superior Court of California, County of Orange, Case No. 30-2010-00401880)-2011-00499531). Lawsuit filed on August 23, 2010, 12, 2011 against former franchisee Glacier Real Estate and E. Kits Smith (guarantor of franchise agreement) for breach of contract, (franchise agreement), breach of contract (personal guarantee), and account stated, and open-book account. The complaint alleged that defendants failed to pay all royalty fees, advertising fees, late charges, and agreed upon procedure fees owed to Prudential Real Estate Affiliates, Inc. On September 19, 2011, the Court entered a default judgment in favor of Prudential Real Estate Affiliates, Inc. and against Glacier Real Estate and E. Kits Smith for \$72,582.88.

The Prudential Insurance Company of America ("Prudential") and Prudential Real Estate Affiliates, Inc. ("PREA") v. Security-Pacific Mortgage Infinity Funding Corporation and Michael P. Dolan Vijay Patel (United States District Court, Central District of California, Case No. SACV10-01068-DOC (RNBx)). Lawsuit filed on July 10, 2010 for breach of contract against franchisee 11-00566 JVS (RNBx)). Lawsuit filed on April 12, 2011 for breach of contract against former franchisee (Infinity Funding Corporation) ("Infinity"), breach of contract against guarantor (Vijay Patel) ("Patel"), infringement of federally registered trademarks, violation of Lanham Act by use of false designation in interstate commerce, dilution of federally registered mark, unfair competition by violation of California Business & Professions Code section 17200, and common law trademark and trademark infringement. The parties reached a settlement of the dispute with defendants paying certain sums to PREA. The parties also stipulated to entry of a final judgment for permanent injunction against defendants Security-Pacific Mortgage Corporation and Michael P. Dolan. On October 28, 2010, the Court entered the final judgment for permanent injunction against defendants Security-Pacific Mortgage Corporation and Michael P. Dolan, and in favor of PREA trade name infringement. The complaint alleged that Infinity breached its contractual obligations under the franchise agreement by failing to report gross revenues and failing to pay all royalties, advertising fees, and other fees owed; that Vijay Patel breached his obligations under the guarantee; and that Infinity wrongfully continued to use Prudential's trademarks following termination of the franchise agreement. On April 27, 2011 Prudential and PREA filed a motion for preliminary injunction to enjoin defendants from using Prudential's trademarks, and related relief. On or about May 31, 2011, the Court granted Prudential and PREA's motion for preliminary injunction. On July 28, 2011, defendants each filed voluntary petitions under Chapter 7 of the United States Bankruptcy Code. The bankruptcy matters are United States Bankruptcy Court for the Central District of California Case Numbers 2:11-bk-42309-BB (Patel) and 2:11-bk-42316-BB (Infinity). On August 16, 2011, the Central District of California issued an order staying the action (SACV11-00566 JVS) pending the bankruptcy proceedings, removing the action (SACV11-00566 JVS) from the active caseload, and

directing the parties to file status reports. On September 29, 2011, the United States Bankruptcy Court for the Central District of California issued an order closing case no. 2:11-bk-42316-BB(Infinity).

Prudential Real Estate Affiliates, Inc. v. Paul Bermudez (Superior Court of California, County of Orange, Case No. 30-2010-00385781). Lawsuit filed on June 29, 2010 for breach of contract, account stated, and open book account. On December 20, 2010, the Court entered a judgment against Paul Bermudez and in favor of PREA in the amount of \$160,158.85, plus interest at the rate of 10% per annum.

Prudential Real Estate Affiliates, Inc. v. Strange & Associates, LLC dba Prudential Texas Properties, also dba Strange Realty Group, Connie Strange, and Mike Strange (Superior Court of California, County of Orange, Case No. 30-2010-00384283). Lawsuit filed on June 24, 2010 for breach of contract, account stated, and open book account. The parties reached a settlement of the dispute with defendants paying certain sums to PREA. The parties also stipulated to entry of a judgment against defendants Strange & Associates, LLC, Connie Strange and Mike Strange. On March 11, 2011, a final judgment was entered against defendants Strange & Associates, LLC, Connie Strange and Mike Strange, and in favor of PREA, in the sum of \$62,638.93, plus interest. ("PREA") v. PPM Real Estate, Inc. dba Prudential California Realty ("PPM") and Raymond D. Smith (Case No. 30-2011-00524815 in the Superior Court of California, County of Orange, Central Judicial District). PPM is a franchisee doing business in the State of California as Prudential California Realty. On November 22, 2011, PREA filed a Complaint against PPM and Raymond D. Smith seeking damages for Breach of Contract, Account Stated, and Open Book Account, arising out of the defendants' failure to pay various sums due PREA under the franchise agreement and guarantee. The action is pending.

Other Actions

Mason-McDuffie Real Estate, Inc. v. Don Cruz Datanagan and Gretchen Pearson (Superior Court of California, County of Alameda, Case No. 10538663). On September 28, 2010, MMRE filed a complaint against defendants Don Cruz Datanagan and Gretchen Pearson for breach of contract, intentional interference with contract, violation of Uniform Trade Secrets Act, and unfair competition. MMRE requested unspecified damages and injunctive relief. On October 1, 2010, MMRE filed an amendment to the complaint, naming PREA as DOE 1. On October 29, 2010, PREA filed a motion to quash the service of the summons and complaint. On December 3, 2010, the court granted PREA's motion to quash. This action was dismissed with prejudice in its entirety on February 8, 2011.

Concluded Actions

The Prudential Real Estate Affiliates, Inc. v J. Michael Sentell, The J. Michael Sentell Living Trust and Real Estate Central (Case No. 00 CC 11002 Superior Court of California, County of Orange, Central Justice Center). On September 13, 2000, The Prudential Real Estate Affiliates, Inc. (now "PRERS") filed a complaint seeking damages against J. Michael Sentell, individually and in his capacity as Trustee for The J. Michael Sentell Living Trust, doing business as Real Estate Central. J. Michael Sentell, Trustee on behalf of The J. Michael Sentell Living Trust, was a former franchisee who ceased affiliating as a PRERS franchisee, and failed to pay future royalties. Additionally, the former franchisee continued to identify itself as "formerly Prudential" in its advertising. PRERS' Complaint alleged breach of contract and claim on guarantee. On December 4, 2000, J. Michael Sentell, individually and in his capacity as Trustee for The J. Michael Sentell Living Trust ("Sentell"), filed an Answer and Cross-Complaint (under the same case number) against PRERS, alleging breach of the franchise agreement,

fraudulent conduct and unlawful business practices. On March 29, 2001, PRERS and Sentell reached a settlement agreement, and Sentell paid PRERS \$13,000.

Stacy, Inc. d/b/a Pmdential Premier Properties v The Pmdential Real Estate Aftiliates, Inc., Prudential Referral Services, Inc., GH III Management, L.L.C. and Greater Houston III, L.P. (Cause No. 2002-03960 61st District Court of Harris County, Texas). Stacy, Inc. ("Stacy") is a franchisee doing business as Pmdential Premier Properties in the greater Houston, Texas area. Greater Houston III, L.P. is also a franchisee doing business as Pmdential Gary Greene, REALTORS, ("Gary Greene") in the greater Houston, Texas area. Stacy's Complaint alleged violations of the Deceptive Trade Practices Consumer and Protection Act, common law fraud, negligent misrepresentation, negligence, civil conspiracy, breach of contract regarding The Pmdential Real Estate Aftiliates, Inc.'s (now "PRERS") expansion into the greater Houston area. The complaint concerned disputes regarding the distribution of relocation and broker-to-broker referrals in the greater Houston area following the sale of a franchise to Gary Greene in February 2000. Stacy sought damages and attorneys' fees. The parties reached a settlement in September 2002. In the settlement, PRERS agreed to pay Stacy Mathews \$100,000 to cover all claims for any alleged past wrongs and for attorneys' fees.

Florence Nadler, Inc. d/b/a Pmdential Centennial Realty v. The Pmdential Real Estate Aftiliates, Inc.; Rand Real Estate Services, Inc.; Marsha Rand; Joseph Rand; Matthew Rand; and Greg Rand (Index No. 3065/03 Supreme Court of the State of New York, County of Westchester). On March 19, 2003, Pmdential Centennial Realty ("Centennial") tiled a Complaint seeking damages or injunctive relief against The Pmdential Real Estate Aftiliates, Inc. (now "PRERS"), Rand Real Estate Services, Inc., doing business as Pmdential Rand Realty ("Rand"), and individual shareholders of Rand ("Rand defendants"). Centennial is a franchisee doing business in and around Scarsdale, New York. Rand is a franchisee doing business in and around the New City, New York area. Plaintiff's Complaint alleged breach of contract against PRERS, unfair competition, deceptive trade practices, intentional interference with prospective economic advantage against all defendants, intentional interference with contract and unjust enrichment against the Rand defendants only. The Complaint was centered around disputes regarding the opening of an office by the Rand defendants in the Yonkers, New York area. The parties settled the case on August 15, 2003. PRERS paid Centennial \$50,000, and provided a credit of \$50,000 toward continuing royalties.

The Pmdential Real Estate Aftiliates, Inc. v PPR Realty, Inc.; Ronald Croushore; Helen Sosso; and Kathy McKenna (Case No. SA-CV98-775 AHS (EEx) United States District Court, Central District of California). On October 9, 1998, The Pmdential Real Estate Aftiliates, Inc. (now "PRERS") tiled a Complaint seeking damages and injunctive relief against PPR Realty, Inc., Ronald Croushore, Helen Sosso, and Kathy McKenna. PPR Realty, Inc. ("PPR") is a franchisee doing business in Pittsburgh, Pennsylvania. Ronald Croushore, Helen Sosso, and Kathy McKenna were shareholders of PPR. PRERS' Complaint alleged breach of contract and injunctive relief/specitic performance against Kathy McKenna, and declaratory relief against all defendants, regarding PRERS' exercise of its right of first refusal with respect to the transfer of a portion of PPR's stock. The court granted PRERS' motion for preliminary injunction, enjoining the transfer of the stock in dispute during the pendency of the case. Kathy McKenna appealed the court's order issuing a preliminary injunction with the United States Court of Appeals for the Ninth Circuit (Case No. 99-55258). On February 11, 1999 Kathy McKenna tiled an Answer and Counterclaims (under the same case number) against PRERS alleging counterclaims for securities fraud under Pennsylvania law, federal mail/securities fraud, intentional interference with contractual relations, civil conspiracy, conversion, common law fraud, and federal antitmtst violation.

PRERS' motions to dismiss were granted in part and denied in part. On February 23, 2000, the United States Court of Appeals for the Ninth Circuit issued an opinion affirming the orders of the District Court, enjoining transfer of the disputed stock in PPR, and refusing to consider McKenna's motion to dissolve the preliminary injunction while that injunction was on appeal. The Ninth Circuit also denied McKenna's request for sanctions against PRERS for necessitating the appeals. McKenna refiled her Pennsylvania state law claims in the Court of Common Pleas of Allegheny County, Pennsylvania (Case No. GD00-18182); however, the action was stayed temporarily. McKenna's motion to dissolve the preliminary injunction was denied and McKenna appealed the denial of that motion. On March 1, 2002, the United States Court of Appeals for the Third Circuit issued an opinion affirming the District Court's denial of McKenna's motion to dissolve the preliminary injunction. As of October 2002, all parties had filed various motions for summary judgment. In September 2003, the Court ruled on the summary judgment motions with respect to PRERS' original complaint by granting PRERS' request for declaratory judgment and specific performance. Ronald Croushore and Helen Sosso were ordered to transfer the shares to PRERS upon satisfaction of previously agreed-to terms and conditions. The judge ruled on cross motions for summary judgment as to McKenna's cross claims and counterclaims, and found for PRERS on all counts. One small count by Kathy McKenna against Ronald Croushore and Helen Sosso remained. McKenna appealed the granting of the motions for summary judgment. All of the litigation was settled on April 19, 2004. PRERS paid no money to settle the case. PRERS received cash and Prudential Real Estate received a ten-year renewal of the PPR Realty franchise agreement in return for releasing PRERS' claims on the stock in PPR and its ancillary companies. PPR paid an undisclosed amount to McKenna in return for McKenna's sale of her stock in PPR and the ancillary companies to PPR, as well as a release of McKenna's claims against all parties, including McKenna's pending appeals.

Talat S. Siddiqui, Walter J. Williams, A California General Partnership, and AMNA Capital Corporation v The Prudential Real Estate Affiliates, Mason-McDuffie Real Estate, Inc., and Does 1-100, inclusive (Case No. 02AS00324 Sacramento County Superior Court). On January 16, 2002, Talat S. Siddiqui, et al ("Plaintiffs") filed a Complaint seeking damages and injunctive relief against The Prudential Real Estate Affiliates, Inc., (now "PRERS") et al. AMNA Capital Corporation is a franchisee doing business in and around Sacramento, California as Prudential California Realty. Talat Siddiqui and Walter J. Williams are franchisees doing business in and around Placerville, California as Prudential California Realty. Defendant Mason-McDuffie is a franchisee doing business in and around Sacramento, California (among other areas) as Prudential California Realty. Plaintiffs' Complaint alleged breach of contract, breach of the covenant of good faith and fair dealing, intentional and negligent misrepresentation, intentional interference with prospective economic advantage, unfair business practices, and injunctive relief, all centering around disputes regarding the opening of an office by defendant Mason-McDuffie in the Laguna area of Elk Grove, California. Plaintiffs sought the issuance of a temporary restraining order to force the closure of Mason-McDuffie's Laguna office, which was denied. On PRERS' motion, the case was transferred to the Orange County Superior Court (Case No. 02CC05695), pursuant to the forum selection clause in the franchise agreement. On January 15, 2002, Mason-McDuffie filed a Complaint for declaratory relief, alleging that a dispute had arisen between Mason-McDuffie, AMNA Capital Corporation, Talat S. Siddiqui, Walter J. Williams, and PRERS, Mason-McDuffie Real Estate, Inc. v. AMNA Capital Corporation, Talat S. Siddiqui and Walter J. Williams, a California Partnership, and The Prudential Real Estate Affiliates, Inc., (Case No. 02CC01571, Orange County Superior Court), regarding the terms and effect of a letter agreement among the parties, which dealt with the opening and operation of brokerage offices by Mason-McDuffie, AMNA, and Siddiqui and Williams. PRERS answered Mason-McDuffie's Complaint, and filed a cross-complaint for declaratory relief, asking the court to

determine the terms of the letter agreement, and to determine the parties' rights and obligations. AMNA, Siddiqui and Williams filed a cross complaint for declaratory relief against PRERS. A trial of Mason-McDuffie's Complaint was held in December 2002 and the court found that PRERS had not breached any contractual or other obligation to Mason-McDuffie or AMNA, Siddiqui and Williams and that Mason-McDuffie had not breached any agreement with AMNA, Siddiqui and Williams by opening the office in Elk Grove, California. On June 19, 2003, AMNA, Siddiqui and Williams filed a Notice of Appeal in the California state appellate court, Fourth Appellate District, Division Three. On July 18, 2003, the trial court denied PRERS' motion for attorney's fees and PRERS appealed this decision. On June 1, 2004, a settlement agreement was reached. PRERS paid \$20,500 to Siddiqui and Mason-McDuffie paid \$20,500 to Siddiqui. All litigation between all parties was dismissed, including appeals.

M.L.B. Kaye International Realty, Inc. d/b/a Pmdential MLB Kaye Intemafional Realty v The Pmdential Real Estate Affiliates, Inc. and The Pmdential Insurance Company of America (Complaint No. 03106845 Supreme Court of the State of New York, County of New York). On April 11, 2003, M.L.B. Kaye International Realty, Inc. ("MLB Kaye"), a former franchisee of The Pmdential Real Estate Affiliates, Inc. (now "PRERS"), filed a Complaint against PRERS and Pmdential Insurance, alleging breach of fiduciary duty, violation of the covenant of good faith and fair dealing, tortious interference, and failure to provide expansion support. MLB Kaye seeks damages and other relief. PRERS and Pmdential Insurance filed motions to dismiss on several grounds. On March 1, 2004, PRERS' and Pmdential Insurance's motions to dismiss were granted, without prejudice. In addition, PRERS' and Pmdential's request for a stay of litigation pending compliance with the ADR provisions was granted. MLB Kaye's appeal of the granting was dismissed after PRERS agreed to mediate the dispute in New York City, which took place on March 10, 2005. The parties settled the dispute with PRERS paying MLB Kaye \$75,000. All parties have executed mutual general releases.

Direct Sell, Inc. dba Prudential Florida Real Estate Center v. The Pmdential Real Estate Affiliates, Inc., (Case No. 04CC08927, Orange County, California, Superior Court). On August 26, 2004, Direct Sell, Inc. dba Pmdential Florida Real Estate Center ("Direct Sell"), a franchisee of PREA, filed a complaint against The Pmdential Real Estate Affiliates, Inc. for declaratory relief, breach of contract, breach of contract/anticipatory repudiation, breach of implied covenant of good faith and fair dealing, estoppel, promissory estoppel, fraud, negligent representation, and unfair business practices. Direct Sell claimed that PREA promised it certain renewal and exclusivity rights for its franchise other than the rights reflected in its written franchise agreement with PREA. Direct Sell voluntarily dismissed its complaint without prejudice against PREA on December 8, 2004 and no relief was granted against PREA. The court awarded PREA its costs in this matter in the amount of \$9,213.91.

The Pmdential Real Estate Affiliates, Inc. v Steven S. Oehlerking and Barbara Oehlerking (Case No. 03-8989-8WI (Chapter 11) United States Bankruptcy Court for the Middle District of Florida Tampa Division). On June 18, 2003, The Pmdential Real Estate Affiliates, Inc. (now "PRERS") filed an action against Steven and Barbara Oehlerking in the state circuit court in and for Pasco County, Florida (Case No. 51-2003-CA-001801). PRERS' claim is for the balance due under a Term Note executed by PRERS' former franchisee, Apartment Hunters, Inc., which note was personally guaranteed by the Oehlerkings in their individual capacity. The Oehlerkings then removed the case to the Bankruptcy Court for the middle district of Florida Tampa Division claiming that PRERS' claim against the Oehlerkings was related to the bankruptcy of Apartment Hunters, Inc. On August 26, 2003 Apartment Hunter's Inc. filed an objection and counterclaim to PRERS' proof of claim as well as a separate adversary proceeding claiming Breach of Contract, Fraudulent Inducement and Rescission. In January 2005, PRERS and Apartment Hunters

reached an agreement whereby Apartment Hunters dismissed its claim against PRERS with prejudice. Both Apartment Hunters and the Oehlerkings have declared bankruptcy, effectively preventing PRERS from pursuing its claims.

The Pmdential Insurance Company of America; Pmdential Real Estate Aftiliates, Inc. v. Legend Realty, Inc., dba Pmdential Legend Realty, Inc.; Amie Stein, (Case No. SACV05-830 DOC (ANx) United States District Court, Central District of California). On August 24, 2005, The Pmdential Insurance Company of America ("Pmdential") and Pmdential Real Estate Aftiliates, Inc. ("PREA") tiled an action (the "Action") against Legend Realty, Inc., dba Pmdential Legend Realty, Inc., a franchisee of PREA in Colorado, and Legend Realty's principal and guarantor, Amie Stein. PREA seeks damages against Legend and Stein for breach of contract for unauthorized closure of their PREA franchised offices, failure to pay royalties, and working with a competing real estate brokerage business. Pmdential and PREA also seek damages, monetary remedies, and injunctive relief for Lanham Act and unfair competition violations based on Legend's and Stein's use of Pmdential's and PREA's names and trademarks after they stopped operating their PREA franchised business. Neither Legend nor Stein tiled an answer to the Action, but each separately tiled for bankruptcy in the United States Bankmptcy Court, District of Colorado. The Action is currently stayed while the bankmptcies are pending and the Action was statistically inactivated by the court on January 9, 2006 (though it can later be restored). Pmdential is named as an unsecured creditor in both Legend's and Stein's bankruptcy and both Pmdential and PREA are seeking resolution of their claims in the bankruptcy court. Pmdential and PREA tiled objections to Stein's claimed bankruptcy exemptions on January 13, 2006. This case settled on October 6, 2006 by Stein paying certain sums to PREA.

Premier Properties, LLC vs. Pmdential Real Estate Aftiliates, Inc. and New England Prime Properties, Inc. (Case No. 07 CC 03991 Superior Court of California, County of Orange, Central Justice Center). Premier Properties, LLC ("Premier") was a PREA franchisee which formerly did business in the Cape Cod, Massachusetts's area. New England Prime Properties, Inc. ("Prime") is also a PREA franchisee currently doing business in the state of Massachusetts and elsewhere. On March 16, 2007, Premier tiled a complaint against PREA and Prime seeking damages, injunctive relief, and, with respect to PREA, rescission of the franchise agreement between PREA and Premier. With respect to PREA, the complaint alleged violations of the California Business & Professions Code and the Massachusetts General Law, breach of contract, and breach of the covenant of good faith and fair dealing, among other things. The complaint concerned Premier's dissatisfaction with PREA's treatment of it as a franchisee, claiming that PREA improperly gave Prime a more favorable royalty fee stmcture, that PREA failed to protect Premier from injury in connection with picketing occurtng in Osterville, Massachusetts in September 2004, and that PREA otherwise breached its obligations to Premier under the franchise agreement. PREA denied the allegations asserted in the complaint. The parties reached a settlement, whereby Premier and its principal agreed to pay PREA past due royalties, fees, or other sums due under the Franchise Agreement and dismiss the entire action with prejudice, which it did on or about May 31, 2007.

The Pmdential Insurance Company of America; Pmdential Real Estate Aftiliates, Inc. v. Mason-McDuftie Real Estate, Inc.; Michael Ortegon, (Case No. SACV06-1010 CJC (MLGx) United States District Court, Central District of California). On October 18, 2006, The Pmdential Insurance Company of America ("Pmdential") and Pmdential Real Estate Aftiliates, Inc. ("PREA") tiled an action (the "Action") against Mason-McDuftie Real Estate, Inc. ("franchisee"), a franchisee of PREA in California, and Michael Ortegon ("Ortegon"), an agent of the franchisee. PREA sought damages for opening an unauthorized offtice in Tuolumne, California. Pmdential and PREA also sought damages, monetary,

remedies, and injunctive relief for Lanham Act and unfair competition violations based on the franchisee's and Ortegon's wrongful use of Pmdential's and PREA's names and trademarks in the unauthorized Tuolumne, California office. The franchisee and Ortegon filed a counter-claim against Pmdential and PREA, seeking declaratory relief regarding the use of the office in Tuolumne, California to provide real estate brokerage services. The parties reached a settlement and the court dismissed the entire action without prejudice, pursuant to the parties' stipulation, on or about June 15, 2007.

Mason-McDuftie Real Estate, Inc., a California corporation; A. David Cobo, an individual; and Edmond Krafchow, an individual v. Pmdential Real Estate Aftiliates, Inc., (Case No. 07CC04669 Superior Court of the State of California in and for the County of Orange). On April 6, 2007 Mason-McDuftie Real Estate, Inc., A. David Cobo and Edmond Krafchow (collectively "MMRE") filed an action (the "Action") against Pmdential Real Estate Aftiliates, Inc. ("PREA"). MMRE seeks damages and other relief against PREA alleging Fraud, Negligent Misrepresentation, Breach of Fiduciary Duty, Breach of Contract, Intentional Interference with Economic Relations, Violation of the California Franchise Relations Act, Unjust Enrichment and Violation of California Business and Professions Code section 17200 et seq. MMRE's claims arise out of issues relating to the franchise renewal and transfers of equity interests in MMRE. On August 21, 2007 MMRE voluntarily dismissed the Action with prejudice.

Knauf Realty, LLC, Robb R. Knauf and Craig R. Knauf v. Pmdential Real Estate Aftiliates, Inc. (Civil Action No. 06 C 426C United States District Court for the Western District of Wisconsin). On July 26, 2006, Robb Knauf, Craig Knauf, and Knauf Realty LLC ("plaintiffs") filed an action in the Circuit Court of Dane County, Wisconsin, alleging that Pmdential Real Estate Aftiliates, Inc. ("PREA") representatives had promised to award plaintiffs a residential real estate brokerage franchise and alleging that plaintiffs have incurred various expenses and liabilities in reliance on the alleged promise. On August 7, 2006, PREA removed the action to the United States District Court for the Eastern District of Wisconsin. On August 18, 2006, PREA answered the complaint, denying all material allegations. On February 9, 2007, PREA moved for summary judgment in its favor, based on deposition testimony obtained from plaintiffs, and supporting deposition testimony from PREA personnel, which was granted. Plaintiff is appealing the granting of the motion. The case was settled in January 2008. PREA did not pay any money to plaintiffs to settle the case.

The Pmdential Insurance Company of America ("Pmdential") and Pmdential Real Estate Aftiliates, Inc. ("PREA") v. The Metrowide Group, E-Plus Financials, Inc., Thomas Simonsen, Kim Larsen, William L. Jorgensen and Bmce A. Jorgensen (Case No. 08-CV-6438-JMR-SRN United States District Court for the District of Minnesota). The Metrowide Group ("Metrowide") was a PREA franchisee doing business in the Minneapolis, Minnesota area. On December 19, 2008, PREA filed a complaint against Metrowide, E-Plus Financials, Inc., Thomas Simonsen, Kim Larsen, William L. Jorgensen and Bmce A. Jorgensen, and on February 3, 2009 filed an amended complaint against these same defendants seeking damages and injunctive and other relief for Breach of Contract, Infringement of Federally Registered Marks, Common Law Trademark/Tradename Infringement/Unfair Competition, Violation of Lanham Act by Use of False Designation in Interstate Commerce, Unfair Competition, Dilution of Federally Registered Mark, and Deceptive Trade Practices Act arising out of the defendants' failure to pay various sums due PREA under the franchise agreement and guarantees and continuing to display Pmdential's name and marks, without Plaintiffs' authorization and despite PREA's termination of the franchise agreement. On March 2, 2009, William L. Jorgensen and Bmce A. Jorgensen (collectively "Jorgensens") answered the complaint and filed a crossclaim against Thomas Simonsen, and a counterclaim against PREA alleging Tortious Interference with Contractual Business Relations and Tortious Interference with Prospective Contractual

Relations. A default has been entered on the amended complaint against Kim Larsen. On April 29, 2009, Thomas Simonsen filed an answer to the amended complaint. On April 30, 2009, Thomas Simonsen filed a crossclaim against the Jorgensens alleging contribution and indemnification. PREA received a stipulated judgment against The Metrowide Group and Thomas Simonsen for the full amount of its claim. PREA also settled for a discounted amount with William and Bruce Jorgensen. PREA obtained a default judgment against Larsen and E-Plus Financials, Inc.

Commercial Real Estate Solutions, LLC v Pmdential Real Estate Affiliates, Inc. (Case No. SACV-517 JRS (ANX) United States District Court Central District of California) On May 1, 2009, Commercial Real Estate Solutions, LLC ("CRES") filed an action against PREA alleging Breach of Contract and seeking Injunctive Relief. CRES filed an amended complaint on June 3, 2009. The dispute arose out of PREA's termination of the service provider agreement between CRES and PREA and CRES' allegation that commercial franchisees of PREA are wrongfully using the CRES name. While PREA believed it was within its rights to terminate the agreement for certain grounds enumerated therein, CRES believed the termination was wrongful and brought this action. The case was settled.

The Pmdential Insurance Company of America ("Pmdential") and Pmdential Real Estate Affiliates, Inc. ("PREA") v. Roger Herman, THG Florida, LLC, Miami Dade Realty II, Inc., Hector Rodriguez, The Herman Group, LLC, Hampden/Cheyenne LLC, Colorado Springs THG, LLC, Leetsdale/Liff, LLC, Arapahoe/Wadsworth LLC (Case No. 09-CV-00432-JVS-AN United States District Court for the Central District of California). The Herman Group, LLC was a PREA franchisee doing business in Colorado. Miami Dade Realty II, Inc. was a PREA franchisee doing business in Florida. On April 8, 2009, Pmdential and PREA filed a complaint against Roger Herman, THG Florida, LLC, Miami Dade Realty II, Inc., Hector Rodriguez, The Herman Group, LLC, Hampden/Cheyenne LLC, Colorado Springs THG, LLC, Leetsdale/Liff, LLC, and Arapahoe/Wadsworth LLC, seeking damages and injunctive and other relief for Breach of Contract, Intentional Interference with Contract, Negligent Interference with Contract, Infringement of Federally Registered Trademark, Violation of Lanham Act by use of False Designation in Interstate Commerce, Dilution of Federally Registered Mark, Cybersquatting in Violation of Federal Anti-Cybersquatting Consumer Protection Act, Unfair Competition by Violation of Business & Professions Code section 17200, Conunon Law Trademark and Tradename Infringement, Florida Dilution of Marks – Florida Statute 495.151, and Colorado Consumer Protection Act. These claims arise out of the defendants' failure to pay various sums due to PREA under The Herman Group's franchise agreement, as well as guarantees and promissory notes, defendants' unapproved transfer of the Miami Dade franchise to THG Florida, and defendants' continued display of Pmdential's name and marks, without Plaintiffs' authorization and despite PREA's termination of the franchise agreements. On June 4, 2009, defendants answered the complaint and The Herman Group, LLC, Hampden/Cheyenne LLC, Colorado Springs THG, LLC, Leetsdale/Liff, LLC, and Arapahoe/Wadsworth LLC filed a counterclaim against PREA alleging Breach of Contract, Breach of Covenant of Good Faith and Fair Dealing, and Unfair Competition – Violation of Business and Professions Code section 17200. The case was settled.

Pmdential Real Estate Affiliates, Inc. v. Mason-McDuffie Real Estate, Inc., Mason-McDuffie Real Estate, Inc., Tahoe/Truckee Resort Properties, Tri-Valley Realty Group, Sacramento Area Realty Group, Nor Cal Realty Group, A. David Cobo, Edmond Krafchow, Resort Properties 6229, Inc., MCM Partners, Inc., Capital Area Realty, Inc., and Finnegan's Rainbow, Inc. (Superior Court of California, County of Orange, Case No. 30-2010-004J3151). Mason-McDuffie Real Estate, Inc., a California corporation ("MMRE") was a PREA franchisee. Mason-McDuffie Real Estate, Inc., a Nevada corporation, Tahoe/Truckee Resort Properties, Tri-Valley Realty Group, Sacramento Area Realty Group, and Nor Cal

Realty Group (collectively, the "co-franchisees"), were co-franchisees with MMRE under the franchise agreement with PREA. Resort Properties 6229, Inc., MCM Partners, Inc., Capital Area Realty, Inc., and Finnegan's Rainbow, Inc. were general partners with MMRE. In the general partnership co-franchisees, Edmond Krafchow and A. David Cobo are principals and/or officers of MMRE and executed guaranties in favor of PREA for amounts due under PREA's Franchise Agreement with MMRE and the co-franchisees.

On September 30, 2010, PREA filed a complaint against the defendants seeking damages for breach of contract, account stated, and open book account. PREA's claims arose out of defendants' failure to pay various sums due to PREA pursuant to MMRE and the co-franchisee's franchise agreement, a promissory note, and repayment guaranties. The defendants filed an answer to the complaint and asserted various affirmative defenses. MMRE and Edmond Krafchow also filed a cross-complaint against PREA for recovery of usurious interest and for declaratory relief. PREA denied the allegations contained in the answers and cross-complaint. PREA filed a demurrer to the cross-complaint. On January 21, 2011, the court issued an order granting PREA's application for a right to attach order against MMRE, Edmond Krafchow and A. David Cobo in the amount of \$968,353.69.

The parties reached a settlement of the dispute pursuant to which PREA was paid \$1,900,000 by MMRE. The parties also stipulated to a judgment against defendants and cross-complainants Mason-McDuffie Real Estate, Inc., a California corporation, and Edmond Krafchow, and defendant Mason-McDuffie Real Estate, Inc., a Nevada corporation for an additional \$100,000 payable on or before August 1, 2011. A final judgment was entered against defendants and cross-complainants Mason-McDuffie Real Estate, Inc., a California corporation, and Edmond Krafchow, and defendant Mason-McDuffie Real Estate, Inc., a Nevada corporation, in favor of PREA, the cross-complaint against PREA was dismissed with prejudice, and the complaint against A. David Cobo, Tahoe/Timkeec Resort Properties, Tri-Valley Realty Group, Sacramento Area Realty Group, and Nor Cal Realty Group, Resort Properties 6229, Inc., MCM Partners, Inc., Capital Area Realty, Inc., and Finnegan's Rainbow, Inc. was dismissed with prejudice.

The Prudential Insurance Company of America ("Prudential") and Prudential Real Estate Affiliates, Inc. ("PREA") v. Security Pacific Mortgage Corporation and Michael P. Dolan (United States District Court, Central District of California, Case No. SACV10-01068 DOC (RNBx)). Lawsuit filed on July 10, 2010 for breach of contract against franchisee, breach of contract against guarantor, infringement of federally registered trademarks, violation of Lanham Act by use of false designation in interstate commerce, dilution of federally registered mark, unfair competition by violation of Business & Professions Code section 17200, and common law trademark and trademark infringement. The parties reached a settlement of the dispute with defendants paying certain sums to PREA. The parties also stipulated to entry of a final judgment for permanent injunction against defendants Security Pacific Mortgage Corporation and Michael P. Dolan. On October 28, 2010, the Court entered the final judgment for permanent injunction against defendants Security Pacific Mortgage Corporation and Michael P. Dolan, and in favor of PREA.

Prudential Real Estate Affiliates, Inc. ("PREA") v. Carter Duffey, Inc., a Missouri corporation doing business in the state of Missouri as Prudential Carter-Duffey Realtors ("Carter-Duffey"), Ben Carter, and Joe H. Duffey (Case No. 30-2010-00401880 Superior Court of California County of Orange, Central Justice Center). Carter-Duffey was a franchisee of PREA doing business as Prudential Carter-Duffey Realtors in Missouri. On August 23, 2010, PREA filed a complaint against Carter-Duffey, Ben Carter, and Joe H. Duffey seeking damages for Breach of Contract, Account Stated and Open Book Account, arising out of the defendants' failure to pay various sums due PREA under the franchise agreement and

guarantees. On June 30, 2011, the parties entered into a settlement agreement whereby the defendants will pay sums to PREA over time.

Prudential Real Estate Affiliates, Inc. v. Paul Bermudez (Superior Court of California, County of Orange, Case No. 30-2010-00385781). Lawsuit filed on June 29, 2010 for breach of contract, account stated, and open book account. On December 20, 2010, the Court entered a judgment against Paul Bermudez and in favor of PREA in the amount of \$160,158.85, plus interest at the rate of 10% per annum.

Prudential Real Estate Affiliates, Inc. v. Strange & Associates, LLC dba Prudential Texas Properties, also dba Strange Realty Group, Connie Strange, and Mike Strange (Superior Court of California, County of Orange, Case No. 30-2010-00384283). Lawsuit filed on June 24, 2010 for breach of contract, account stated, and open book account. The parties reached a settlement of the dispute with defendants paying certain sums to PREA. The parties also stipulated to entry of a judgment against defendants Strange & Associates, LLC, Connie Strange and Mike Strange. On March 11, 2011, a final judgment was entered against defendants Strange & Associates, LLC, Connie Strange and Mike Strange, and in favor of PREA, in the sum of \$62,638.93, plus interest.

Item 4: BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code, or proceedings of any foreign nation, required to be disclosed at this time.

Item 5: INITIAL FEES

Initial Fees are all fees and payments, or commitments to pay, for services or goods that You receive from us, or any of our affiliates, before You begin doing business under ~~our~~the Service Marks. We determine Initial Fees in a uniform manner. Initial Fees are not refundable.

Initial Franchise Fee

The Initial Franchise Fee for the first Location of the Franchise is \$25,000. The fee for the first Additional Location is \$12,500 and the fee for each subsequent Additional Location will be \$7,500. Under certain circumstances, ~~Prudential-Real-Estate~~we may finance or defer all or a part of the Initial Franchise Fee (see Item 10 of this Disclosure Document). ~~Prudential-Real-Estate~~We fully ~~earseam~~ the Initial Franchise Fee at the time You sign the Franchise Agreement and the Initial Franchise Fee is payable in full at that time.

The Initial Franchise Fee and Additional Location Fees above apply only to Locations defined in Article II of the Franchise Agreement as business premises where You would conduct the Franchised Business using the Service Marks. Locations include Additional Locations (see Article II of the Franchise Agreement), but do not include Subdivision Sales Offices, Satellite Offices and Administrative Offices (see paragraph 5.01(d) of the Franchise Agreement).

RRSBS Fee

During ~~theyour~~ Franchise Agreement's term, You must pay an ongoing annual fee to PRS[®]BRS of \$35 per full-time sales associate (and equivalent) with a minimum annual payment of \$750 and a maximum

annual payment of \$7,500. You may pay RRSBRs's annual fees in quarterly or annual installments. However, during Your First Anniversary Year of affiliation, RRSBRs will waive its annual fees. This waiver of RRSBRs annual fees does not apply to renewing Franchisees.

~~Prudential-Real-Estate~~We have, depending on market conditions and other circumstances, generally ~~provides~~provided existing residential real estate brokerage companies with conversion assistance (in the form of cash payments, reimbursement of expenses, or the deferral and/or waiver of Continuing Royalties) to assist them in converting to the System, the "Prudential" name, Service Marks and Identity Standards. Actual payment amounts are determined by ~~Prudential-Real-Estate~~us in itsour sole discretion and vary depending on market conditions and other factors. In some cases, conversion assistance is made as a loan, payable over the initial term of the franchise. If the franchisee is not in default of its obligations under the Franchise Agreement, payments of Continuing Royalty are used to make the annual payments of principal on the note.

Item 6: **OTHER FEES**

Type of Fee	Amount ^{1,2}	Due Date	Remarks
Continuing Royalty	Declining percentage of Gross Revenues. ³	On business day after Gross Revenues must be reported. See Operations Manual.	For Each Anniversary Year following the First Anniversary Year, Your minimum Continuing Royalty per Anniversary Year is \$15,000.
Additional Location Fee	\$12,500 ⁴	Upon opening of first Additional Location.	For each subsequent Additional Location, an additional fee applies (see Footnote 4).
Satellite Office Fee	\$1,000	Upon opening of Satellite Office.	An annual Satellite Office Fee of \$1,000 will be charged if same Satellite continues to operate as Satellite office after one year.

Type of Fee	Amount ^{1,2}	Due Date	Remarks
Marketing Fees	Declining percentage of Gross Revenues, ⁵ with a monthly minimum of \$500 (Item 11)	Monthly.	Marketing Fees are the <u>our</u> property of Prudential Real Estate and may be deposited in its <u>our</u> general operating account.
Transfer / Assignment Fee	\$5,000	Upon Your application to transfer a 10% or greater equity interest in Franchisee, to transfer equity interests that would result in a change in Control of Franchisee, or to assign the Franchise Agreement.	All transfers are subject to our approval unless otherwise specified in the Franchise Agreement.
Transfer Fee (with public offering)	\$10,000 fee plus reimbursement of all Prudential Real Estate's <u>our</u> expenses including legal fees.	Upon Your request to transfer franchise with a public offering.	
Renewal Fee	Equal to 20% of the then-current Initial Franchise Fee for number of Locations.	Upon renewal of Your Franchise Agreement.	<u>You will not be granted any subsequent renewal rights in conjunction with Your entry in a new or renewal Franchise Agreement with us, and Your Franchise Agreement will not be renewed.</u>
Audit Fees	All costs connected with cancellation of an audit or understatement of Gross Revenues. If Gross Revenues are understated by 2% or more, or Your financial statements require substantial auditing effort, You must pay cost of audit.	Immediately.	

Type of Fee	Amount ^{1,2}	Due Date	Remarks
PRSBRS Fees	Base fees (See Items 5 & 8 of the Disclosure Document)	Varies -- See Items 5 & 8 of the Disclosure Document and Exhibit C of the Franchise Agreement.	Payable to PRSBRS
Indemnification	Will vary based on circumstances.	As incurred.	You must reimburse Prudential Real Estate if Prudential Real Estate <u>is</u> is <u>if</u> <u>we are</u> held liable for claims arising from Your real estate operations.
Attorneys' Fees	Will vary based on circumstances.	Upon entry of judgment, if Prudential Real Estate <u>prevails</u> <u>we</u> <u>prevail</u> in an action for (i) enforcement of indemnification, (ii) enforcement of the Franchise Agreement or (iii) protection of the Service Marks.	
Fees connected with cure of defaults	Costs incurred by Prudential Real Estate <u>is</u> it <u>ours</u> <u>we</u> <u>cure</u> a default for You.	When cured.	
Late Fee	12.5% per annum or the highest rate permitted by law, <u>whichever</u> is lower.	When incurred.	
Sales Convention Registration Fee	\$400 - \$600	Annually	You must pay one separate registration fee for each of Your Locations.

¹ All fees are imposed by and payable to ~~Prudential Real Estate~~ us, except for PRSBRS fees, which are payable directly to PRSBRS. All fees are non-refundable. At this time, we impose fees uniformly. However, we retain discretion to reduce fees in individual cases in our discretion. ~~Prudential Real Estate~~ We may periodically adjust the Thresholds (shown in paragraph 5.02(a) and (b) of the Franchise Agreement), Marketing Fees, transfer and processing fees (shown in paragraph 10.02 of the Franchise Agreement), and any other amounts required by any other provision that calls for adjustments corresponding to the Consumer Price Index, by the cumulative annual average percentage increase in the Consumer Price Index from 12/31/2010 through the

adjustment date, provided that the cumulative annual average percentage increase from 12/31/2010 through the adjustment date will not exceed the cumulative increase in the Consumer Price Index from 12/31/2010 through the adjustment date.

² Continuing Royalty, Marketing Fees, transfer and processing fees may be increased from time to time, but no more than once during any calendar year, to reflect increases in the Consumer Price Index for All Urban Consumers - Service Group Only (1982-1984 = 100) from December 31, 2010, as published by the U. S. Department of Labor or in a successor index.

3

SCHEDULE

Greater Than	To	Continuing Royalty
\$ 0	\$ 1,650,000	6.00%
1,650,000.00	3,000,000	5.50%
3,000,000.00	5,000,000	4.50%
5,000,000.00	7,500,000	4.00%
7,500,000.00	10,000,000	3.75%
10,000,000.00	15,000,000	3.50%
15,000,000.00	20,000,000	3.00%
20,000,000.00	25,000,000	2.75%
25,000,000.00	50,000,000	2.50%
50,000,000.00	100,000,000	2.25%
100,000,000.00	and greater	2.00%

Example: If Your Gross Revenues during an Anniversary Year were \$2,000,000, according to the Schedule, You would pay 6.00% on the first \$1,650,000 of Gross Revenues (or \$99,000), and 5.50% on the remaining \$500,000 of Gross Revenues (or \$27,500), for a total Continuing Royalty of \$126,500.

Gross Revenues begin at \$0 on the Effective Date and on the first day of each succeeding Anniversary Year.

For Each Anniversary Year following the First Anniversary Year, Your minimum Continuing Royalty per Anniversary Year is \$15,000.

"Residential Property Management Activities" (see Article II of the Franchise Agreement) are within the scope of the Franchised Business but are not subject to fees. Residential Property Management Activities refer solely to the business of managing residential real estate in exchange for a fee, commission or other compensation. Residential Property Management Activities do not include any services related to leasing or renting real estate, or to selling real estate, except rentals of 60 days or less are considered Residential Property Management Activities, and not subject to fees.

⁴ The fee for each subsequent Additional Location is \$7,500 (See Item 5).

⁵ You are required to pay a monthly "Marketing Fee" calculated in accordance with the percentages shown opposite the ranges of Gross Revenues in the following table, with a monthly minimum of \$500:

Gross Revenues From	Gross Revenues To	Marketing Fee
\$0	\$1,000,000	1.00%
\$1,000,000	\$5,000,000	0.75%
\$5,000,000	\$10,000,000	0.50%
\$10,000,000	\$100,000,000	0.25%
\$100,000,000	and greater	0.15%

Prudential-Real-EstateWe may periodically adjust Marketing Fee Thresholds (shown in paragraph 5.03 of the Franchise Agreement) by the cumulative annual average percentage increase in the Consumer Price Index from December 31, 2010 through

the date of adjustment, provided that the cumulative annual average percentage increase from 12/31/2010 through the date of adjustment will not exceed the cumulative increase in the Consumer Price Index from 12/31/2010 through the date of adjustment. In most years, Prudential Real Estate adjusts the Marketing Fee in March to reflect changes in the Consumer Price Index.

Item 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT ASSOCIATED WITH ENTERING INTO THE FRANCHISE AS A NEW FRANCHISEE OR CONTINUING FEES IF YOU ARE A RENEWING FRANCHISEE

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$25,000	Lump sum; non-refundable	Upon signing of Franchise Agreement	Prudential-Real Estate <u>BRER Affiliates Inc.</u>
Marketing Fees	\$500 Minimum ¹	Monthly	First day of each month	Marketing Fees are the <u>our</u> property of Prudential-Real Estate and may be deposited in its <u>our</u> general operating account.
Exterior Signs ²	Replacement faces - \$1,000 to \$2,000 Complete new signs \$5,000 - \$20,000	Lump sum; non-refundable	As required by supplier	Preferred or local suppliers
Continuing Royalty	See Item 6	See Item 6	See Item 6	Prudential-Real Estate <u>BRER Affiliates Inc.</u>
Stationery and Related Supplies	\$2,000 to \$5,000	Lump sum; non-refundable	As required by supplier	Preferred or local suppliers
Yard Signs	\$3,000 to \$5,000	Lump sum; non-refundable	As required by supplier	Preferred or local suppliers
Special Promotion (New Name)	\$5,000	Lump sum; non-refundable	As required by supplier	Local media suppliers
Computer Hardware	\$1,000 to \$4,000	Lump sum	Within 120 days after opening	Local suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Approved Broker Management System (computer software)	\$3,000 to \$5,000	Lump sum	Within 120 days after opening	Preferred suppliers
Approved Software Support Expenses	\$100 to \$1,000 Software support: varies from a per-call + time-charge basis to monthly or annual subscription fee	Monthly Or Annually	Monthly or Annually Per incident	Preferred suppliers
High Speed Data Grade Communication Lines if required	\$20 to \$50	Monthly	Within 120 days after opening	Local suppliers
Internet Access	\$10 to \$60	Monthly	Within 120 days after opening	Local Supplier or Internet Service Provider
Sales Professional Orientation	Hotel room rental \$100 to \$500	Lump sum	As arranged by You	Local Vendor
PRSBRS Fees	Base fees (See Item 5 of the Disclosure Document)	Varies -- See Item 5 of the Disclosure Document and Exhibit C of the Franchise Agreement		PRSBRS
Additional Funds -- 3 Months ³	\$30 to \$525	As Incurred	As Incurred	Third Parties
TOTAL (excluding real costs)	\$40,760 to \$71,635			

The estimates set forth above assume that You are already an established and licensed real estate broker with at least one existing office that qualifies as a Location and an ongoing business. Real estate brokerage companies vary greatly in size, type and cost structure. Applicable law requires ~~Prudential Real-Estatous~~ to estimate a range of Your likely initial investment for the "initial period," which is the period beginning with the date when You sign the Franchise Agreement and continuing through the end

of the first 3 months after Your Location opens for business under the Prudential name. In providing these cost estimates, we rely on our experience as a real estate brokerage franchisor. However, if You are miming an existing business, or have experience in the real estate brokerage industry, You are in a better position to estimate some or all of these costs for Your company. In the rare exception that You are a start-up company and must establish Your office, You must consider that the estimates above would be increased by leasehold improvements, decorating costs, furniture, fixtures and equipment, and other routine fees and charges that a start-up of Your business should expect to incur and a franchisee converting an existing office to the Prudential Real Estate franchise system does not need to incur.

Our estimates focus on a conversion franchisee's incremental costs, i.e., expenses that the conversion franchisee may incur during the initial period to conform to our identity and operating requirements and other obligations under the Franchise Agreement. We exclude costs that the typical conversion franchisee would have already incurred to set up their office; we provide a second chart below that identifies the additional cost categories that a start-up franchisee would incur.

The estimates below are for a 20-agent, single-office company undergoing a "typical" conversion to the ~~Prudential-Real-Estate~~our System. It is difficult to portray a "typical" conversion because each company, including Yours, is unique. Conversion involves matters of taste and judgment on Your part reflecting Your market and agents. Some companies choose extensive and more costly conversion programs, while others choose more modest and less costly conversion alternatives.

ESTIMATED GENERAL EXPENSES OF REAL ESTATE BROKERAGE BUSINESS FOR A START-UP OFFICE

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Real Estate and Improvements (including real estate and other taxes generally already being incurred)	\$3,000 to \$6,000	Lump sum; non refundable	Monthly	Landlord
Leasehold Improvements	None anticipated if offices meet Prudential-Real Estate sour <u>our</u> standards (typically a franchisee operates an existing business)	Inapplicable	Inapplicable	Inapplicable
Furniture, Fixtures & Equipment	None anticipated (the typical franchisee operates an existing business)	Inapplicable	Inapplicable	Inapplicable
Business Insurance ⁴	In excess of \$1,000 in most cases	Lump sum	As required by insurers	Insurance company of Your choice

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Agent Commissions	Prevailing commissions in Your geographical area	Your prevailing payroll practice	After close of sale	Sales Professionals

¹ Under certain circumstances, ~~Prudential-Real-Estate~~we may offer You financing of Your Initial Franchise Fee. Any interest or other fees ~~Prudential-Real-Estate-receives~~we receive concerning financing or otherwise under the Franchise Agreement are not refundable. See Item 10 (Financing) of this Disclosure Document for a description of the limited financing terms. Under certain circumstances, ~~Prudential-Real-Estate~~we may provide some financial assistance for the conversion of Franchisees to Prudential Real Estate's System. The initial fee for the first Additional Location is \$12,500 and the fee for each subsequent Additional Location will be \$7,500 (See Item 5).

² In addition to the fees and expenses described in Items 5 and 6 of this Disclosure Document, You will incur other initial costs (that ~~Prudential-Real-Estate-or-Prudential-Financial~~we do not specifically require) within a short time following Your start of the Franchised Business. With rare exception, Franchisees are established and licensed real estate brokers with an existing office and an ongoing business. Therefore, the above table does not include costs for establishing a real estate sales office or additional working capital. Except for appropriate signage, and the Approved Broker Management System (computer software), ~~Prudential-Real-Estate-does~~we do not require equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements and decorating costs, whether or not financed by contract, installment purchase, lease or otherwise; nor is there any initial requirement as to inventory, security deposits, other prepaid expenses or additional working capital needed to begin operation under the Service Marks. However, if the appearance of Your existing offices does not meet ~~Prudential-Real-Estate's~~our current standards, ~~Prudential-Real-Estate~~we may require You to refurbish the offices before commencing business under the Service Marks as a condition to entering into a Franchise Agreement. ~~Prudential-Real-Estate-is~~We are unable to estimate the cost, if any, of this refurbishment since it will depend on the condition of Your existing facilities. Since Franchisees operate independent real estate brokerage businesses, their respective judgments as to working capital for their particular circumstances will govern. ~~Prudential-Real-Estate-imposes~~We impose no minimum requirement regarding the amount of working capital that You need; however, ~~Prudential-Real-Estate-does~~we do review the financial viability of ~~its~~our Franchisees at the inception and throughout the franchise relationship. You must have at the inception of the franchise relationship a net worth (or otherwise make financial arrangements satisfactory to ~~Prudential-Real-Estate~~us) sufficient in ~~Prudential-Real-Estate's~~our reasonable judgment for You to be able to perform Your obligations under the Franchise Agreement.

³ This item estimates the required real estate license expenses the franchisee will incur before operations begin and during the initial period of operations. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business.

⁴ You must, at ~~Your~~our expense, obtain and keep in full force, certain insurance coverage. Present requirements are: commercial general liability of at least \$1,000,000 combined single limit bodily injury and property damage liability; automobile liability and physical damage insurance (if Your company has company cars) of at least \$1,000,000 combined single limit bodily injury and property damage liability and comprehensive and collision coverage with deductibles reasonably satisfactory to ~~Prudential-Real-Estate~~us; worker's compensation and employer's liability insurance, if required by Your state law, with employer's liability with at least a \$100,000 limit per employee. ~~Prudential-Real-Estate~~We strongly ~~suggests~~suggests that You obtain real estate agent's errors and omissions insurance of at least \$1,000,000. Larger companies should obtain increased coverage consistent with other companies of similar size in the industry in their geographic area. Very large companies should obtain commercial general liability, combined single limit bodily injury and property damage liability; automobile liability and physical damage insurance, and errors and omissions insurance coverage of at least \$5,000,000 in each case. Insurance requirements may change at any time.

⁵ Prior to April 1, 2010, our form of franchise agreement provided that Marketing Fees were computed based on the monthly Gross Revenues attributed to each Location operated by franchisees. Through March 31, 2010, the minimum fees provided in our standard agreement were \$750 per Location, and the maximum fees were \$1,047 per Location. Existing franchisees are being given the opportunity to modify their franchise agreements to permit payment in accordance with the method specified in the current form of franchise agreement.

We do not, and cannot, estimate ~~You~~your cash flow from operations or a break-even point, but we expect that a conversion franchisee who is running an existing business or has experience in the real estate brokerage industry will have a reasonable idea of their likely cash flow from operations during the initial period. We also encourage You to speak with other ~~Prudential-Real-Estate~~ franchisees to evaluate this on ~~You~~your own.

Our initial investment estimates exclude incidental expenses that You may incur during training; payments of Royalty Fees and Marketing Fees since these amounts depend upon ~~Your~~your actual Gross Revenues, which we cannot estimate; financing expenses that You pay to us or to a bank or other lender in connection with the purchase of the franchise; or an allowance for payroll expenses or a draw or salary to You or other owners of the franchisee.

These charts are estimates only. Your actual costs will depend on a variety of factors including Your management skill, prior experience and business acumen; local economic conditions; competition; and other factors. You should review the figures in the above charts carefully with a business advisor before making any decision to purchase the franchise.

Item 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

~~Prudential-Real-Estate requires~~We require You to purchase an Approved Broker Management System (see Item 11), and become a member of ~~PRS~~PRSBS. You have no other obligation to purchase or lease anything from designated sources.

During 2010, ~~PRS~~PRSBS's revenue from our franchisees, in the form of PRS fees, was \$962,752.85. ~~PRS~~PRSBS does not pay us any portion of the ~~PRS~~PRSBS fees that it collects from our franchisees.

As we explain in Items 5 and 6, You must become a member of ~~PRS~~PRSBS, a broker-to-broker referral service, under the Terms and Conditions attached as Exhibit C to the Franchise Agreement. You must pay ~~PRS~~PRSBS the following fees under circumstances described in the Terms and Conditions, which is the source of revenue that we disclose in this Item 8.

- ☐ Annual fee of \$35 per full-time and equivalent sales associate - minimum \$750, maximum \$7,500.
- ☐ Referral fees on certain transactions originated from affinity relationship referral programs will be determined by Prudential Real Estate in its sole discretion.

You may not join, belong to or be affiliated with any organization that operates a relocation marketing network or third party home purchase program that is similar to or in competition with ~~PRS~~PRSBS or Prudential Relocation, Inc. (see paragraph 7(a) of Exhibit C of the Franchise Agreement).

With the exception of the purchase of an Approved Broker Management System, You do not have to purchase other goods, services, supplies, fixtures, equipment, inventory, computer hardware or real estate from a designated supplier. However, certain of the items and services that You will purchase must comply with ~~Prudential-Real-Estate's~~our standards. Specifically, Your marketing materials (including but not limited to, yard signs, stationery and business cards) must comply with our Identity Standards. The Identity Standards will be provided to you as part of our Operations Manual, and we and Prudential

Insurance reserve the right to modify the Identity Standards from time to time in our or Prudential Insurance's discretion.

We have no purchasing arrangements or distribution cooperatives that assist our franchisees buy or lease goods or services to establish or operate their franchise business and do not negotiate purchase arrangements with suppliers for the benefit of Prudential Real Estate franchisees.

We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase or lease of particular products or services or use of particular suppliers.

Because most franchisees are already established businesses at the time they join the franchise Network, and vary significantly in size and number of agents, and because the actual number of referrals received cannot be estimated, a meaningful estimate of the percentage of required purchases to total purchases cannot be made. Required purchases generally constitute less than 5% of a franchisee's total initial investment in the Prudential Real Estate franchise and of a franchisee's expected operating expenses for a 20-agent, single-office company.

At this time, no officer of Prudential-Real-Estateours owns an interest in any required, recommended or approved supplier.

Item 9: **FRANCHISEE'S OBLIGATIONS**

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

<u>Obligation</u>	<u>Franchise Agreement Section</u>	<u>Disclosure Document Item</u>
a. Site selection and acquisition/lease	Sections 4.01 & 4.03	Item 11
b. Pre-opening purchases/leases	Not Applicable	Items 5, 7 & 8
c. Site development and other pre-opening requirements	Not Applicable	Item 7 (Footnote 2)
d. Initial and ongoing training	Section 8	Items 6 & 11
e. Opening	Not Applicable	Items 7 & 11
f. Fees	Sections 4, 5, 6, 10 & 15	Item 5, 6 & 7
g. Compliance with standards and policies/Operating Manual	Section 7 & 9	Items 6, 8, 13, 14, 16 & 17
h. Trademarks and proprietary information	Section 7	Items 13 & 14
i. Restrictions on products/services offered	Sections 3, 9 & 10	Items 8 & 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	Sections 3, 5 & 9	Item 8
m. Maintenance, appearance and remodeling requirements	Section 1	Item 7 (Footnote 2)
n. Insurance	Sections 3 & 9	Item 7

	<u>Obligation</u>	<u>Franchise Agreement Section</u>	<u>Disclosure Document Item</u>
o.	Advertising / Marketing	Section 5	Items 6 & 11, (Footnote 5)
p.	Indemnification	Sections 7, 10, 13 & 14	Item 6
q.	Owner's participation/management staffing	Sections 9 & 10	Item 15
r.	Records and reports	Section 9	Items 6 & 8
s.	Inspections and audits	Section 9	Items 6 & 11
t.	Transfer of ownership	Sections 2 & 10	Items 6 & 17
u.	Renewal of Franchise Agreement	Section 6.02	Item 17
v.	Post-termination obligations	Section 13	Item 17
w.	Non-competition covenants	Section 9	Item 17
x.	Dispute resolution	Section 12	Item 17
y.	Location Manager	Section 9	Item 15
z.	Transaction Reporting/Approved Broker Management System	Section 9	Item 6 & 8
	Approved Broker to Broker Referral Terms and Conditions	Section 2, Exhibit C	Items 6, 8 & 22

Item 10: FINANCING

SUMMARY OF FINANCING OFFERED

Item Financed	Source of Financing	Down Payment	Amount Financed ²	Term (Yrs)	Interest Rate	Monthly Payment	Prepay Penalty ⁶	Security Required ⁷	Liability Upon Default ⁸	Loss of Legal Right on Default
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Initial Fee ¹	Promissory Note			1 to 120 Months ³	7.5% to 15% ⁴	Equal Monthly Installments ⁵				None
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Item 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, ~~Prudential-Real-Estate-is~~we are not required to provide You with any assistance.

Pre-Opening Obligations

~~Prudential-Real-Estate's~~Our obligations for training, promotion and other assistance either before or shortly after the Effective Date of the ~~Franchised Business~~a new franchisee in the System are as follows:

¹ You must pay the Initial Franchise Fee in full at the time You sign the Franchise Agreement. All other obligations, such as Continuing Royalty and Marketing Fees, that You owe to ~~Prudential-Real-Estate-us~~ or itsour affiliate are payable in full when due.

² ~~Prudential-Real-Estate-We~~ or itsour affiliate may allow You to defer payment of all or a portion of the Initial Franchise Fee and may permit financing of other obligations that You owe to ~~Prudential-Real-Estate-us~~ or itsour affiliate.

³ Terms can range from 1 to 120 months, but are generally 24 months.

⁴ The financed portion of the Initial Franchise Fee or other obligations will bear interest at an annual rate ranging from seven and one half percent (7.5%) (APR of 7.5%) to fifteen percent (15%) (APR of 15%), if priced using a fixed rate of interest, and a range of between Prime and Prime + 2.5% if priced using a floating rate, and will be payable under the terms of a promissory note evidencing the debt.

⁵ Notes are usually self-amortizing and payable in equal monthly installments, depending upon market rates and conditions. (A copy of ~~Prudential-Real-Estate's~~our installment note appears in this Disclosure Document as Exhibit G).

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

⁷ ~~Prudential-Real-Estate-We~~ or itsour affiliate may also require that any note be secured by real or personal property.

⁸ All promissory notes will provide that a failure to make payments under the promissory note will also cause You to be in default of the Franchise Agreement. ~~Prudential-Real-Estate-We~~ or itsour affiliate will require Your Principals to personally guarantee the debt. All promissory notes require You to waive diligence, demand, presentment for payment, notice of non-payment, protest and notice of protest, notice of any renewals, extensions, and amendments to or modifications of the note, as well as the claiming of any statute of limitations as a defense. Repayment arrangements may include payment to ~~Prudential-Real-Estate-us~~ or itsour affiliate of an override above Continuing Royalties, which is then used to pay interest and principal. ~~Prudential-Real-Estate-has-We have~~ not sold, assigned or discounted to any third party any note, contract or other instrument executed by itsour franchisees, but ~~Prudential Real-Estate-reserves~~we reserve all rights to do so in the future.

(a) Transition Process -- Within 15 days of execution of the Franchise Agreement, ~~Prudential Real-Estate~~we will commence transition consultation and integration support to You or a designated contact.

(b) Sales Professional Orientation -- Within 45 days of the Effective Date, at facilities You provide, ~~Prudential Real-Estate~~we will present an overview and furnish materials to communicate the benefit of the brand and availability of ~~Prudential Real-Estate's~~our tools and resources to your sales professionals (see Franchise Agreement, paragraph 8.02).

(c) Operations Manual and Identity Standards Manual -- Within 15 days of execution of the Franchise Agreement by a new franchisee in the System, an Operations Manual ~~and~~and which also contains the Identity Standards Manual will be available to You electronically (see Franchise Agreement, paragraph 9.05). As of December 2010, ~~Prudential Real-Estate's~~our Operations Manual consisted of 66 pages and the Identity Standards portion of our Operations Manual consisted of 97 pages. A table of contents to the Operations Manual can be found at Exhibit H of this Disclosure Document.

Ongoing Assistance

~~Prudential Real-Estate's~~Our obligations concerning assistance and other services provided to You during the operation of the Franchised Business are as follows:

(a) Sales Professional Training -- ~~Prudential Real-Estate~~we may periodically make available to You optional sales professional training courses at a location selected by ~~Prudential Real-Estate~~us or delivered by alternative means such as through the Internet, video tape or disc, or audio tape. You will be responsible for any travel or lodging costs and such course fees as ~~Prudential Real-Estate~~chargeswe charge (see Franchise Agreement, paragraph 8.03).

(b) Field Visits -- ~~Prudential Real-Estate's~~Our staff will, as ~~Prudential Real-Estate~~considerswe consider appropriate, visit with You either in group meetings with other franchisees or in individual meetings (see Franchise Agreement, paragraph 8.05).

(c) Consulting -- ~~Prudential Real-Estate~~We will be reasonably available for consulting and guidance regarding the operation and management of the Franchised Business. Such consulting may occur by telephone (see Franchise Agreement, paragraph 8.05).

(d) Sales Convention -- periodically ~~Prudential Real-Estate~~we will arrange an annual Sales Convention for all of ~~its~~our franchisees where You may participate in various programs with ~~Prudential Real-Estate~~us and other franchisees (see Franchise Agreement, paragraph 8.04).

Marketing and Promotion

~~Prudential Real-Estate~~We collect Marketing Fees that it ~~uses~~we use to provide a variety of marketing and promotional support for ~~its~~our franchisees. ~~Prudential Real-Estate franchisees also benefit from the marketing and promotional activities of Prudential Financial.~~

(a) Use of Marketing Fees -- ~~Prudential Real-Estate~~We may spend Marketing Fees on one or more of the following: national and cooperative advertising, marketing, public relations, market research,

and promotional campaigns designed to benefit the Network and System and to promote and enhance the value of, general public recognition of, and acceptance of the Service Marks. ~~Prudential-Real-Estate~~We may use a variety of advertising media, including but not limited to, network and cable television, network and local radio, consumer on-line advertising and linkages, national, trade and local homes magazines, billboards and newspapers. We may also spend ~~Advertising-Funds~~these funds to operate national or regional online databases of properties available for sale or rent.

(b) Scope of Coverage – The coverage of media may be local, regional, national, and international in scope. ~~Prudential-Real-Estate~~We will determine, in its~~our~~ sole discretion, the cost, form or media, content, format, production and timing, including regional or local concentration and seasonal exposure, location and all other matters for advertising, public relations and promotional campaigns. In its~~our~~ sole discretion, ~~Prudential-Real-Estate~~we may make extraordinary advertising or promotional expenditures from other than Marketing Fees in the area within which the Franchised Business is operated. ~~Prudential-Real-Estate~~We may, on a national basis, impose an additional assessment for special advertising or promotional activities, if Franchisees owning two-thirds of all of its franchised locations agree to such additional assessment. All expenditures of Marketing Fees are intended to benefit the entire Network and System, and we cannot guarantee that You will benefit directly as a result.

(c) Source of Material –~~Prudential-Real-Estate~~does We do not use an advertising council. ~~Prudential-Real-Estate~~uses Prudential-Financial's~~We use our~~ in-house advertising agency, supervised by experienced ~~Prudential-Real-Estate~~ marketing executives.

(d) Materials Provided –~~Prudential-Real-Estate~~provides We provide You with advertising materials for print and finished TV spots and radio scripts. You may also develop Your own advertising materials, including the use of electronic media such as the Internet; however, You must obtain ~~Prudential-Real-Estate's~~our prior approval for any advertising materials that You want to develop, and Your materials must be in compliance with the Operations Manual and Identity Standards.

(e) Advertising National Advisory Council –~~Prudential-Real-Estate~~solicits We solicit comments on its~~our~~ advertising programs from the National Advisory Council, which is composed of franchisees. ~~Prudential-Real-Estate~~We also ~~has~~have an internal committee that reviews national, local and regional advertising expenditures and programs.

(f) General Information – All Franchisees must make contributions for advertising~~marketing~~ expenditures (for contribution rates see Item 6). ~~Prudential-Real-Estate~~is We are entitled to reimbursement for its~~our~~ actual administrative expenses of the advertising~~marketing~~ program (which expenses will not exceed 15% of the annual aggregate Marketing Fees), plus the actual cost of ~~Prudential-Real-Estate's~~our production and placement of advertising. Marketing Fees are deposited into ~~Prudential-Real-Estate's~~our general operating account and no interest is paid to You on the Marketing Fees.

~~Prudential-Real-Estate's~~Our marketing group administers the advertising expenditures, subject to review by a committee of ~~Prudential-Real-Estate~~our officers. Before April 1 of each year, ~~Prudential-Real-Estate~~delivers we deliver to each Franchisee a statement of receipts and expenditures for advertising.

In fiscal 2010, advertising expenditures were as follows:

	Dollars (\$)	Percent of Expenditures
Receipts		
Contributions	12,379,600	
Annual Local Rebate Program	(2,924,200)	37.62%
Net Collected	9,455,400	
Expenditures:		
Production Costs	1,576,600	20.29%
Media Costs	2,856,800	36.76%
Affiliate Advertising Consulting Costs	288,700	3.71%
Administrative Costs	126,000	1.62%
Total Disbursements and Rebates	7,772,300	100.0%
Net Received/(Disbursed)	(4,848,100)	
Beginning Residual Advertising and Marketing Fees (1/1)	5,675,000	
Ending Residual Advertising and Marketing Fees (12/31)	10,282,300	

Notes:

(1) In 2010, ~~Prudential Real Estate~~we incurred production costs to deliver a number of programs to ~~its~~our residential and commercial real estate franchisees. Examples of the programs include free direct mail materials (postcards), Canadian advertising, commercial advertising, eCard program, trade print advertising, online advertising and promotion. Fine Homes Marketing Campaign and services for recruitment, national advertising tagable television and consumer print advertising, and Fine Homes International Magazine.

Any amounts not spent at the end of the fiscal year for ~~advortising~~marketing are retained for later years.

(g) ~~Prudential Real Estate does~~We do not use the ~~advortising~~marketing expenditures for the sale of franchises.

(h) Formula Used — Certain of our existing franchisees continue to pay marketing fees based on a prior system of calculating marketing fees as set forth in previous versions of our franchise agreement. In some cases, we may waive our right to require those franchisees to conform to the current method of calculating marketing fees upon renewal of those existing franchise agreements.

Computers, Software and Telecommunication Reporting

~~Prudential Real Estate requires~~We require You, within 120 days of Your Effective Date, to install and use an Approved Broker Management System (listed on Exhibit A of the Franchise Agreement). Within that time, You must also be trained on the software. You must report real estate transactions to ~~Prudential Real Estate~~us electronically through an Automated Clearing House account, in order for Continuing Royalty and other fees to be collected, using an Approved Broker Management System.

The Approved Broker Management System ("BMS") is a software program designed for use in a real estate office to record, track, monitor and report transactions, maintain an accurate Sales Associate roster, and provide some form of office accountng and bookkeeping, or an interface to a separate accounting/bookkeeping application. Approved BMS software programs are listed on Exhibit A of the

Franchise Agreement. The BMS program is used to enter and track transactions from inception of contract through closing. Once a contract has closed and appropriate detail including agent commission information is recorded, the software operator will initiate a process to extract appropriate franchise information from the BMS and transmit the information to Prudential Real Estate in Irvine, California using a computer modem or appropriate electronic connectivity to the Internet. The software operator will access PREA Center to begin the electronic reporting process, which involves transmitting the data file created by Your BMS, to ~~Prudential-Real-Estate~~us. You only pay for the call to Your Internet Service Provider ("ISP") if necessary, for support purposes. Typically, this is a local call. Depending on the amount of information to be transmitted, data bridge transmissions often take no more than fifteen minutes from start to finish.

~~Prudential-Real-Estate-grants~~We grant approved technology supplier status to third party companies that sell and support an Approved BMS. ~~Prudential-Real-Estate-requires~~We require an approved BMS supplier to maintain and support current versions of ~~Prudential-Real-Estate's~~our data bridge specifications that allow You to report electronically to ~~Prudential-Real-Estate~~us. You must maintain a software support agreement or comply with the approved BMS supplier's support policy, and You must purchase updated versions of Your BMS to ensure that You will always have the most current data bridge software, compliant with our current ~~Prudential-Real-Estate~~ specifications.

As discussed in Items 7 and 8 of this Disclosure Document, and Paragraph 9.03(b) of Your Franchise Agreement, ~~Prudential-Real-Estate~~we may require You to add commercial communications systems or capacities, such as electronic mail, satellite television, Internet capacities and/or participation in PREA Center. You will bear the cost of these systems or capacities and ~~Prudential-Real-Estate~~we may include a reasonable charge for the services it chooses to provide.

Computer Requirements

For most Franchisees, installation and use of the BMS and data bridge will require any compatible personal computer with modem or high-speed Internet connection. Each BMS program has different minimum requirements; consult with the BMS suppliers for information on specific hardware requirements. The chart below provides additional information on costs and requirements.

~~Prudential-Real-Estate-requires~~We require You to keep the computer hardware in working condition. Typically, the BMS suppliers do not sell computer hardware. Therefore, most franchisees use existing computers in their office or purchase a computer from one of ~~Prudential-Real-Estate's~~our Approved Suppliers or from a local computer store. ~~Prudential-Real-Estate~~We only ~~requires~~require that the computer hardware is of a minimum standard level to run the approved BMS program You select. Upgrades to the hardware will only be required if the BMS supplier requires an upgrade or if the hardware becomes unable to perform the required functions for electronic reporting. ~~Prudential-Real-Estate-does~~We do not provide computer hardware to franchisees.

Office Size	Equipment/Product Requirement	Approximate Costs
Small single office	<p>One computer with modem or high-speed internet connection for use by staff for transaction input and reporting via phone line or cable modem to Prudential-Real Estate in Irvine, CA</p> <p>One computer with modem or appropriate Internet connectivity and Internet browser for use by staff for reporting directly through PREA Center (if fewer than 10 transactions per month)</p>	<p>HARDWARE: \$1,000 to \$4,000 for computer with a modem to access the Internet and printer depending on brand, model and options. A printer will be required. Typically, the current computer system is used for the BMS, so only a modem and available phone line (see below for information) will be needed.</p> <p>SOFTWARE: \$200 per month lease option to \$5,000 (prices vary with configurations and options). Broker Management reporting software (refer to Exhibit A of the Franchise Agreement) from \$3,000 to \$5,000. In addition, You will need access to the Internet to access PREA Center. Access to the Internet ranges from \$10 to \$60 per month per access ID. You may use an ISP of Your choice. There is no charge to use PREA Center.</p> <p>SOFTWARE SUPPORT: Varies, depending upon the supplier. Some vendors include user and technical support with the purchase price, while others typically charge a monthly or annual support fee. Fees are also dependent upon the level of support contracted for, or may be dependent upon the number of applications installed. As an example, minimal annual support for a small single office company is approximately \$600.</p> <p>PHONE LINE: Prudential-Real-Estate recommends <u>We recommend</u> a dedicated phone line, high-speed connectivity or cable internet access; costs will vary depending upon the options You select.</p>

Office Size	Equipment/Product Requirement	Approximate Costs
Medium Size (over 50 agents) single office	One computer with modem or appropriate Internet connectivity for staff use for transaction input and reporting via phone line or high-speed internet connection to <u>Prudential-Real-Estate-us</u> in Irvine, CA. Companies with large transaction volume may require two or more computers on a network to reduce administrative backlog. You can discuss Your options with the approved BMS suppliers, or other technology consulting resources.	<p>HARDWARE: \$1,000 to \$4,000 for first computer and printer depending on brand, model and options. A printer will be required. Add similar costs for each additional computer. Network costs vary; a BMS supplier can assist with a decision regarding network options.</p> <p>SOFTWARE: \$200 per month lease option to \$5,000 (prices vary with configurations and options). Costs increase for additional computers and offices using the BMS software. In addition, You will need access to the Internet to access PREA Center. Access to the Internet ranges from \$10 to \$60 per month per access ID. You may use an ISP of Your choice. There is no charge to use PREA Center.</p> <p>SOFTWARE SUPPORT: Varies, depending upon the supplier. Some vendors include user and technical support with the purchase price, while others typically charge a monthly or annual support fee. Fees are also dependent upon the level of support contracted for, or may be dependent upon the number of applications installed.</p> <p>PHONE LINE: Prudential-Real-Estate-us recommends <u>We recommend</u> a dedicated phone line, high-speed connectivity or cable internet access for the one computer that will transmit information to <u>Prudential-Real-Estate-us</u> in Irvine; costs will vary depending upon the options You select.</p>

Office Size	Equipment/Product Requirement	Approximate Costs
Multi-Office Companies	<p>One or more computers with modem or appropriate Internet connectivity for staff use for transaction input and re-reporting to Prudential-Real-Estateus in Irvine, CA. Companies with large transaction volume may choose to install a system at each branch with costs incurred accordingly. You can discuss Your options with the approved BMS suppliers. Additionally, You may choose to connect Your branches via Wide Area Network (WAN).</p>	<p>HARDWARE: \$1,000 to \$4,000 for first computer depending on brand, model and options. Printing will be required. Add similar costs for each additional computer.</p> <p>SOFTWARE: \$200 per month lease option to \$5,000 (prices vary with configurations and options). Costs increase for additional computers. In addition, You will need access to the Internet to access PREA Center. Access to the Internet ranges from \$10 to \$60 per month per access ID. You may use an ISP of Your choice. There is no charge to use PREA Center.</p> <p>SOFTWARE SUPPORT: Varies, depending upon the supplier. Some vendors include user and technical support with the purchase price, while others typically charge a monthly or annual support fee. Fees are also dependent upon the level of support contracted for, or may be dependent upon the number of applications installed.</p> <p>PHONE LINE: Prudential-Real-Estate recommends We recommend a dedicated phone line, high-speed connectivity or cable internet access for the one computer that will transmit information to Prudential-Real-Estateus in Irvine; costs will vary depending upon the options You select.</p>

Office Size	Equipment/Product Requirement	Approximate Costs
Large, Multi-Office Company	<p>Typical installations are a large, head office computer, or computer installed at each branch office.</p> <p>One or more computers with modem or appropriate Internet connectivity for staff use for transaction input and re-<u>porting</u> to <u>Prudential-Real-Estate</u>s in Irvine, CA. Companies with large transaction volume may choose to install a system at each branch with costs incurred accordingly. You can discuss Your options with the approved BMS suppliers. Additionally, You may choose to connect Your branches via Wide Area Network (WAN).</p>	<p>HARDWARE and SOFTWARE: Prices vary dramatically from \$5,000 to \$50,000 or more depending on size, scope and function of software, software support contract, and hardware. Approved Suppliers and company owners(s) will decide pricing and options. In addition, You will need access to the Internet to access PREA Center. Access to the Internet ranges from \$10 to \$60 per month per access ID. You may use an ISP of Your choice. There is no charge to use PREA Center.</p> <p>SOFTWARE SUPPORT: Varies, depending upon the supplier. Some vendors include user and technical support with the purchase price, while others typically charge a monthly or annual support fee. Fees are also dependent upon the level of support contracted for, or may be dependent upon the number of applications installed.</p> <p>NOTE: Medium size company options and costs may be applicable. <u>Prudential Real-Estate-suggestswe suggest</u> You discuss Your options with a BMS supplier, technology consulting resources, and <u>Prudential-Real-Estateour</u> representative.</p> <p>PHONE LINE CHARGES: Most calls to Your ISP are local. You will use the ISP to get to the Internet for access to PREA Center.</p>

Upgrades

You must upgrade Your BMS at the time of required software enhancements. Additionally, Prudential Real-Estatewe may determine that an Approved BMS has become inadequate and prescribe different real estate office management software. Prudential-Real-EstateWe will then require You to replace Your BMS, but You will have at least 90 days to do so.

Site Selection

In all but rare cases, You are an existing real estate brokerage operating from an existing business Location. As part of the franchise application process, we evaluate Your existing Location. Your existing Location must be acceptable to Prudential-Real-Estates before You can become a franchisee. If, after You become a franchisee, You wish to open Additional Locations, You must first obtain approval for each Additional Location from Prudential-Real-Estatess (see paragraphs 4.01 and 4.03 of the Franchise Agreement). To obtain approval, You must not be in default of any of Your obligations under

Your Franchise Agreement, and You must submit to ~~Prudential-Real-Estateus~~ a written request and supporting information for approval of the proposed Additional Location. Within 30 days after receipt of Your request, ~~Prudential-Real-Estatewe~~ will approve or disapprove the Additional Location. If ~~Prudential-Real-Estate-approveswc~~ approve the Additional Location, You will then sign an Additional Location Addendum to the Franchise Agreement and pay the required fee (see paragraph 5.01(b) of the Franchise Agreement). ~~Prudential-Real-EstateWe~~ We may disapprove Your Additional Location request in ~~itsour~~ sole discretion.

If You desire to open Additional Locations or Additional Satellite Offices (see Article II of the Franchise Agreement), ~~Prudential-Real-Estatowe~~ may grant You the right to open one or more Additional Locations or Additional Satellite Offices at an approved site provided You are not in default under Your Franchise Agreement and upon satisfaction of certain conditions in the Franchise Agreement (see paragraphs 4.01 and 4.03). You must pay a fee of \$12,500 for the first Additional Location, and a fee of \$7,500 for each subsequent Additional Location (see paragraph 5.01(b) of Franchise Agreement). You must obtain ~~Prudential-Real-Estate'sour~~ prior written consent to each Additional Location or Additional Satellite Location. If, at any time, You desire information as to whether there may be an appropriate opportunity for a particular Additional Location, You must submit a written request to ~~Prudential-Real-Estatecus~~ for information.

If You desire to close or relocate one of Your Locations, or if You desire to relocate a Subdivision Sales Office, Satellite Office, or Administrative Office, You must request ~~Prudential-Real-Estate'sour~~ consent. At least 30 days before the desired date of closure or relocation (unless prior notice is impractical because of a required closing or relocation, then You will make notice as soon as possible), You must make a written request for consent to close or relocate, describing the reasons for the closing or relocation and providing details of any proposed new Location, Subdivision Sales Office, Satellite Office, or Administrative Office. Within 21 days after receiving Your request, ~~Prudential-Real-Estatowe~~ will either approve or disapprove the closure or new Location, Subdivision Sales Office, Satellite Office, or Administrative Office in its sole discretion. If disapproved, You may request an alternative proposed new Location, Subdivision Sales Office, Satellite Office or Administrative Office under the provisions of paragraph 4.02 of the Franchise Agreement. If You are unable to conduct the Franchised Business from any particular Location for reasons beyond Your control, with Prudential Real Estate's prior permission, which ~~Prudential-Real-Estatowe~~ will not unreasonably withhold, You may relocate this Location to another approved site. If ~~Prudential-Real-Estate-consentswe~~ consent to the closing of a Location and, after that You are permitted to open an Additional Location, ~~Prudential-Real-Estatowe~~ will waive the Additional Location fee otherwise required under paragraph 5.01 of the Franchise Agreement.

~~Prudential-Real-Estate-grantsWe~~ grant You a Franchise to operate from Your approved Locations, Additional Locations, Subdivision Sales Offices, Satellite Offices and Administrative Offices. You will (a) diligently and effectively promote, market and engage in the Franchised Business, (b) develop, to the best of Your ability, the potential for the Franchised Business from each of Your Locations, Subdivision Sales Offices and Satellite Offices, and (c) devote and focus Your attentions and efforts to such promotion and development. You will not seek to promote and develop the Franchised Business outside the geographic areas reasonably serviced by Your Locations, Subdivision Sales Offices, Satellite Offices and Administrative Offices.

Typical Length of Time for Contracting

You must submit the Initial Franchise Fee at the same time You execute and deliver Your Franchise Agreement to Prudential-Real-Estateus. Typically, You are already in the real estate brokerage business and the time between Your submission of the executed Franchise Agreement and fees and the day You begin operating as a member of the Prudential Real Estate Network is ordinarily less than 15 days. If You are a start-up company and must establish Your office before entering the real estate brokerage business, the time between Your submission of the executed Franchise Agreement and fees and the day You begin operating as a member of the Prudential Real Estate Network will typically be as long as 90 to 120 days.

Training Program as of Prudential Real Estate's Last Fiscal Year

Our-PRERS Education Team is responsible for the effective development, management and delivery of educational programming to the Network's franchisees. As a team, they have 70+ years of experience in the field and have been with PRERSus for 36 years. Network training is delivered through the Prudential University LeamCenter via Web-Based Training (WBT) and Virtual Instructor-Led Training (VILT), and at our annual Sales Convention and Simmit programs. Any costs of travel are Your responsibility. Training offerings are focused on reinforcing the value of the Prudential Real Estate brand, our systems, services, resources and tools. See the Prudential University Program Guide on PREA Center for a complete description of all training offerings. Please see **Maximizing the Power of Prudential** for information regarding Sales Professional Orientation.

Instruction materials include manuals, handouts, and free downloads from the LeamCenter Resource Library. Once each course is completed, no additional training for that course is required. Eighty-five percent (85%) of new Franchisees have enrolled in non-mandatory training sessions during the preceding 12 months. Current course offerings include:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Action Pack for Success Series 1 Modules	45 Minutes Each	0	WBT
Collaborative Selling Questioning Techniques	45	0	WBT
eCertified®2.0 Four Modules	45 Minutes Each	0	WBT
Effectively Serving the Asian Pacific American Housing Market	45	0	WBT
Gen X and Gen Y Recruiting and Retention Strategies	45	0	WBT
How to Ask for Referrals	45	0	WBT
Listings Plus			
Maximizing the Power of Prudential	1	0	WBT
Online Buyer Advantage 1, 2, 3	45 Minutes Each	0	WBT

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Online Buyer Advantage for Brokers and CAMS 1, 2, 3, 4	45 Minutes Each	0	WBT
Online Seller Advantage	1	0	WBT
Online Seller Advantage for Managers	1	0	WBT
Presenting Properties Online – Virtual Staging	45	0	WBT
Power Listing Strategies	1	0	WBT
Pricing Strategies – Absorption Rate Analysis	45	0	WBT
Profit Planning for Sales Professionals	1	0	WBT and VILT
Prudential Military Advantage Program	30	0	WBT
Prudential Value Range Marketing (PVRM)	45 Minutes	0	WBT
Retention Strategies for Top Performers	45	0	WBT
Sales Professional What If Analysis	30	0	WBT
Same Sales – More Profit	45	0	WBT
101 Managing Sales Performance	6	0	WBT
Articulating Your Competitive Differentiation	1	0	VILT
eCards – 3 Modules	1	0	VILT
Getting the Most from the Brand	1	0	VILT
I Object – Overcoming Common Real Estate Objections	1	0	VILT
Management Conference Calls	1	0	VILT
Media Center Introduction	1	0	VILT
Online Advantage Monthly Calls – 3	1	0	VILT
Prudential University Virtual Classroom	1	0	VILT, Quarterly
PREP - \$100	7.5	40 +/- hrs of self-directed activities	VILT
Profit Planning for Sales Professionals	1	0	VILT
Psychology of Selling	1	0	VILT
Rethink and Retool Your Listing Presentation	1	0	VILT
Selling by Style	1	0	VILT
What's the Difference? Articulating Your Competitive Advantage	1	0	VILT
Trainer Exchange	1	0	VILT, Quarterly
Presentation Clinic	20	0	Classroom, Instructor-Led
Maximizing the Power of Prudential	3	0	New Affiliates
Action Pack for Instructors	Self-Study	0	Self-Study
New Homes Certification	Self-Study	0	Self-Study

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Quick Start Training Program and Coaches' Guide	Self-Study	0	Self-Study
Transition to Management – An Action Pack for Branch Leaders	Self-Study	0	Self-Study
Accredited Buyer Representative (ABR) designation	16	Certification required Buyer Rep. Sales	Varies, delivered by CCDS
Leading Change	3	0	Varies

Other Obligations and Limitations

~~Under paragraph 3.06 of the Franchise Agreement, Prudential Real Estate, Prudential Financial and its related business entities do now and may in the future offer products and services that are part of the Franchised Business or may be of interest to customers of the Franchised Business ("Related Services"). Prudential Real Estate believes that the association of the Franchised Business with Prudential Real Estate's present and future affiliates to increase consumer awareness of the full range of products and services available through Prudential Real Estate and its present and future affiliates will benefit the Network and the System. Under the Franchise Agreement, You and Prudential Real Estate agree that You will display and make available to customers and prospective customers at each Location explanatory and promotional materials for Related Services that Prudential Real Estate and its present and future affiliates furnish to You. You will cooperate in affording opportunities, as reasonably directed by Prudential Real Estate, for Prudential Real Estate and its present and future affiliates to provide information and marketing assistance concerning Related Services to You, Your employees, agents and sales professionals. You will collect and provide Prudential Real Estate with customer lists, information and similar data to facilitate the marketing of Related Services, as directed by Prudential Real Estate in its sole discretion. Prudential Real Estate may share the customer data with Prudential Financial and its present and future affiliates. You will arrange, at Prudential Real Estate's request, to offer Related Services to Your customers and prospective customers on a non-exclusive basis. Nothing in the Franchise Agreement obligates Prudential Real Estate, Prudential Financial or any present or future affiliates to offer Related Services to or through You, and You acknowledge in the Franchise Agreement that no representation concerning the offering of those services or any financial benefits to be derived from them has been made to You.~~

~~Prudential Real Estate, Prudential Financial and their~~ We and our present and future affiliates may be involved in real estate related business activities including business referrals, relocation of corporate personnel, title insurance, appraisal, escrow and other services. Entry into the Franchise Agreement does not and should not, in any way, create any right or expectation that You will obtain any benefits because of this business activity. ~~Prudential Real Estate~~ We will, at all times, require You to comply with the requirements of the Real Estate Settlement Procedures Act of 1974 ("RESPA"), and the rules and regulations issued regarding RESPA. Without limiting the above, You agree that at or before the time of making a referral to ~~Prudential Financial~~ us or any of ~~its~~ our present or future affiliates, You will provide the party being referred with the required affiliated business arrangement disclosure, to the extent required by law.

~~Prudential-Real-Estate~~We may, at its~~our~~ option, provide services in excess of those required under the Franchise Agreement. By providing these additional services, ~~Prudential-Real-Estate~~we ~~create~~ no obligation to continue to provide them. ~~Prudential-Real-Estate~~We may include a reasonable charge for services it chooses to provide. In some circumstances ~~Prudential-Real-Estate~~we may, in its~~our~~ sole discretion, subcontract to third parties the services it~~provides~~we provide to You.

Item 12: TERRITORY

The Franchise Agreement, by itself, does not grant You an exclusive territory.

~~Prudential-Real-Estate~~has~~We have~~ no policy as to how near to an existing franchisee outlet ~~it~~we may establish other franchises that distribute similar products or services under the same or a different trademark, service mark, trade name, or logotype.

In certain circumstances, ~~Prudential-Real-Estate~~we may grant You an exclusive territory in a written amendment to the Franchise Agreement. The grant of an exclusive territory only prohibits ~~Prudential-Real-Estate~~us from licensing other franchised offices and locations to operate using the Prudential Service Marks in Your exclusive territory without Your consent. It does not prohibit other franchisees from transacting business within the exclusive territory, nor does it allow You to expand within the exclusive territory without ~~Prudential-Real-Estate~~our consent, or guarantee that You will be the recipient, or sole recipient, of referrals and other business in the exclusive territory. If Your exclusive territory is canceled, ~~Prudential-Real-Estate~~we will again have the unrestricted right to own, operate, franchise or license, or in any other manner authorize the location and operation of other real estate brokerage businesses at any location whatsoever within the former exclusive territory. ~~Prudential-Real-Estate~~hereby reservesWe reserve the right to own, operate, franchise or license, or in any other manner authorize the location and operation, of other real estate brokerage businesses through any other means available to it, including operations conducted via the Internet.

If ~~Prudential-Real-Estate~~grants~~we grant~~ You an exclusive territory by an amendment, You must meet certain stated levels of performance in order to maintain Your exclusive rights. Performance guidelines typically require annual increases in, or maintenance of, Your production or market share. The specific requirements vary based on individual market conditions, Your existing production and market share, and are usually negotiated. In the event You fail to maintain the stated performance levels, ~~Prudential-Real-Estate~~we will cancel Your exclusive territory (but not Your franchise). ~~Prudential-Real-Estate~~does~~We~~ do not otherwise alter Your territorial rights without Your consent. ~~Prudential-Real-Estate~~gives~~We give~~ multiple exclusive territories only in rare instances. Each exclusive territory has separate performance standards and may be separately terminated. Any performance guidelines will be agreed to in advance and may not be changed unilaterally by ~~Prudential-Real-Estate~~us.

In the absence of an exclusive territory, ~~Prudential-Real-Estate, Prudential-Financial or its~~we or our present and future affiliates may establish other franchised or company owned offices that may compete with Your Location or Locations. (See Exhibit C of this Disclosure Document for other franchisees licensed to use the Prudential-Real-Estate's Service Marks) ~~PREFA, Prudential-Real-Estate's affiliate, has equity positions in certain franchised companies. All of those offices are operated under the Prudential Financial trademarks, trade names, Service Marks, insignias or logos.~~ Service Marks)

You will only make referrals from the geographic areas reasonably serviced by Your Locations, Subdivision Sales Offices and Satellite Offices, and You will not seek to develop referrals originating outside such areas for properties located outside such areas. ~~Prudential-Real-Estate-has~~We have the right to grant waivers to this prohibition. ~~Prudential-Real-Estate~~We may, in ~~its~~our sole judgment, periodically specify areas that are not reasonably serviced by Your Locations, Subdivision Sales Offices and Satellite Offices.

Commercial and residential real estate brokerage activities represent separate markets, business opportunities and activities. As such, ~~Prudential-Real-Estate~~we may evaluate commercial and residential activities separately in the operation of the System, placement of Locations, and granting of franchises. This may result in ~~Prudential-Real-Estate~~our granting separate residential and commercial franchises in a specific geographic area with offices located in close proximity to each other.

No Other Prudential Financial Product or Service

~~The grant of a~~A franchise relationship with us does not entitle You to any relationship with ~~Prudential Financial~~BAM or other present and future affiliates of ~~Prudential Financial~~BAM. In its sole discretion ~~Prudential Financial~~BAM or other present and future affiliates of ~~Prudential Financial~~BAM may enter into various relationships with specific franchisees; however, neither ~~Prudential-Real-Estate~~we nor ~~Prudential Financial~~BAM nor its present and future affiliates have any obligation to do so. You should place no reliance upon possible future relationships with ~~Prudential Financial~~BAM or any of its present and future affiliates in deciding whether or not to enter ~~this~~into a, or renew your, Franchise Agreementrelationship with us.

Item 13: TRADEMARKS

The following Marks are the Service Marks (and logo) to be licensed to You. Prudential Insurance owns the Marks, ~~which and has licensed us to permit our franchisees to use them.~~ The Marks are registered on the Principal Register of the United States Patent and Trademark Office ("PTO"). No affidavits or renewal filings are yet due in connection with these registrations:

Registration
Number

Service
Mark

Registration
Date

1,616,000



October 2, 1990



Prudential Referral Services
INTERNATIONAL NETWORK

1,836,987

May 17, 1994



~~Prudential Real Estate offers~~ We offer and ~~sell~~ sell franchises for the operation of both residential and commercial real estate brokerage business using the same Service Marks under separate franchise systems. See Item I for a description of the restrictions that have been placed on our future ability to sell real estate brokerage franchises.

You must follow our rules when You use these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which Prudential Real Estate ~~licenses~~ we license to You. You may not use ~~Prudential Real Estate's name~~ the Service Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by ~~Prudential Real Estate~~ us.

If You wish to use the name "Prudential" or "Pru" in an Internet web site address, e-mail address or domain name, You may do so with our consent provided that You agree to transfer the web site address, e-mail address or domain name to Prudential Insurance at any time, including upon termination of Your Franchise Agreement. You will not be compensated or paid by ~~Prudential Real Estate~~ us or Prudential Insurance as a result of this transfer for any reason. "Prudential" and "Pru" are the only Service Marks You may use in an Internet web site address, e-mail address or domain name for the Franchised Business. Your employees and agents may never use any Service Mark in an individual Internet web site address, e-mail address or domain name.

~~There~~ To our knowledge there are presently no material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceedings, or, other than as may be disclosed in Item 3 above, is there any pending material litigation involving the principal trademarks and Service Marks.

Prudential Insurance owns the Service Marks and has licensed them to ~~Prudential Real Estate~~ us for use in ~~Prudential Real Estate's~~ our real estate brokerage franchise services only. The ~~Service-Mark-License Agreement has a term of five (5) years and is renewable for successive five-year terms for as long as Prudential Real Estate conducts business in compliance with the terms of the Service-Mark-License Agreement~~ Trademark License Agreement shall continue in effect until the earlier of (i) the date on which the term of the last-to-expire Franchise Agreement in the System terminates (currently anticipated as December 31, 2027), or (ii) the date on which no Franchise Agreement is in effect.

Prudential Insurance may terminate the ~~Service-Mark~~ Trademark License Agreement if:

1. ~~Prudential Real Estate fails to make the required payment under the Service-Mark-License Agreement; We file, or consent to the filing against us of, a petition for relief under any bankruptcy or insolvency laws, make an assignment for the benefit of creditors or consent to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other official with similar powers over a substantial part of our property; or a court having jurisdiction over us or any of our property enters a~~

decree or order for relief in respect thereof in an involuntary case under any bankruptcy or insolvency law, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator or official with similar powers over a substantial part of our property, or orders the winding-up, liquidation or rehabilitation of our affairs;

2. We and our Franchisees discontinue use of all of the Prudential Real Estate-violates-the Service-Mark-License-Agreement-and-does-not-cure-any-such-violation-after-notice Service Marks for a period of six (6) months and do not resume use of the Marks within thirty (30) days of receipt of a notice of termination from Prudential Insurance;

~~3. Prudential Real Estate is dissolved, declares bankruptcy, is liquidated or has a receiver appointed;~~ 3. We fail to cure a breach of any material provision of the Trademark License Agreement;

4. ~~Prudential Real Estate is no longer a wholly-owned subsidiary~~ There is any change of control of us unless the prior written consent of Prudential Financial Insurance has been obtained; or

5. ~~Prudential Real Estate stops selling real estate brokerage franchises for a period of one year and does not resume such sale within 30 days after receiving notice from Prudential Financial to do so.~~ We attempt by to assign our rights or obligations under the Trademark License Agreement.

~~Prudential Insurance has the absolute right to approve any use of the Service Marks and any new mark or name that Prudential Real Estate intends to use.~~

If a third party makes any claim, by suit or otherwise, against You because of Your use of the Service Marks in accordance with the terms of the Franchise Agreement, You must promptly notify Prudential Real Estate ~~us~~ in writing. Upon receiving this notice, Prudential Real Estate ~~we~~ and/or the owner of the Service Marks will retain counsel of its own choosing to defend You against any claim of this type, and will protect You from any loss, costs or expenses resulting from any claim. Prudential Real Estate ~~We~~ or the owner of the Service Marks also has the sole right to manage and control any such suit or other proceeding. Prudential Real Estate ~~We~~ or the owner of the Service Marks will have the sole discretion to determine if the use by a third party in an unrelated line of business of a word or logo that is the same or similar to the Service Marks is confusing to the public and what action, if any, should be taken. (See paragraph 7.07 of the Franchise Agreement.)

~~At~~ If you are a new franchisee, at Your sole expense, You must replace the signage and materials at Your existing Locations with signage and materials bearing the Prudential Real Estate's Service Marks, and complying with Prudential Real Estate's ~~our~~ signage standards, within 90 days of Your Effective Date.

Prudential Real Estate ~~We~~ may require You to substitute or modify any or all of the Service Marks at any time upon notice.

Within the United States there are no other agreements currently in effect or infringing uses actually known to Prudential Real Estate ~~us~~ that significantly limit Prudential Real Estate's ~~our~~ right to use or franchise the use of this trade name in any manner material to the Franchise being offered in the state in which the Franchised Business is to be located. However, Prudential Real Estate ~~we~~ and Prudential Insurance are restricted by agreement with The Prudential Assurance Company of Great Britain from

using the Prudential Insurance trademarks and our Service Marks in the United Kingdom, Europe, countries that are or were part of the British Commonwealth and certain other countries associated with or protected by the United Kingdom. ~~In Canada, Prudential Real Estate may use the Prudential Service Marks, but a requirement may be imposed to clearly identify Prudential Real Estate's association.~~ Insurance has imposed a requirement that we and our franchisees clearly indicate that we and our franchisees are not affiliated with Prudential Financial, Inc. or Prudential Insurance.

In order to preserve the validity and integrity of the Service Marks and to ensure that You are properly using the Service Marks in the operation of the Franchised Business and for other operational reasons, ~~Prudential Real Estate~~ and the owner of the Service Marks and their designated agents will have the right to inspect Your business operations at reasonable times. You must cooperate with ~~Prudential Real Estate's~~ and the owner of the Service Marks' representatives in this inspection and render assistance as may be reasonably requested.

If You fail to use and promote the Service Marks in conformance with the terms of the Franchise Agreement and, Operations Manual and Identity Standards, in addition to the other rights and remedies available to ~~Prudential Real Estate~~ for other breaches of the Franchise Agreement, You agree to pay ~~Prudential Real Estate's~~, as liquidated damages, an amount equal to the total Continuing Royalty due from You for the two Anniversary Years immediately preceding Your failure to comply with the terms of paragraph 7.08 of the Franchise Agreement.

Your license of the Service Marks is limited to the United States of America. You must obtain ~~Prudential Real Estate's~~ consent and authorization before You use the Service Marks in any manner outside the United States of America.

Detailed information concerning Your authorized use of the Service Marks is in Article VII of the Franchise Agreement (in particular, see paragraph 7.04 of the Franchise Agreement). This information includes restrictions on the use of other trademarks, trade names, service marks, insignias or logos.

Item 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Except for common law copyrights on all proprietary advertisements, tapes, broadcasts, software, manuals and printed materials, ~~Prudential Real Estate has~~ we have no existing patent or copyrights and no pending patent applications or copyrights that are material to the Franchise. ~~Prudential Real Estate has~~ We have not registered any of the common law copyrights and no agreements are currently in effect that significantly limit ~~Prudential Real Estate's~~ our rights to use or license the use of the common law copyrights in a manner material to You.

You must operate the Franchised Business according to the provisions of the Franchise Agreement and, the Operations Manual and the Identity Standards, one copy of which You will receive for each Location after completion of the Affiliate Integration Program. ~~Prudential Real Estate, if you are a new franchisee.~~ We may, at ~~its~~ our option, in lieu of providing one copy of the Operations Manual and Identity Standards per Location, provide an electronic copy accessible by means of electronic communication.

In addition to the Operations Manual and Identity Standards, You will receive other manuals and marketing materials such as:

~~Identity-Standards-Manual-(included-in-Operations-Manual)~~
~~Online Supplier Catalogs~~
~~Getting the Most from the Brand~~

If You discover any unauthorized use of manuals or the above-described material, You should contact ~~Prudential-Real-Estate-us~~ and ~~Prudential-Real-Estate-we~~ will take such action as ~~it-considers~~we consider appropriate.

Item 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

~~Prudential-Real-Estate-does~~We do not obligate You, whether You are a sole proprietor, corporation, limited liability company, partnership or limited partnership, or Your Principals to participate in the actual operation of the Franchised Business, nor do we make any recommendations concerning whether You or Your Principals personally supervise the Franchised Business. In accordance with state laws, You must appoint a supervising Broker or Location Manager(s) to supervise the Franchised Business, subject to satisfactory completion of a background check by us. The supervising Broker or Location Manager(s) are not required to hold any equity interest in the Franchised Business. As specified by the Franchise Agreement, if you are a new franchisee, those individuals must attend the Affiliate Integration Program within 60 days after Your Effective Date.

Personal Covenants

All Principals must sign the Personal Covenants and must personally guarantee Your obligations under the Franchise Agreement (see page 41 and 42 of the Franchise Agreement). These covenants are an agreement (i) to be bound by certain specified provisions of the Franchise Agreement regarding confidentiality, transfer of ownership and engaging in competing activities, and (ii) to pay all sums that may be due to ~~Prudential-Real-Estate-us~~ from You under the Franchise Agreement. In special circumstances, in its sole discretion, ~~Prudential-Real-Estate-we~~ may agree to limitations on the personal guarantee or may waive the personal guarantee entirely. The Personal Covenants are effective regardless of any renewal, modification or waiver by ~~Prudential-Real-Estate-us~~ of any of Your obligations under the Franchise Agreement.

Item 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The only activities You may engage in as part of the Franchised Business are those that come within the definition of "Acting as a Real Estate Broker" under the Franchise Agreement. **NO OTHER GOODS OR SERVICES MAY BE OFFERED BY YOU THROUGH THE FRANCHISED BUSINESS.** "Acting as a Real Estate Broker" means (i) all acts that are required under applicable state law to be performed by a licensed real estate broker or a licensed real estate salesperson and (ii) without limitation, the business of listing, offering, selling, exchanging, managing, auctioning, leasing or renting of real estate, representing sellers, purchasers, lessors or renters of real estate in exchange for a fee, commission or other compensation, or the providing of marketing or consulting services or other fee generating activities with respect to such activities.

The Franchised Business may only act as a real estate broker from authorized business sites (including Original Locations, Additional Locations, Subdivision Sales Offices and Satellite Offices). The Franchised Business may not offer or perform certain ancillary real estate services including, for example, title insurance or searches, mortgage origination, mortgage banking, loan brokerage, insurance, escrow services, or appraisals; nor broker business opportunities that do not involve a transfer of a real estate interest of at least one year. You may conduct these services outside the Franchised Business without using the Prudential Financial-Service Marks.

The Franchised Business shall not act as a real estate broker for a commercial property with a gross listing or sales price above \$25,000,000 without ~~Prudential-Real-Estate's~~our consent. Commercial property means parcels of real property other than those on which are located, or intended to be located, residential structures containing not more than four dwelling units.

You may not, during the term of the Franchise Agreement, or any extension or renewal, act as a real estate broker in any business other than the Franchised Business. You may not operate, manage, own, assist, license, sublicense, act on behalf of, represent, or hold an interest, directly or indirectly, in any real estate brokerage business other than the Franchised Business without ~~Prudential-Real-Estate's~~our prior written consent, nor divert or attempt to divert business or customers of the Franchised Business to any competitor or do any other act that injures the goodwill associated with the Service Marks or the System, nor solicit any person whom ~~Prudential-Real-Estate-employs~~we employ to leave his or her employment. If You are a corporation, the above will apply to each of Your officers and to each shareholder owning ten percent or more of any class of Your stock or any interest, right or option convertible into ten percent or more of Your stock. Stock held by a spouse, child or blood relative of a shareholder will be considered to be held by the same person. Any of Your actions that divert or diminish the revenues of the Franchised Business will be a material breach of the Franchise Agreement. (See paragraph 9.13 of the Franchise Agreement.)

If You or Your Principals own an interest in a separate, distinguishable business entity that performs mortgage origination services, or engages in other real estate related business, any revenues of these businesses will not be included in Gross Revenues. You or Your principals or any separate business entity may not, under any circumstances, advertise availability of mortgage brokerage, appraisal, financial or insurance services using the Prudential Service Marks or in association with the Prudential Service Marks without ~~Prudential-Real-Estate's~~our express, prior written consent, which ~~Prudential-Real-Estate~~we may withhold for any reason. You must give ~~Prudential-Real-Estate~~us notice before engaging in mortgage origination services or any other real estate related business. ~~Prudential-Real-Estate~~We may require You to sign an agreement to operate any such business on an arm's length basis from the Franchised Business.

The exclusions from the Franchised Business in its definition in Article II of the Franchise Agreement will not apply if ~~Prudential-Real-Estate-consents~~we consent to a particular transaction in writing. In these cases, or if You actually use the Prudential Service Marks in these cases without ~~Prudential-Real-Estate's~~our consent, ~~Prudential-Real-Estate~~we will include the transaction in the computation of Your Gross Revenues and ~~Prudential-Real-Estate~~we will obligate You to pay the Continuing Royalty and the Marketing Fees. Any unauthorized use of the Prudential Service Marks is a material breach of the Franchise Agreement.

As referred to in paragraph 3.04 of the Franchise Agreement, during the term of the Franchise Agreement You cannot operate, manage, own, assist or hold an interest, direct or indirect, in any business for the development or sale of insurance or insurance related products, without ~~Prudential-Real-Estate's~~our express prior written consent.

Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Paragraph 6.01	Term <u>For new franchises, the term</u> is typically between 6-10 years as mutually agreed to by You and Prudential-Real-Estate's <u>Prudential-Real Estate</u> . (Prudential-Real Estate anticipates that most franchises will be for a term of 6 years.) Under extraordinary business circumstances, Prudential-Real Estate may agree to an initial term of up to 15 years.
b.	Renewal or extension	Paragraph 6.02	No renewal rights. <u>You will not have the opportunity to further renew or extend your Franchise Agreement with us. See Item 1.</u>
c.	Requirements for You to renew or extend	Paragraph 6.02	No renewal rights. <u>You will not have the opportunity to further renew or extend your Franchise Agreement with us. See Item 1.</u>
d.	Termination by You	Not Applicable	
e.	Termination by Prudential-Real Estate's <u>Prudential-Real Estate</u> without cause	Not Applicable	
f.	Termination by Prudential-Real Estate's <u>Prudential-Real Estate</u> with cause	Paragraphs 11.02 and 11.03	Prudential-Real-Estate <u>We</u> can terminate if You default.
g.	"Cause" defined – curable defaults	Paragraph 11.03	Subject to state law, depending on the violation, You have 24 hours, 14 days or 30 days to cure.

	Provision	Section in Franchise or Other Agreement	Summary
h.	"Cause" defined – non-curable defaults	Paragraph 11.02	Non-curable defaults: abandonment, insolvency (to the extent permitted by law), inaccurate reporting of Gross Revenues, transfer of Service Marks without consent; suspension of real estate license, default twice within 12 months for same or similar breach, refusal to permit audit of financial records, failure, for two consecutive Anniversary Years after First Anniversary Year, to achieve Gross Revenues sufficient to generate a total Continuing Royalty of \$15,000; any activity in violation of Article VII of the Franchise Agreement that would not permit a complete cure or remedy of any damage caused by such violation; violation of trust account rules and regulations; material violations of laws applicable to real estate brokerage and related activities.
i.	Your obligations on termination / non- renewal	Paragraph 13.01	Obligations include: complete de-identification and payment of all amounts due, return of all Prudential Real Estate materials <u>provided to You by us</u> .
j.	Assignment of contract by Prudential-Real Estate's <u>us</u>	Paragraph 10.01	Prudential-Real Estate <u>We</u> can assign the Franchise Agreement to a financially responsible party who assumes Prudential-Real Estate's <u>our</u> obligations.
k.	Transfer by You – defined	Paragraph 10.02	Includes transfer of contract or assets or ownership change.
l.	Prudential-Real Estate's <u>Our</u> approval of transfer by You	Paragraph 10.02	Except for special cases, Prudential-Real Estate <u>has we have</u> the right to approve all transfers but cannot unreasonably withhold approval.
m.	Conditions for Prudential-Real Estate's <u>our</u> approval of transfer	Paragraph 10.02	New franchisee qualifies, transfer fee paid, purchase agreement approved, and current agreement signed by new franchisee.
n.	Prudential-Real Estate's <u>Our</u> right of first refusal to acquire Your business	Paragraph 10.03	Prudential-Real Estate <u>We</u> can match any offer for the Franchised Business, or any interest in the Franchised Business.
o.	Prudential-Real Estate's <u>Our</u> option to purchase Your business	Not Applicable	

	Provision	Section in Franchise or Other Agreement	Summary
p.	Death or disability of You	Paragraph 10.02	Passes through Your estate, subject to certain conditions.
q.	Non-competition covenants during the term of the franchise	Paragraph 9.13	You must have no other Real Estate Brokerage business or activities.
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s.	Modification of the agreement	Paragraph 15.02	Only in writing signed by all parties; or upon notice Prudential-Real-Estate <u>we</u> may reduce the scope of Your obligations without Your consent. <u>The</u> Operations Manual and Identity Standards Manual <u>are</u> subject to change by us without prior notice.
t.	Integration / merger clause	Paragraph 15.02	Only the terms of the franchise agreement are binding (subject to state law). There are no other promises or agreements. However, nothing in the Franchise Agreement requires You to waive or disclaim representations made by Franchisor, which are contained in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Article XII	Except for certain claims, all disputes must be litigated without a jury in Orange County, California, except where state law prevails. Either party may require non-binding mediation. Mediation will be conducted in Orange County, California, or, at our option, in the county where Your principal place of business is located.
v.	Choice of forum	Paragraph 12.06	Litigation must be in Orange County, California, except where other state law applies.
w.	Choice of law	Paragraph 15.01	California law, except where state law applies.
x.	Needs of the System	Article I	Prudential-Real-Estate-to <u>We will</u> take into account the needs of the System in making decisions, including the effect of such decisions upon the System as a whole, and the need to protect the <u>Prudential</u> Service Marks.

~~Prudential-Real-Estate-has~~We have negotiated termination rights to the Franchise Agreement with certain large franchisees.

Item 18: **PUBLIC FIGURES**

~~Prudential-Real-Estate-does~~We do not use any public figure to promote its~~our~~ franchise.

Item 19: **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet You are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The information provided below may be of assistance to You or Your financial advisor in preparing Your own financial plans; however, the costs and expenses experienced in Your particular business cannot be determined by simply applying the information presented. Analysis of Your individual situation by competent personnel is required. For purposes of this Item 19, ~~Prudential-Real-Estate-defines~~we define references to the performance of "Top Companies" to mean the median percentage for the 10% most profitable offices participating in the Operations Review.

From the period January 1, 2010 to December 31, 2010, ~~Prudential-Real-Estate~~we conducted 192 Operations Reviews. A variety of data was provided to ~~Prudential-Real-Estate~~us from Franchisees for the purpose of comparing the Franchisees' results with other Franchisees in the ~~Prudential-Real-Estate~~our franchise system. The Operation Reviews were conducted throughout the United States and Canada, and rely on information furnished by ~~Prudential-Real-Estate~~our Franchisees. ~~Prudential-Real-Estate-dees~~We do not make any independent assessment or verification of the data provided. Based upon these Operation Reviews, expenditures made by Franchisees in the expense categories listed below, expressed as a percentage of total Franchisee revenue, are reported as follows: (references to "exceeding" an average indicate that expenses reported were lower than the average reported).

Expense Category	Average PREA Franchisee %	% of PREA Franchisees Exceeding Average	Top PREA Franchisees % - Median of Top 10%	% of PREA Franchisees Exceeding Median
Marketing/Advertising	3.76%	63.54%	2.41%	31.25%
Communication	0.88%	63.54%	0.69%	48.96%
Occupancy	7.73%	61.98%	3.93%	11.98%
Operating	7.34%	69.27%	6.14%	54.69%
Admin. Salaries	5.62%	64.06%	3.61%	37.50%
Sales Mgmt.	4.79%	63.54%	3.38%	40.10%
Sales Promo.	0.57%	63.02%	0.40%	57.29%

Written substantiation for the financial performance representation used in preparing this statement will be made available to the prospective Franchisees upon reasonable request.

We do not intend these figures to be used as a forecast of Your actual expenses. Your own results may differ from those presented here. Your actual expenses will be influenced by local economic conditions in Your market. Accordingly, this analysis is provided purely as reference material for Your use with the other information provided in this Disclosure Document and other information You obtain about the Prudential-Real-Estate franchise opportunity through Your own investigation. We urge You to consult with Your financial, tax and legal advisors about the information presented here.

Except for the information presented in this financial performance representation, we do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Prudential-Real-Estate-franchise.

Item 20: OUTLETS AND FRANCHISEE INFORMATION

Tables 1 through 5 include residential outlet statistics for the United States, Canada and Mexico.

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2008 TO 2010

Outlet Type	Year	Outlets at the Start of the Fiscal Year	Outlets at the End of the Fiscal Year	Net Change
Franchised	2008	623	589	-34
	2009	589	545	-44
	2010	545	513	-32
Company-Owned	2008	0	0	0
	2009	0	0	0
	2010	0	0	0
Total Outlets	2008	623	589	-34
	2009	589	545	-44
	2010	545	513	-32

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(Other than the Franchisor)
FOR YEARS 2008 TO 2010

State	Year	Number of Transfers
Alabama	2008	0
	2009	0
	2010	0

Alaska	2008	0
	2009	0
	2010	0
Alberta	2008	0
	2009	0
	2010	0
Arizona	2008	0
	2009	0
	2010	0
Arkansas	2008	0
	2009	0
	2010	1
State	Year	Number of Transfers
British Columbia	2008	0
	2009	0
	2010	0
California	2008	1
	2009	2
	2010	0
Colorado	2008	0
	2009	1
	2010	0
Connecticut	2008	0
	2009	0
	2010	0
Delaware	2008	0
	2009	0
	2010	0
Florida	2008	1
	2009	0
	2010	0
Georgia	2008	0
	2009	0
	2010	0
Hawaii	2008	0
	2009	0
	2010	0
Idaho	2008	0
	2009	0
	2010	0

Illinois	2008	0
	2009	1
	2010	0
Indiana	2008	0
	2009	0
	2010	0
Iowa	2008	0
	2009	0
	2010	0
Kansas	2008	1
	2009	0
	2010	0

State	Year	Number of Transfers
Kentucky	2008	0
	2009	1
	2010	0
Louisiana	2008	0
	2009	0
	2010	0
Maine	2008	0
	2009	0
	2010	0
Manitoba	2008	0
	2009	0
	2010	0
Maryland	2008	0
	2009	0
	2010	0
Massachusetts	2008	0
	2009	0
	2010	1
Mexico	2008	0
	2009	0
	2010	0
Michigan	2008	0
	2009	0
	2010	0
Minnesota	2008	0

	2009	0
	2010	0
Mississippi	2008	1
	2009	1
	2010	0
Missouri	2008	1
	2009	1
	2010	0
Montana	2008	0
	2009	0
	2010	0
Nebraska	2008	0
	2009	0
	2010	0

State	Year	Number of Transfers
Nevada	2008	0
	2009	0
	2010	0
New Brunswick	2008	0
	2009	0
	2010	0
Newfoundland & Labrador	2008	0
	2009	0
	2010	0
New Hampshire	2008	0
	2009	0
	2010	0
New Jersey	2008	0
	2009	1
	2010	1
New Mexico	2008	0
	2009	0
	2010	0
New York	2008	1
	2009	0
	2010	3
North Carolina	2008	0
	2009	0
	2010	0

North Dakota	2008	0
	2009	2
	2010	0
Nova Scotia	2008	0
	2009	0
	2010	0
Ohio	2008	0
	2009	0
	2010	2
Oklahoma	2008	0
	2009	0
	2010	0
Ontario	2008	0
	2009	0
	2010	0

State	Year	Number of Transfers
Oregon	2008	0
	2009	0
	2010	0
Pennsylvania	2008	0
	2009	0
	2010	0
Prince Edward Island	2008	0
	2009	0
	2010	0
Rhode Island	2008	0
	2009	0
	2010	0
South Carolina	2008	1
	2009	0
	2010	1
South Dakota	2008	0
	2009	0
	2010	0
Tennessee	2008	0
	2009	1
	2010	0
Texas	2008	0
	2009	0

Utah	2010	1
	2008	0
	2009	0
	2010	0
Vermont	2008	0
	2009	0
	2010	0
Virginia	2008	0
	2009	0
	2010	1
Washington	2008	0
	2009	1
	2010	1
West Virginia	2008	0
	2009	0
	2010	1

State	Year	Number of Transfers
Wisconsin	2008	0
	2009	0
	2010	0
Wyoming	2008	0
	2009	0
	2010	0
TOTAL	2008	7
	2009	12
	2010	13

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS²
FOR YEARS 2008 TO 2010

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2008	11	0	1	0	0	0	10
	2009	10	0	0	1	0	0	9
	2010	9	0	0	2	0	0	7
Alaska	2008	1	0	0	0	0	0	1
	2009	1	1	0	0	0	0	2
	2010	2	0	0	0	0	0	2
Alberta	2008	4	1	0	0	0	0	5
	2009	5	0	0	0	0	0	5
	2010	5	0	0	0	0	0	5
Arizona	2008	7	0	0	0	0	0	7
	2009	7	0	1	0	0	0	6
	2010	6	1	0	0	0	0	7
Arkansas	2008	5	0	0	1	0	0	4
	2009	4	0	1	0	0	0	3
	2010	3	0	0	0	0	0	3
British Columbia	2008	5	0	0	0	0	0	5
	2009	5	0	0	0	0	0	5
	2010	5	0	0	0	0	0	5
California	2008	64	0	2	1	0	0	61
	2009	61	3	1	2	0	0	61
	2010	61	3	5	3	0	0	56
Colorado	2008	14	1	0	0	0	0	15
	2009	15	2	3	0	0	0	14
	2010	14	0	0	0	0	0	14
Connecticut	2008	4	0	0	0	0	0	4
	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
Delaware	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Florida	2008	31	0	2	0	0	0	29
	2009	29	2	3	0	0	0	28
	2010	28	2	5	3	0	0	22

² The information set forth in Table 3 of Item 20 for years 2008 has been revised from prior versions of our Franchise Disclosure Document to correct errors resulting from a system data conversion performed in December 2006.

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Georgia	2008	18	0	1	0	0	0	17
	2009	17	0	3	0	0	0	14
	2010	14	0	2	0	0	0	12
Hawaii	2008	7	0	0	0	0	0	7
	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
Idaho	2008	2	2	0	0	0	0	4
	2009	4	0	1	0	0	0	3
	2010	3	0	0	0	0	0	3
Illinois	2008	24	0	2	0	0	0	22
	2009	22	0	3	2	0	0	17
	2010	17	2	1	0	0	0	18
Indiana	2008	8	0	0	0	0	0	8
	2009	8	0	2	0	0	0	6
	2010	6	1	0	0	0	0	7
Iowa	2008	7	0	0	1	0	0	6
	2009	6	0	0	0	0	0	6
	2010	6	0	0	0	0	0	6
Kansas	2008	7	0	0	0	0	0	7
	2009	7	0	2	0	0	0	5
	2010	5	0	0	0	0	0	5
Kentucky	2008	7	0	0	0	0	0	7
	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
Louisiana	2008	4	0	1	0	0	0	3
	2009	3	0	1	0	0	0	2
	2010	2	0	0	0	0	0	2
Maine	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Manitoba	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Maryland	2008	6	0	0	1	0	0	5
	2009	5	0	0	0	0	0	5
	2010	5	1	1	0	0	0	5
Massachusetts	2008	24	0	1	1	0	0	22
	2009	22	0	2	1	0	0	19
	2010	19	3	1	2	0	0	19
Mexico	2008	1	1	0	0	0	0	2
	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Michigan	2008	13	0	0	0	0	0	13
	2009	13	1	1	1	0	0	12
	2010	12	0	0	0	0	0	12
Minnesota	2008	9	0	0	1	0	0	8
	2009	8	2	2	0	0	0	8
	2010	8	1	1	0	0	0	8
Mississippi	2008	6	0	0	0	0	0	6
	2009	6	1	1	0	0	0	6
	2010	6	0	0	0	0	0	6
Missouri	2008	18	0	2	1	0	0	15
	2009	15	0	1	0	0	0	14
	2010	14	0	2	0	0	1	11
Montana	2008	4	1	0	0	0	0	5
	2009	5	0	0	0	0	0	5
	2010	5	0	0	0	0	0	5
Nebraska	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Nevada	2008	2	0	0	1	0	0	1
	2009	1	1	0	0	0	0	2
	2010	2	0	0	0	0	0	2
New Brunswick	2008	2	0	0	0	0	0	2
	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
Newfoundland & Labrador	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
New Hampshire	2008	6	0	1	1	0	0	4
	2009	4	0	1	0	0	0	3
	2010	3	0	0	0	0	0	3
New Jersey	2008	28	0	2	0	0	0	26
	2009	26	0	2	0	0	0	24
	2010	24	0	3	1	0	0	20
New Mexico	2008	10	0	0	0	0	0	10
	2009	10	0	2	0	0	0	8
	2010	8	0	0	0	0	0	8
New York	2008	25	0	1	2	0	0	22
	2009	22	3	1	1	0	0	23
	2010	23	2	1	1	0	0	23
North Carolina	2008	25	0	2	0	0	0	23
	2009	23	2	3	0	0	0	22
	2010	22	0	0	1	0	0	21

North Dakota	2008	2	0	0	0	0	0	2
	2009	2	1	0	0	0	0	3
	2010	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Nova Scotia	2008	5	0	0	0	0	0	5
	2009	5	0	0	0	0	0	5
	2010	5	0	0	0	0	0	5
Ohio	2008	20	0	0	1	0	0	19
	2009	19	1	1	0	0	0	19
	2010	19	1	0	1	0	0	19
Oklahoma	2008	4	1	0	0	0	0	5
	2009	5	0	1	0	0	0	4
	2010	4	0	0	0	0	0	4
Ontario	2008	27	0	1	1	0	0	25
	2009	25	1	1	0	0	0	25
	2010	25	0	1	2	0	0	22
Oregon	2008	10	0	1	1	0	0	8
	2009	8	0	1	0	0	0	7
	2010	7	0	0	0	0	0	7
Pennsylvania	2008	30	1	3	1	0	0	27
	2009	27	0	1	0	0	0	26
	2010	26	0	1	1	0	1	23
Prince Edward Island	2007	1	0	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	2009	1	0	1	0	0	0	0
Rhode Island	2008	4	0	1	0	0	0	3
	2009	3	0	0	0	0	0	3
	2010	3	0	0	1	0	0	2
Saskatchewan	2007	1	0	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
South Carolina	2008	14	0	0	1	0	0	13
	2009	13	0	2	0	0	0	11
	2010	11	1	1	0	0	0	11
South Dakota	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Tennessee	2008	9	0	0	0	0	0	9
	2009	9	0	1	0	0	0	8
	2010	8	0	0	0	0	0	8
Texas	2008	28	2	1	0	0	0	29
	2009	29	0	6	0	0	0	23
	2010	23	1	1	0	0	1	22

Utah	2008	5	0	1	0	0	0	4
	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Vermont	2008	4	0	0	0	0	0	4
	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
Virginia	2008	9	1	1	0	0	0	9
	2009	9	0	1	1	0	0	7
	2010	7	0	1	0	0	0	6
Washington	2008	13	0	1	0	0	0	12
	2009	12	4	2	0	0	0	14
	2010	14	0	0	1	0	0	13
West Virginia	2008	5	0	0	0	0	0	5
	2009	5	0	1	0	0	0	4
	2010	4	0	1	0	0	0	3
Wisconsin	2008	13	0	0	1	0	0	12
	2009	12	0	3	0	0	0	9
	2010	9	0	0	0	0	0	9
Wyoming	2008	3	0	0	0	0	0	3
	2009	3	0	1	0	0	0	2
	2010	2	0	0	0	0	0	2
Total	2008	622	11	28	17	0	0	588
	2009	588	25	59	9	0	0	545
	2010	545	19	29	19	0	3	513

TABLE NO. 4

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2008 TO 2010**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Alabama	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Alaska	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Alberta	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Arizona	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Arkansas	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
British Columbia	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
California	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Colorado	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Connecticut	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Delaware	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Florida	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Georgia	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Hawaii	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Idaho	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Illinois	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Indiana	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Iowa	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Kansas	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Kentucky	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Louisiana	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Maine	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Manitoba	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Maryland	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Massachusetts	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Mexico	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Michigan	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Minnesota	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Mississippi	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Missouri	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Montana	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Nebraska	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Nevada	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
New Brunswick	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Newfoundland & Labrador	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
New Hampshire	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
New Jersey	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
New Mexico	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
New York	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
North Carolina	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
North Dakota	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Nova Scotia	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Ohio	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Oklahoma	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Ontario	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Oregon	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Pennsylvania	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Prince Edward Island	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Rhode Island	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Saskatchewan	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
South Carolina	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
South Dakota	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Tennessee	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Texas	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Utah	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Vermont	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Virginia	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Washington	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
West Virginia	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Wisconsin	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Wyoming	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Total	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0

TABLE NO. 5

**PROJECTED OPENINGS
AS OF DECEMBER 31, 2010**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company- Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Alaska	0	1	0
Alberta	0	0	0
Arizona	0	2	0
Arkansas	0	1	0
British Columbia	0	1	0
California	0	5	0
Colorado	0	2	0
Connecticut	0	0	0
Delaware	0	1	0
Florida	0	5	0
Georgia	0	2	0
Hawaii	0	1	0
Idaho	0	1	0
Illinois	0	2	0
Indiana	0	2	0
Iowa	0	1	0
Kansas	0	1	0
Kentucky	0	1	0
Louisiana	0	1	0
Maine	0	1	0
Manitoba	0	0	0
Maryland	0	2	0
Massachusetts	0	3	0
Mexico	0	2	0
Michigan	0	2	0
Minnesota	0	1	0
Mississippi	0	1	0
Missouri	0	2	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Montana	0	1	0
Nebraska	0	1	0
Nevada	0	1	0
New Brunswick	0	0	0
Newfoundland & Labrador	0	0	0
New Hampshire	0	1	0
New Jersey	0	2	0
New Mexico	0	1	0
New York	0	3	0
North Carolina	0	2	0
North Dakota	0	1	0
Nova Scotia	0	0	0
Ohio	0	2	0
Oklahoma	0	1	0
Ontario	0	3	0
Oregon	0	1	0
Pennsylvania	0	2	0
Prince Edward Island	0	0	0
Rhode Island	0	1	0
Saskatchewan	0	1	0
South Carolina	0	2	0
South Dakota	0	1	0
Tennessee	0	2	0
Texas	0	3	0
Utah	0	1	0
Vermont	0	1	0
Virginia	0	3	0
Washington	0	2	0
West Virginia	0	1	0
Wisconsin	0	2	0
Wyoming	0	1	0
Total	0	88	0

Exhibit C of this Disclosure Document lists the names of all of Prudential Real Estate's operating residential real estate brokerage franchisees and the addresses and telephone numbers of their outlets as of December 31, 2010. Exhibit D of this Disclosure Document lists the name, last known address, and business telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the residential real estate brokerage Franchise Agreement during fiscal year 2010, or who has not communicated with Prudential Real Estate within ten (10) weeks of the issuance date of this Disclosure Document. If You buy this franchise, Your contact

information may be disclosed to other buyers while you are in the franchise system and after You leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees that would restrict them from speaking openly with You about their experience with Prudential Real-Estate~~us~~. Franchisor does not have any trademark-specific franchisee organizations associated with its franchise system.

Item 21: FINANCIAL STATEMENTS

Exhibit B contains ~~Prudential-Real-Estate's~~~~our~~ unaudited financial statements for the ~~five~~~~ing~~-month period ended ~~May-31~~, September 30, 2011, and our audited financial statements as of and for the years ended December 31, 2010 and 2009 and as of and for the years ended December 31, 2008 and 2007.

Item 22: CONTRACTS

Exhibit A, attached, is a copy of the Real Estate Brokerage Franchise Agreement proposed for use in this state. Exhibit C to the Franchise Agreement is the ~~Prudential~~BRER Referral Services, Inc. Broker to Broker Referral Terms and Conditions, proposed for use in this state. You and ~~Prudential-Real-Estate~~we are not required to sign any lease, option or purchase agreements.

~~PRUDENTIAL REAL ESTATE~~BRER AFFILIATES, INC.

PRUDENTIAL REAL ESTATE BROKERAGE FRANCHISE AGREEMENT

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PRUDENTIAL REAL ESTATE
BROKERAGE FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____, 20__ and effective _____ (the "Effective Date"), by and between BRER Affiliates Inc. (formerly known as Prudential Real Estate Affiliates, Inc.), a Delaware corporation ("Franchisor"), and _____, a(n) _____ (Corporation, Limited Liability Company, Partnership, Individual) proposing to do business in the State of _____ as Prudential _____ ("Franchisee").

THE PARTIES AGREE:

I.

NATURE AND SCOPE OF AGREEMENT

Franchisor has developed and intends to ~~continue to engage~~ in the ongoing development and operation of a "System" (as defined in Article II hereof) under certain "Service Marks" (as defined in Article II hereof) operated in accordance with the provisions of this Agreement and Franchisor's "Operations Manual" (as defined in Article II hereof), as amended from time to time.

Franchisor is a wholly owned operating subsidiary of Prudential Real Estate and Relocation Services, Inc. and ~~is a Prudential Financial, Inc. company.~~ The Prudential Insurance Company of America ("Prudential Insurance") and its affiliated entities are the owners of the Service Marks and all rights in respect thereof. Pursuant to a License Agreement between Franchisor and Prudential Insurance, Franchisor has been authorized to use, and to license others to use, the Service Marks.

Franchisor is engaged in the administration and development of programs for the operation of real estate brokerage businesses utilizing the Service Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor and/or Prudential Insurance. Franchisor's activities in general, and its real estate brokerage programs in particular, are undertaken to develop, maintain and enhance the Service Marks and Franchisor's reputation for total service in all fields of real estate brokerage and related services throughout the United States.

Franchisee desires to be franchised and licensed by the Franchisor to participate in and use the System, Service Marks and goodwill of Franchisor to conduct the "Franchised Business" (as defined in Article II hereof) in the manner described in this Agreement. Franchisor is willing to grant to the Franchisee said Franchise and license, in accordance with the provisions of this Agreement and the Operations Manual, for the term set forth below.

Franchisee acknowledges that in the administration of this Agreement and in taking actions with respect to its relationship with Franchisee, Franchisor must take into account the needs of the Network (as defined in Article II), the effect upon the Network as a whole, and the need to protect the Service Marks for the benefit of the Network.

II.

DEFINITIONS

The following terms shall have the following meanings when they appear capitalized in this Agreement.

Abandoned. With respect to any "Location", the term "Abandoned" shall mean closure of a Location for a period of seven consecutive days without Franchisor's prior written consent. A repeated pattern of closures of a Location for periods of less than seven consecutive days may result in the Location being deemed Abandoned if in the judgment of Franchisor such closure adversely impacts the Franchised Business. A Location shall not be deemed Abandoned if the closure is due to acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money), provided that Franchisee gives notice of any such closure to Franchisor within 10 days after the initial occurrence of the event resulting in such closure and Franchisor acknowledges in writing that such closure is due to one of the foregoing causes and provided further that Franchisee shall re-establish the Franchised Business and be fully operational in such Location or another Location approved by Franchisor within 120 days after the initial occurrence of the event resulting in such closure or such longer period as Franchisor may permit.

Acting as a Real Estate Broker. The term "Acting as a Real Estate Broker" shall mean all acts that are required under applicable state law to be performed by a licensed real estate broker or a licensed real estate salesperson, and shall also mean, without limitation, the business of listing, offering, selling, exchanging, managing, auctioning, leasing or renting of real estate; representing sellers, purchasers, lessors or renters of real estate in exchange for a fee, commission, or other compensation; or the providing of marketing or consulting services or other fee generating activities with respect to such activities.

Additional Location. The term "Additional Location" shall mean any Location opened pursuant to the terms of this Agreement subsequent to the Effective Date.

Additional Location Fee. The term "Additional Location Fee" is defined in subparagraph 5.01(b) hereof

Additional Office. The term "Additional Office" shall mean a Subdivision Sales Office or Satellite Office opened pursuant to the terms of this Agreement subsequent to the Effective Date.

Additional Satellite Office. The term "Additional Satellite Office" shall mean any Satellite Office opened pursuant to the terms of this Agreement subsequent to the Effective Date.

Administrative Office. The term "Administrative Office" shall mean an office used by the Franchised Business for purely administrative purposes. Use of the Service Marks and the conduct of any other activities at an Administrative Office shall only occur with Franchisor's prior written consent, in its sole discretion.

Affiliate Integration Process. The term "Affiliate Integration Process" shall mean training in the System provided by Franchisor, as described in paragraph 8.01 hereof

Anniversary Year. The term "Anniversary Year" shall mean the 12-month period between the first anniversary of the Effective Date and second anniversary thereof and between each succeeding anniversary.

Approved Broker Management System. The term "Approved Broker Management System" is defined in subparagraph 9.02(a) hereof

Assumed Name. The term "Assumed Name" shall mean the name (or, with Franchisor's consent, names) under which the Franchisee shall conduct the Franchised Business and shall be a combination of (a) those Service Marks set forth in the Operations Manual to be used in the Assumed Name and (b) a name (or, with Franchisor's consent, names) selected by Franchisee and approved by Franchisor.

Commercial Property. The term "Commercial Property" shall mean all real property other than real property on which is located, or intended to be located, residential structures containing four dwelling units or less.

Consumer Price Index. The term "Consumer Price Index" shall mean the annual average of the Consumer Price Index for All Urban Consumers, Service Group Only (1982-84 = 100), published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Contact Person. The term "Contact Person" shall mean the officer(s), employee(s), member(s), manager(s), principal(s) or other agent(s) of Franchisee designated by Franchisee as the person(s) responsible for those functions set forth in Paragraph 9.08 hereof

Continuing Royalty. The term "Continuing Royalty" shall mean the continuing royalty described in subparagraph 5.02(a) hereof.

Control. The term "Control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Depository Checking Account. The term "Depository Checking Account" shall mean any and all accounts opened and maintained by Franchisee as required pursuant to paragraph 9.04 hereof, and as further defined in the Operations Manual, at a bank or other financial institution that is a participating member of the Automated Clearinghouse ("ACH") network or such other network or system as may be directed by Franchisor.

Designated Equity Holder. The term "Designated Equity Holder" is defined in subparagraph 10.02(b) hereof

Equity Holder. The term "Equity Holder" is defined in subparagraph 10.02(h) hereof

Equity Interest. The term "equity interest" is defined in subparagraph 10.02(h) hereof (and is not capitalized herein.)

First Anniversary Year. The term "First Anniversary Year" shall mean the 12-month period following the Effective Date. The term "First Anniversary Year" shall not apply to any renewals of the franchise relationship pursuant to Article VI.

Franchised Business. The term "Franchised Business" shall mean Acting as a Real Estate Broker from Locations, Subdivision Sales Offices and Satellite Offices utilizing the Service Marks, except as provided hereinafter or in the Operations Manual. The Franchised Business shall not include:

(a) Acting as a Real Estate Broker with respect to a transaction involving Commercial Property having a gross listing or sales price that exceeds \$25,000,000, which may only be done with Franchisor's prior written consent. In its sole discretion, Franchisor reserves the right to increase the foregoing \$25,000,000 limit or consent to individual transactions in excess thereof utilizing the Service Marks, and if Franchisor consents thereto, the transaction will be deemed to be within the scope of the Franchised Business (with respect to permitted commercial transactions, Franchisor sets forth in its Operations Manual criteria for Commercial Property leases, exchanges and similar transactions and may impose additional conditions on Acting as a Real Estate Broker with respect to Commercial Property);

(b) engaging in any business related to the development or sale of insurance or insurance-related products;

(c) brokerage of certain business opportunities as set forth in the Operations Manual; or

(d) mortgage brokerage and mortgage origination.

General Manager. The term "General Manager" shall mean the officer, employee, member, manager, principal or other agent of Franchisee who has been designated by Franchisee as the person responsible for the day-to-day operation of the Franchised Business and who has successfully completed the "Affiliate Integration Program" (if required pursuant to paragraph 8.01 hereof).

Gross Revenues. The term "Gross Revenues" shall mean all money or things of value received or receivable ("receivable" shall mean earned though not yet received) directly or indirectly by Franchisee constituting payment for or on account of the Franchised Business, including but not limited to, commissions, referral fees or other things of value, without deducting Franchisee's costs or expenses, multiple listing fees, commissions, salaries, overrides or bonuses payable to its salespersons or employees. Notwithstanding the foregoing, Gross Revenues shall not include money or things of value received or receivable solely for Residential Property Management Activities.

Initial Franchise Fee. The term "Initial Franchise Fee" is defined in subparagraph 5.01(a) hereof

Location. The term "Location" shall mean business premises from which Franchisee conducts the Franchised Business under the Service Marks. Locations shall include Additional Locations, but shall not include Subdivision Sales Offices, Satellite Offices or Administrative Offices.

Location Manager. The term "Location Manager" shall mean the officer, employee, member, manager, principal or other agent of Franchisee designated by Franchisee as the person responsible for the day-to-day operation of a Location and who has successfully completed the Affiliate Integration Program (if required pursuant to paragraph 8.01 hereof).

Marketing Fee. The term "Marketing Fee" shall mean the fee or fees described in subparagraph 5.03(a) hereof

Materials. The term "Materials" shall mean all forms, contracts, agreements, signs, displays, stationery and other items permitted or required by Franchisor to be used in the operation of the Franchised Business.

Network. The term "Network" shall mean the businesses of Franchisor and its franchisees, and Franchisor's current and prospective relationships with its franchisees, its affiliates and the real estate community.

Operations Manual. The term "Operations Manual" shall mean the manual or manuals (including the Identity Standards Manual portion thereof and other manuals regardless of title) containing policies and procedures to be adhered to by Franchisee in performing under this Agreement, which Operations Manual shall include all amendments and supplements thereto provided to Franchisee from time to time.

Original Locations. The term "Original Locations" shall mean the Locations that are listed in Exhibit "B" hereto. (Exhibit "B" may also list Satellite Offices, Subdivision Sales Offices and Administrative Offices.)

Residential Property Management Activities. The term "Residential Property Management Activities" shall mean the business of managing real estate on which is located, or intended to be located, residential structures containing four dwelling units or less in exchange for a fee or other compensation. Residential Property Management Activities shall not include any services related to leasing or renting real estate for a period of more than 60 days, or selling real estate of any kind.

Responsible Agent or Broker. The term "Responsible Agent or Broker" shall mean the person designated by Franchisee as its authorized representative for purposes of coordinating the relations between Franchisor and Franchisee.

Sales Professional Orientation. The term "Sales Professional Orientation" shall mean the introduction of Franchisee's sales professionals to Franchisor's System and the Network.

Sales Convention. The term "Sales Convention" shall mean the conference described in paragraph 8.04 hereof

Satellite Office. The term "Satellite Office" shall mean business premises from which Franchisee conducts the Franchised Business under the Service Marks, in the nature of a temporary or small office, information kiosk, mall location, key-drop location or other type of auxiliary site, which Franchisee may open only in the sole discretion of Franchisor (as provided in paragraph 4.03). A Satellite Office differs from a Location in that (i) at Franchisor's option the Satellite Office (a) may be opened for a limited period of time, which may be extended at Franchisor's sole discretion; or (b) may, absent notice to the contrary from either party, be automatically renewed for additional one (1) year terms, provided that no change in the nature of the Satellite Office shall have occurred, and (ii) shall be located in a site that Franchisor determines is not appropriate for a Location. An Initial Franchise Fee or Additional Location fee shall be payable for a Satellite Office (as provided in paragraph 5.01). A Satellite Office's Gross Revenues (if any) shall be reported with and attributable to a Location specified by Franchisor (as provided in Article V). Additional operational restrictions relating specifically to Satellite Offices may be set forth in the Operations Manual.

Satellite Office Fee. The term "Satellite Office Fee" is defined in subparagraph 5.01(c) hereof

Service Marks. The term "Service Marks" shall mean those proprietary marks registered with the United States Patent and Trademark Office and certain states, as well as all common law trademarks and service marks, trade names, logo types, insignias, designs and other commercial symbols that Franchisor now or hereafter is authorized to use and does use or authorizes others to use to identify the Franchised Business.

Subdivision Sales Office. The term "Subdivision Sales Office" shall mean a temporary tract sales office within or immediately adjacent to a new homes subdivision or development operated for the sole purpose of selling property in said subdivision or development.

System. The term "System" shall mean a comprehensive marketing and operational system prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Operations Manual, as amended from time to time. The System shall include, among other things, the Service Marks and certain advertising, marketing and sales programs and techniques, training programs and materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that Franchisor makes available to Franchisee. The System also includes an opportunity to participate on specified terms and conditions in a broker-to-broker referral system (currently Prudential Referral Services, Inc.), which includes other participating franchisees and, in certain circumstances, may include brokers who are not franchised by Franchisor. Franchisor, in its sole discretion, may improve and/or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System, establishing categories or classifications of franchisees and amending the Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials, or local marketing needs and conditions; enhancing the reputation or public acceptance of the System and/or the Network; and/or better serving the public.

Threshold. The term "Threshold" is defined in subparagraph 5.02(b) hereof

Transfer. The term "Transfer" shall mean to sell, assign, transfer, convey, pledge, mortgage, encumber, abandon, eliminate or give away, voluntarily or involuntarily, by operation of law or otherwise.

III.

THE FRANCHISED BUSINESS

3.01 Grant of Franchise

Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a non-exclusive license and franchise ("Franchise") to participate in and use the System by conducting the Franchised Business at the Locations, Subdivision Sales Offices and other offices described in Exhibit "B", or in any amendments hereto, and such Additional Locations and Additional Offices as may be approved in strict accordance with this Agreement and the Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof. The Franchise applies only to Franchisee's Locations, Subdivision Sales Offices, Satellite Offices and Administrative Offices duly approved by Franchisor in accordance with this Agreement and no other places of business, offices, or types of business. Franchisee acknowledges that Franchisor has granted and may in the future operate and/or grant other licenses and franchises for real estate brokerage businesses and acknowledges that there is no assurance of any kind that any Additional Locations or Additional Offices will be available or approved. Franchisee shall retain the right to conduct businesses and perform services other than the Franchised Business without payment of Continuing Royalty or Marketing Fees measured by revenues derived therefrom, but subject to the restrictions on Acting as a Real Estate Broker in any other real estate brokerage business under paragraph 9.13 hereof, and subject to all other applicable provisions of this Agreement and the Operations Manual; PROVIDED, HOWEVER, FRANCHISEE SHALL NOT USE THE SERVICE MARKS (AS DEFINED HEREIN), OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH SUCH BUSINESSES OR SERVICES WITHOUT THE EXPRESS PRIOR WRITTEN PERMISSION OF THE PRESIDENT OR OTHER EXECUTIVE OFFICER OF FRANCHISOR, WHICH PERMISSION, IF GRANTED, SHALL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS.

3.02 No Exclusive Territory

NOTHING CONTAINED HEREIN SHALL BE DEEMED, EXPRESSLY OR BY IMPLICATION, TO GRANT FRANCHISEE ANY TYPE OF EXCLUSIVE OR PROTECTED TERRITORY. FRANCHISOR MAY OWN, OPERATE, FRANCHISE OR LICENSE OR IN ANY OTHER MANNER AUTHORIZE THE LOCATION AND OPERATION OF OTHER REAL ESTATE BROKERAGE BUSINESSES AT ANY LOCATION WHATSOEVER, AND NOTHING

CONTAINED HEREIN SHALL BE DEEMED, EXPRESSLY OR BY IMPLICATION, TO LIMIT, CONTROL, OR PREVENT SUCH RIGHT. Franchisee acknowledges that in the exercise of the rights expressly reserved to Franchisor under this Franchise Agreement, it is likely that Franchisor will open, or authorize others to open, additional real estate brokerage office locations with respect to which Franchisee has no right or interest; that such market development is an integral part of the marketing concept underlying Franchisor's business and the development of the Network.

3.03 Reserved Rights

This Franchise Agreement authorizes the operation of specific real estate brokerage office locations utilizing the System within the framework of rights and obligations established by the terms of this Franchise Agreement including, in particular, the provisions of this Franchise Agreement defining and limiting the rights granted to Franchisee and the rights retained by and/or reserved to Franchisor. Nothing contained herein shall accord Franchisee any right, title or interest in or to the Service Marks, the System, operational techniques, service concepts, proprietary information or goodwill of Franchisor, except to the extent that the right to use such proprietary rights has been specifically granted hereunder.

Franchisee acknowledges and agrees that Franchisor, ~~Prudential Insurance~~, and any present or future affiliates—~~either~~, are now, or may in the future be, engaged in a wide variety of business activities, some of which may now or in the future be located near a Location or Additional Location or within the same marketing areas serviced by the Franchised Business. Without limitation such activities may include the acquisition, sale, financing and/or operation of improved or unimproved real property, and offering consumers and/or businesses, products and services in connection with such transactions. Franchisor reserves the right to engage in any activities for the purpose of attracting customers and business directly to Franchisor, ~~Prudential Insurance~~, and any present or future affiliates—~~of either~~, and Franchisee further acknowledges that such activities may be competitive with Franchisee's real estate brokerage offices, by reason of location, marketing areas, potential customers or other factors.

NOTHING CONTAINED HEREIN SHALL BE DEEMED, EXPRESSLY OR BY IMPLICATION, TO RESTRICT IN ANY WAY THE RIGHT OF FRANCHISOR, ~~PRUDENTIAL INSURANCE~~, OR ANY OF THEIR AFFILIATED ENTITIES, NOW OR IN THE FUTURE, TO ENGAGE IN ANY BUSINESS ACTIVITIES WHATSOEVER, WITHOUT LIMITATION AS TO LOCATION; TO EXERCISE ALL RIGHTS AND REMEDIES TO PROTECT OR ENFORCE THEIR RESPECTIVE INTERESTS IN THE SERVICE MARKS; AND TO USE SUCH MARKS AND OTHER PROPRIETARY RIGHTS IN ITS OTHER BUSINESS ACTIVITIES WITHOUT LIMITATION. Franchisee acknowledges that there are numerous economic, demographic, competitive and other market factors that may change the character and extent of customer demand for the services of real estate brokerage offices authorized hereunder. The economic effects of all the foregoing are understood by Franchisee to be elements of the business risk accepted by Franchisee in the operation of real estate brokerage offices under this Franchise Agreement. Franchisor shall not be liable to Franchisee for any damages or loss of sales or profits (if any) based on actual or anticipated adverse consequences to Franchisee that may result from Franchisor's continuing activities in the development of the System or other exercise of Franchisor's reserved rights.

Franchisee acknowledges that commercial and residential activities represent separate markets, business opportunities and activities. Franchisor operates a separate franchise network for commercial real estate brokerage. Franchisor will evaluate commercial and residential activities separately in the operation of the System, placement of offices, and granting of franchises. This may result in Franchisor granting separate residential and commercial franchises within a specific geographic market area.

3.04 Insurance Business

FRANCHISEE SHALL NOT DURING THE TERM HEREOF, OPERATE, MANAGE, OWN, ASSIST OR HOLD AN INTEREST, DIRECT OR INDIRECT (AS AN EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER, MEMBER, MANAGER, PARTNER, JOINT VENTURER OR OTHERWISE), IN ANY BUSINESS RELATED TO THE DEVELOPMENT OR SALE OF INSURANCE OR INSURANCE RELATED PRODUCTS, WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF FRANCHISOR. FURTHER, NEITHER FRANCHISEE NOR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, MANAGERS, SHAREHOLDERS OR PRINCIPALS SHALL REFER INSURANCE BUSINESS TO ANY ENTITY WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF FRANCHISOR. SUCH CONSENTS SHALL BE CONDITIONED ON THE CONTINUING COMPLIANCE BY THE FRANCHISEE, ITS DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, MANAGERS, SHAREHOLDERS AND PRINCIPALS, AND THE PARTY TO WHOM INSURANCE REFERRALS ARE MADE, WITH THE FRANCHISOR'S

INSURANCE SALES PRACTICE GUIDELINES AS THEY EXIST NOW OR HEREAFTER MAY BE AMENDED. THIS PARAGRAPH 3.04 SHALL APPLY TO EACH EQUITY HOLDER DIRECTLY OR INDIRECTLY OWNING TEN PERCENT OR MORE OF THE EQUITY INTEREST IN FRANCHISEE.

3.05 Area and Scope of Operation

Franchisee shall only operate its Franchised Business from its Locations, Subdivision Sales Offices, Satellite Offices and Administrative Offices in each case subject to approval by Franchisor. Franchisee shall (a) diligently and effectively promote, market and engage in the Franchised Business, (b) develop, to the best of its ability, the potential for the Franchised Business from each of Franchisee's Locations, Subdivision Sales Offices and Satellite Offices and (c) devote and focus its attentions and efforts to such promotion and development; provided that Franchisee shall not seek to promote and develop the Franchised Business outside the geographic areas serviced by its Locations, Subdivision Sales Offices and Satellite Offices as determined by Franchisor from time to time in its sole judgment. Franchisor reserves the right to designate one or more effective service areas ("ESAs") to define the geographic area served by Franchisee using such criteria as determined by Franchisor from time to time. ESAs may be assigned to more than one franchisee of Franchisor at the same time and do not give Franchisee any exclusivity rights or protected territory rights.

Franchisee shall only make referrals from the geographic areas serviced by Franchisee's Locations, Subdivision Sales Offices and Satellite Offices as determined by Franchisor from time to time in its sole judgment and shall not seek to develop referrals originating outside such areas for properties located outside such areas. Franchisor may, at its sole discretion, grant waivers with respect to this provision. Any waiver of rights hereunder shall be evidenced only by a writing signed by an authorized officer of Franchisor.

3.06 Prudential-Related Business Services

~~Franchisee acknowledges that its operations under this Agreement and the operations of the System, generally, are identified with Franchisor and with Prudential Insurance and that Franchisor, Prudential Insurance and/or its present or future affiliated business entities are and may in the future be engaged in offering products and services that may be of interest to customers of the Franchised Business (hereinafter "Related Services"). Franchisor and Franchisee believe that it is desirable to facilitate the association of the Franchised Business with present or future affiliates of Franchisor and Prudential Insurance in an appropriate manner to increase consumer awareness of the full range of products and services available through Franchisor and its present or future affiliates and thereby benefit the Network and the System. Franchisee agrees that Franchisee shall place no restrictions or prohibitions on Franchisor, Prudential Insurance and/or its present or future affiliated business entities with regard to offering Related Services to customers and prospects of Franchisee. Furthermore, Franchisee agrees to assist in these efforts in the following ways: Franchisee shall: (1) display and make available explanatory and promotional activities relating to Related Services furnished to Franchisee to customers and prospective customers at each Location, Subdivision Sales Office and Satellite Office; (2) cooperate in affording opportunities, as reasonably directed by the Franchisor, for Franchisor and its affiliates to provide information and marketing assistance concerning Related Services to Franchisee, its employees and its agents and/or sales professionals; (3) collect and provide to Franchisor customer lists, information and similar data to facilitate the marketing of Related Services, as directed by Franchisor from time to time in the Operations Manual in its sole discretion; and (4) arrange, at Franchisor's request, to offer Related Services to Franchisee's customers or prospective customers on a non-exclusive basis as set forth in the Operations Manual. With respect to such activities, Franchisor acknowledges that Franchisee shall, at all times, comply with the requirements of the Real Estate Settlement Procedures Act of 1974, and the rules and regulations issued pursuant thereto.~~

~~Franchisee acknowledges that nothing in this Agreement obligates Franchisor, Prudential Insurance or any present or future affiliated business entities to offer Related Services to or through Franchisee, and Franchisee acknowledges that no representation concerning the offering of such services or any financial benefits to be derived therefrom by Franchisee has been made. In particular, Franchisor acknowledges that Franchisor, Prudential Insurance and/or a present or future affiliated business entity may be involved in real estate related business activities including without limitation activities relating to business referrals, relocation of corporate personnel, mortgage origination, mortgage brokerage, title insurance, appraisal and escrow services and acknowledges that entry into this Agreement does not, in any way, create any right or expectation that Franchisee will obtain any benefits by virtue of such business activity.~~

IV.

LOCATION OF BUSINESS

4.01 The Original Locations

Subject to paragraphs 4.02 and 4.03 hereof, the Franchised Business shall only be operated from the Original Locations, Subdivision Sales Offices, Satellite Offices and Administrative Offices listed in Exhibit "B", and any amendments hereto (including the address and telephone number for each Original Location, Subdivision Sales Office and Satellite Office) and any Additional Locations and Additional Offices.

4.02 Permission to Close or Relocate

If Franchisee desires to close or relocate one or more but not all of its Locations, or if Franchisee desires to relocate a Subdivision Sales Office, Satellite Office, or Administrative Office, it must first request and obtain Franchisor's written consent. The following procedures set forth the means for Franchisee to apply for Franchisor's consent:

(a) Not less than 30 days prior to the desired date of closing or relocation (unless prior notice is impractical because of a required closing or relocation in which event notice shall be made as soon as possible), Franchisee must make a written request for consent to close or relocate, describing the reasons for the closing or relocation and providing details respecting any proposed new location as shall be specified in the Operations Manual.

(b) Within 21 days after receiving Franchisee's request, Franchisor shall either approve or disapprove in writing such closure or relocation in its sole discretion. If Franchisor does not approve the request within 21 days, the request shall be deemed not approved. In the event of disapproval of a relocation, Franchisee may request an alternative proposed new location pursuant to the provisions of this paragraph 4.02.

If Franchisor consents to the closing of a Location and, in connection therewith, Franchisee is thereafter permitted to open an Additional Location, then Franchisor shall waive the Additional Location Fee otherwise required under paragraph 5.01 hereof, provided that the Franchise Fee or Additional Location Fee for the closed Location had not been waived and had been paid in full by Franchisee.

4.03 Additional Locations and Additional Satellite Offices

If Franchisor, in its sole discretion, determines that there is an appropriate opportunity for Franchisee to open Additional Locations or Additional Satellite Offices at a place or places adjacent to or reasonably proximate to the Locations, Subdivision Sales Offices and Satellite Offices then being operated by Franchisee, Franchisor may, but is not obligated to, grant to Franchisee the right to open one or more Additional Locations or Additional Satellite Offices, provided Franchisee shall not then, or at any time thereafter prior to the opening of such Additional Locations or Additional Satellite Offices, be in default of any of its obligations arising pursuant to this Agreement.

If Franchisee desires to open an Additional Location or Additional Satellite Office, it shall first submit to Franchisor a written request for approval of each proposed Additional Location or Additional Satellite Office, containing such information as shall be specified in the Operations Manual. Within 30 days after receiving such request, Franchisor shall approve or disapprove such Additional Location or Additional Satellite Office. If Franchisor does not approve the request within 30 days, the Additional Location or Additional Satellite Office shall be deemed not approved. If Franchisor approves, upon Franchisee's payment of the required fee (if any) specified in subparagraph 5.01(b) below, said Additional Location or Additional Satellite Office shall be effective as of the date approved by Franchisor for Franchisee to commence the Franchised Business at such Additional Location or Additional Satellite Office.

If Franchisee wishes to ascertain current information as to whether there may be an appropriate opportunity for a particular Additional Location or Additional Satellite Office, Franchisee shall submit an inquiry to Franchisor in writing. The response to such inquiry shall set forth Franchisor's views as of the date of the response, but is subject to change and shall not be construed as granting approval of an Additional Location or Additional Satellite Office or as authorizing any action by the inquiring Franchisee.

Franchisee acknowledges that Franchisor and Franchisee have not had any discussion regarding possible Additional Locations or Additional Offices or opportunities to open Additional Locations or Additional Offices except as set forth in writing in the Statement of Prospective Franchisee signed by Franchisee in connection with this Agreement.

V.

PAYMENTS BY FRANCHISEE

5.01 Franchise Fees

(a) Concurrently upon Franchisee's execution of this Agreement, Franchisee shall pay to Franchisor an "Initial Franchise Fee" for its first Location of Twenty-Five Thousand Dollars (\$25,000).

(b) For its first Additional Location, Franchisee shall pay to Franchisor an "Additional Location Fee" equal to Twelve Thousand Five Hundred Dollars (\$12,500). For each subsequent Additional Location, Franchisee shall pay an Additional Location Fee equal to Seven Thousand Five Hundred Dollars (\$7,500).

(c) For each Satellite Office, Franchisee shall pay an initial "Satellite Office Fee" equal to One Thousand Dollars (\$1,000). If Franchisee continues to operate such Satellite Office after one year of opening, Franchisee shall pay to Franchisor an annual "Satellite Office Fee" of One Thousand Dollars (\$1,000).

(d) For purposes of payment of the Initial Franchise Fee and the Additional Location Fee described in the preceding subparagraphs 5.01(a), (b), and (c), Subdivision Sales Offices, Satellite Offices and Administrative Offices shall not be deemed Original Locations or Additional Locations. However, for purposes of reporting to Franchisor Continuing Royalty and Marketing Fees payable on transactions conducted from such Subdivision Sales Offices and Satellite Offices, Gross Revenues attributable to such transactions shall be reported to Franchisor utilizing an Approved Broker Management System as Franchisor may direct.

5.02 Continuing Royalty

(a) In addition to the Initial Franchise Fee and any other fees payable pursuant to paragraph 5.01, commencing on the Effective Date of this Agreement, Franchisee shall pay to Franchisor a Continuing Royalty equal to percentages of certain Gross Revenues derived from the Franchised Business during Franchisee's First and succeeding Anniversary Years, as set forth in the following schedule:

SCHEDULE

Greater Than	To	Continuing Royalty
S 0	S 1,650,000	6.00%
1,650,000.00	3,000,000	5.50%
3,000,000.00	5,000,000	4.50%
5,000,000.00	7,500,000	4.00%
7,500,000.00	10,000,000	3.75%
10,000,000.00	15,000,000	3.50%
15,000,000.00	20,000,000	3.00%
20,000,000.00	25,000,000	2.75%
25,000,000.00	50,000,000	2.50%
50,000,000.00	100,000,000	2.25%
100,000,000.00	and greater	2.00%

(b) The Continuing Royalty payable during the First and succeeding Anniversary Years shall be adjusted when certain thresholds ("Thresholds") are met. The Continuing Royalty percentages will apply only to the Gross Revenues

between the two Thresholds set forth next to each percentage in the above Schedule. By way of example only, if Franchisee's Gross Revenues during an Anniversary Year were \$2,000,000 according to the Schedule, Franchisee would pay 6.00% on the first \$1,650,000 of Gross Revenues (or \$99,000), and 5.50% on the remaining \$500,000 of Gross Revenues (or \$27,500), for a total Continuing Royalty of \$126,500 for such Anniversary Year.

(c) For purposes hereof, Gross Revenues shall be deemed to commence at \$0 on the Effective Date and on the first day of each Anniversary Year thereafter.

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

(e) As further provided pursuant to paragraph 9.02 hereof, beginning on the Effective Date and continuing until the date of expiration or termination of this Agreement, Franchisee shall report to Franchisor's designated computer system (on a periodic basis as set forth in the Operations Manual) the Gross Revenues earned by Franchisee (i) upon consummation of the sale (notwithstanding that funds have not been exchanged) or close of escrow on all transactions entered into by Franchisee on or after the Effective Date ("entered into" shall be deemed to mean the taking by Franchisee of any action in respect of the transaction that consequently vests in it a right to receive payment) or (ii) upon the conclusion of other services rendered by Franchisee resulting in the generation of Gross Revenues. The Continuing Royalty on such Gross Revenues shall be payable on the business day following the day on which such Gross Revenues are required to be reported pursuant to the Operations Manual. Upon expiration or termination of this Agreement, the Continuing Royalty shall remain payable as to all transactions entered into or contracts made prior to the date of such expiration or termination, and Franchisee shall continue to maintain the Depository Checking Account described in paragraph 9.04 until such time as all outstanding sums due Franchisor have been collected from the Depository Checking Account by Franchisor. Franchisee shall deposit the Continuing Royalty into the Depository Checking Account immediately when payable under this subparagraph or the following subparagraph hereof. Franchisee's Continuing Royalty shall be paid to Franchisor regardless of the type of consideration received by Franchisee. In circumstances involving non-cash Gross Revenues, the method and timing of payment of Continuing Royalty may be varied in Franchisor's sole discretion and said non-cash Gross Revenues will be valued at its then fair market value (in the case of a promissory note, its then fair market value shall be equal to the stated face value of the note). Franchisor shall have the right, in its sole discretion, to reduce the Continuing Royalty rate.

(f) Notwithstanding the preceding subparagraph, at Franchisee's option, said Continuing Royalty shall not be immediately payable on Gross Revenues not yet received by Franchisee, if payment of all or a portion of the commission earned is deferred pursuant to a written agreement; in which case the Continuing Royalty shall be payable upon the actual receipt directly or indirectly of said commission, or portion thereof, by the Franchisee. For purposes of calculating Continuing Royalty Thresholds (subparagraphs 5.02(a) and (b) hereof), deferred commissions shall be included in Gross Revenues only upon receipt.

(g) No Continuing Royalty shall be payable with respect to commissions or referral fees arising from transactions subject to a binding written agreement prior to the date hereof. Continuing Royalty shall be payable upon any termination or expiration of this Agreement with respect to commissions or referral fees receivable in connection with any binding written agreement then in effect. For purposes of this subparagraph, a listing agreement shall not be deemed to be a "binding written agreement".

(h) For each Anniversary Year following the First Anniversary Year, Franchisee's minimum Continuing Royalty will be equal to Fifteen Thousand Dollars (\$15,000). If Franchisee fails to pay the minimum Continuing Royalty in any Anniversary Year, Franchisor shall, following the end of such Anniversary Year, notify Franchisee of the amount by which Franchisee has failed to meet the minimum Continuing Royalty. Franchisee shall pay to Franchisor such amount within 30 days after receipt by Franchisee of such notice.

5.03 Marketing Fee

(a) Franchisee shall pay to Franchisor a monthly Marketing Fee equal an amount calculated based on Gross Revenues, as set forth in the following table, but not less than \$500 per month.

Gross Revenues From	Gross Revenues To	Marketing Fee
\$0	\$1,000,000	1.00%
\$1,000,000	\$5,000,000	0.75%
\$5,000,000	\$10,000,000	0.50%
\$10,000,000	\$100,000,000	0.25%
\$100,000,000	and greater	0.15%

(b) The Marketing Fee is payable in arrears on the first day of each month and shall be collected by Franchisor from the Depository Checking Account on the fifth business day of the month following the month in which the Gross Revenues upon which the Marketing Fee is based were earned. The Marketing Fee will be calculated as a percentage of the Gross Revenues derived from the Franchised Business during the month for which the Marketing Fees are due. The percentage to be used in the calculation of the monthly Marketing Fee is determined by the cumulative amount of Gross Revenues reported by Franchisee to Franchisor from the most recent anniversary of the Effective Date through the last day of the month for which the Marketing Fee is due. The percentage used will be adjusted when the Thresholds set forth in the table in subparagraph 5.03(a) are reached. By way of example only, if in the current Anniversary Year, Franchisee's to-date Gross Revenues are \$1,050,000, and Franchisee reported \$100,000 in Gross Revenues for the applicable month, then the Marketing Fee for that month would be calculated as the sum of 1.00% of the first \$50,000 of Gross Revenues (or \$500) plus 0.75% of the next \$50,000 of Gross Revenues for the month (or \$375), for a total Marketing Fee of \$875 for that month. Marketing Fees are the property of Franchisor and may be deposited by Franchisor into its general operating account.

(c) On a national basis, Franchisor may impose an additional assessment upon all of its franchisees for special designated advertising, marketing, or promotional activities (so long as such assessment is not in substance merely an increase in the general Marketing Fee referred to in subparagraph 5.03(a) hereof), if franchisees owning two-thirds of all of its franchised Locations agree to such additional assessment by affirmative vote.

(d) In its sole discretion, Franchisor shall have the right to reduce the Marketing Fee set forth in subparagraph 5.03(a) above and, upon not less than 30 days' prior written notice, to restore said Marketing Fee to an amount that shall not exceed the Marketing Fee specified in subparagraph 5.03(a) above, as adjusted in accordance with the Consumer Price Index.

(e) Franchisor, in its sole discretion, shall expend, for the purposes of national, regional or local advertising, cooperative advertising, marketing, market research, public relations, promotional campaigns and other programs designed to promote and enhance the value of the System, the Service Marks and general public recognition and acceptance thereof, an amount equal to (i) the aggregate Marketing Fees collected from all of its franchisees less (ii) actual administrative expenses with respect to all advertising, market research, public relations and promotional campaigns, which aggregate administrative expenses shall not exceed 15% of the annual aggregate Marketing Fees received or receivable by Franchisor, and Franchisor's actual advertising production costs. Marketing Fees may be used for, and Franchisor's reimbursable administrative expenses may include, expenses incurred for training, customer service support, and software development and distribution. Franchisor and its affiliates are entitled to reimbursement for expenses incurred or advanced to administer and manage such advertising, marketing, market research, public relations and promotional campaigns, including, but not limited to, the reasonable costs of accounting, collection, and legal services, as well as other products or services which historically have been provided by unaffiliated third parties, and the cost for employees administering, managing and providing services related to such activities. Franchisor is under no obligation to use all Marketing Fee contributions in the year they are received, and any unspent Marketing Fee contributions may be accumulated for use in future years.

(f) No interest on unexpended Marketing Fees shall be imputed for the benefit of, or payable to, Franchisee and no interest on Franchisor expenditures in excess of Marketing Fees collected shall be imputed for the benefit of, or payable to, Franchisor.

(g) Franchisor shall determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns. Franchisor is under no obligation to use or allocate Marketing Fees on a proportional basis.

Franchisee acknowledges that expenditures of Marketing Fees are intended to benefit the entire Network, and may not benefit Franchisee directly.

(h) On or before March 31 of each year, Franchisor shall deliver to Franchisee a statement of receipts and expenditures of the aggregate Marketing Fees relating to the preceding calendar year, certified to be correct by an officer of Franchisor.

(i) Franchisor shall have no liability for any act or omission with respect to the collection or use of Marketing Fees that is consistent with this Agreement or is otherwise performed by Franchisor in good faith.

5.04 Late Charge

All delinquent payments of any sums due Franchisor shall bear interest from the date due until paid at the rate of 12.5% per annum or the highest rate permitted by law, whichever is lower.

5.05 No Accord or Satisfaction

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt shall be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction.

5.06 Referral Fees

Franchisee shall pay all referral fees due to be paid arising from the provisions of subparagraph 9.01(f) hereof

5.07 Taxes Upon Payments to Franchisor

Should any sales and/or service tax be imposed upon payments made by Franchisee to Franchisor hereunder, Franchisee agrees to pay such amounts to Franchisor.

VI.

TERM

6.01 Initial Term

The initial term of this Agreement shall be _____ years from the Effective Date hereof, unless sooner terminated pursuant to the provisions of this Agreement.

6.02 No Renewal Rights

Franchisee shall have no renewal rights under this Agreement. The tender or acceptance of payments from Franchisee by Franchisor after expiration or termination of this Agreement shall neither prejudice Franchisor's rights to enforce the expiration or termination of Franchisee's obligations upon expiration or termination, nor create any additional rights in Franchisee's favor under this agreement. Following expiration or termination, any continued use of the Service Marks by Franchisee, the Franchised Business, or any of its sales associates will constitute willful and knowing infringement, dilution of Franchisor's trademark rights and unfair competition.

6.03 Notice of Expiration Required by Law

If applicable law requires that Franchisor give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any additional term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement shall remain in effect on a month-to-month basis only until Franchisee has received such required additional notice.

VII.

SERVICE MARKS

7.01 License

Franchisor hereby grants to Franchisee the non-exclusive right during the term hereof to use and display the Service Marks in accordance with the provisions contained herein and in the Operations Manual, solely in connection with the operation of the Franchised Business. This license is for use of the Service Marks within the United States of America only. Franchisor's consent and authorization must be obtained prior to Franchisee's use of the Service Marks in any form whatsoever outside the United States. Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services provided by Franchisee in connection with which the Service Marks are used. Franchisee agrees to be responsible for and supervise all of its employees and agents in order to ensure the proper use of the Service Marks in compliance with this Agreement. Franchisee shall use the Service Marks solely in connection with the Franchised Business and shall not use or display the Service Marks in connection with the operation of any business, the performance of any other service or the conduct of any real estate or other activity outside the scope of the Franchised Business. The foregoing prohibition shall include, but not be limited to, the use or display of the Service Marks in connection with the brokerage or property management of Commercial Property not included within the definition of the Franchised Business and the rendering of mortgage brokerage, appraisal, financial or insurance services. Franchisee agrees that all of Franchisee's use of the Service Marks under this Agreement inures to the benefit of Franchisor. Nothing herein shall give Franchisee any right, title or interest in or to any of the Service Marks, except a mere privilege and license during the term hereof to display and use the same strictly according to the limitations provided in this Agreement and the Operations Manual. Franchisee agrees that all artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Service Marks that may be created by Franchisee, its employees, agents and subcontractors and any other party with whom it may contract to have such materials produced pursuant to this Agreement shall become the sole property of Franchisor, including copyright and trademark rights, and Franchisee agrees on behalf of itself, its directors, officers, partners, employees, shareholders, managers, members, principals, agents, subcontractors and any other party with whom it may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard. Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Service Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee shall consent in writing to the cancellation and shall join in any cancellation petition. The expense of any of the foregoing recording activities shall be borne by Franchisor.

7.02 Use of Service Marks in Electronic Commerce

All use of the Service Marks used in electronic commerce, which includes all forms of electronic or computer communication except traditional television and radio, will be in accordance with the terms of the Operations Manual. Franchisor may require that various types of electronic marketing or advertising utilize a specific template or format. Franchisee must provide Franchisor with copies of all proposed applications for registration of any name or address using the Service Marks in or for electronic commerce, including Internet or web site addresses, e-mail addresses and domain names. Franchisee must obtain Franchisor's written approval prior to filing any such application. Such approval shall be in Franchisor's sole discretion. Franchisee agrees to transfer any such Internet or web site addresses, e-mail addresses or domain names using the Service Marks to Franchisor or Prudential Insurance upon Franchisor's written request at any time including without limitation, upon termination or expiration of this Agreement for any reason. No compensation shall be payable by Franchisor to Franchisee for or as a result of such transfer for any reason. Promptly upon request (including following expiration or termination of the Agreement for any reason) Franchisee shall execute and deliver to Franchisor any and all documents, instruments and writings required by Franchisor to affect such transfer. The only Service Marks that may be used by Franchisee in Internet or web site addresses, e-mail addresses and domain names for the Franchised Business are "Prudential" and "Pru", which must only be used in accordance with the terms of the Operations Manual. These two Service Marks may only be used in Internet or web site addresses, e-mail addresses and domain names for the Franchised Business itself. The Service Marks may not be used by any employees or agents of Franchisee in individual Internet or web site addresses, e-mail addresses and domain names at any time. Franchisee agrees to be responsible for and supervise the creation of any Internet or web site addresses, e-mail addresses and domain names by any of its employees and agents in order to ensure compliance with this prohibition.

7.03 Acts in Derogation of the Service Marks

(a) Franchisee agrees that as between Franchisor and Franchisee, the Service Marks are the exclusive property of Franchisor. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's franchised or licensed use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Service Marks and Franchisor's manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisor and Franchisee, shall remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement. Franchisee acknowledges that the material and information now and hereafter provided and/or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Operations Manual) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. Franchisor and the owner of the Service Marks, respectively, expressly reserve all rights with respect to the Service Marks, confidential trade secrets, methods of operation and other proprietary information, except as may be expressly granted to Franchisee hereby or in the Operations Manual. Franchisor shall disclose its trade secrets to Franchisee by loaning to Franchisee for the term of this Agreement manuals and other written materials containing the trade secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement. Franchisee acknowledges that Franchisor is the sole owner of all proprietary information and trade secrets; that such information is being imparted to Franchisee only by reason of its special status as a Franchisee of the System; and that the trade secrets are not generally known to the real estate brokerage industry or public at large and are not known to Franchisee except by reason of such disclosure. Franchisee further acknowledges that it shall acquire no interest in the trade secrets, other than the right to utilize them in the development and operation of the Franchised Business during the term of this Agreement. In addition, Franchisee acknowledges that the use or duplication of the trade secrets except as expressly permitted by this Agreement shall constitute an unfair method of competition and that Franchisor shall suffer irreparable injury thereby. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the Service Marks, either during the term of this Agreement or thereafter, and that it will use same only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that impair the goodwill associated with the Service Marks or reflects poorly on Franchisor.

(b) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs and other display materials, on its letterheads, business forms, and at the Locations and other authorized business sites, in all of its business dealings related thereto and to the general public, it will identify the Franchised Business under an Assumed Name, or Assumed Names, approved by Franchisor, together with the words "AN INDEPENDENTLY OWNED AND OPERATED MEMBER OF PRUDENTIAL-REAL-ESTATEBROKER AFFILIATES, INC." INC. NOT AFFILIATED WITH PRUDENTIAL. PRUDENTIAL MARKS USED UNDER LICENSE" (for purposes of this Agreement, "member" shall mean a franchisee of Franchisor and shall not be deemed to refer to any other status or relationship, legal or otherwise, between Franchisor and Franchisee), or such other similar designation together with any other words or phrases as shall hereafter be prescribed by Franchisor, all in such form, size and style as shall be prescribed in the Operations Manual. In its sole discretion, Franchisor retains the right to deny the use of certain words or phrases in an Assumed Name. Franchisee shall file and keep current a "Fictitious Business Name Statement" (or similar document) with respect to any Assumed Name in the county or other designated region in which Franchisee is conducting business and at such other places as may be required by law. Prior to commencing business under the Service Marks, Franchisee shall supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names and, if applicable, the rules and regulations of the National Association of Realtors respecting use of any of their registered marks. The total appearance of any Assumed Name and other identifying words must be approved, in advance, by Franchisor. Franchisee further agrees that it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, affiliate, division, shareholder, partner, joint venturer, agent or employee of Franchisor or either the owner of the Service Marks or (iii) any of Franchisor's other franchisees. If Franchisee is a corporation or limited liability company, Franchisee shall not use in its corporate or entity name either the Service Marks or any words confusingly similar thereto, or the term "Realtor", which is a registered mark of the National Association of Realtors. This paragraph 7.03 is not intended by the parties hereto to accord the National Association of Realtors any rights as a third party beneficiary.

7.04 Use and Modification of Service Marks

At its sole expense, Franchisee shall replace the signage and materials of the existing Locations with signage and materials bearing the Franchisor's Service Marks within 90 days of the Effective Date.

Franchisor may add to, substitute or modify any or all of the Service Marks from time to time, by either (i) a directive in the Operations Manual, or (ii) immediately, upon written notice if Franchisor is required by law to substitute or modify the Service Marks. Franchisee shall accept, use, display, or cease using, as may be applicable, the Service Marks, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and shall within 30 days of receiving notification, commence to implement such changes and use its best efforts to complete such changes as soon as practicable. On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Service Marks and Assumed Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

7.05 Use of Other Trademarks

Franchisee shall not use or display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than an Assumed Name (i) in any advertisement that contains the word "Prudential" or any other Service Marks, (ii) in or on any Location or place of business of Franchisee in any manner that is reasonably visible from outside such Location or place of business, (iii) in any form of electronic commerce, or (iv) in any computer system used at any Location or place of business of Franchisee, or otherwise in connection with the Franchised Business, in any manner that could lead any person to believe that such other trademarks, trade names, service marks, insignias or logo types or the products or services with which they are associated are owned or offered by the Franchisor or its affiliates, except as otherwise expressly permitted herein or in the Operations Manual.

7.06 Prohibition Against Disputing Franchisor's Rights

Franchisee agrees that it will not, during or after the term of this Agreement, in any way, dispute or impugn the validity of the Service Marks licensed hereunder, or the rights of Franchisor thereto, or the right of Franchisor or other franchisees of Franchisor to use the same during the term of this Agreement or thereafter.

7.07 Service Mark Infringement Claims and Defense of Service Marks

In the event Franchisee receives notice or otherwise becomes aware of any claim, suit or demand against it by any party other than Franchisor, Prudential Insurance or their affiliates on account of any alleged infringement, unfair competition or similar matter arising from its use of the Service Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand. Franchisee shall have no power, right or authority to settle or compromise any such claim, suit or demand by a third party without the prior written consent of Franchisor. Franchisor shall defend, compromise or settle at its discretion any such claim, suit or demand at Franchisor's cost and expense, using attorneys selected by Franchisor or the owner of the Service Marks, and Franchisee agrees to cooperate fully in such matter. Franchisor shall indemnify and hold harmless Franchisee from and against any and all judgments resulting from any such claim, suit or demand arising from Franchisee's use of the Service Marks in accordance with the terms of this Agreement. Franchisor shall have the sole discretion to determine whether a similar trademark or service mark being used by a third party is confusingly similar to the Service Marks being used by Franchisee and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark.

7.08 Display of Service Marks Material Consideration

Franchisee acknowledges that a material consideration in Franchisor's decision to award this franchise is the agreement of Franchisee to use and promote the Service Marks in conformance with the Operations Manual and the terms of this Agreement. Franchisee agrees that, should it for any reason fail to use and promote the Service Marks in accordance with the terms of this Agreement, in addition to the other rights and remedies available to Franchisor for this and other breaches of this Agreement, Franchisee agrees to pay to Franchisor as liquidated damages and not as penalty, an amount equal to the total Continuing Royalty due and payable by Franchisee to Franchisor for the two Anniversary Years immediately preceding Franchisee's failure to comply with the terms of this paragraph.

VIII.

INSTRUCTION AND OPERATING ASSISTANCE

8.01 Affiliate Integration Process.

Franchisor shall provide training for integration into the System to the Location Managers and other responsible management persons designated by Franchisee for each Original Location during the Affiliate Integration Process. Such training shall be conducted within 60 days after the Effective Date, and be for such duration and at such time and place as Franchisor shall determine. Such Location Managers and designated persons must complete the Affiliate Integration Process within 60 days after the Effective Date, except as otherwise provided in writing by Franchisor. In its discretion, Franchisor may require the General Manager or other principals of Franchisee to participate in the Affiliate Integration Process. Franchisor reserves the right to limit the number of attendees at the Affiliate Integration Process to one responsible person for each Original Location.

8.02 Sales Professional Orientation

Franchisor shall, within 45 days following the Effective Date, unless otherwise mutually agreed, provide a Sales Professional Orientation at a single location to be provided by Franchisee at its cost and expense, either in one of Franchisee's Locations or such other location as is reasonably selected by Franchisee. Franchisor shall provide materials and presentations to introduce Franchisee's sales professionals to Franchisor's System and the Network. Franchisee, in addition to the location, shall provide refreshments, if any, at its cost and expense.

8.03 Staff Training Courses

(a) Franchisor may make available to Franchisee, from time to time, optional staff training courses, seminars, conferences, or other programs, in a suitable location in Franchisor's discretion.

(b) Upon reasonable notice, Franchisor may require attendance of designated personnel of Franchisee at training courses, seminars, conferences or other programs other than the Affiliate Integration Program that are deemed by Franchisor to be relevant or appropriate to the successful operation of the System. Fees may be charged by Franchisor for required training courses, seminars, conferences or other programs.

(c) In connection with any staff training courses described in subparagraphs 8.03(a) and 8.03(b) above, Franchisee shall pay the travel, hotel and meal expenses for Franchisee's attendees.

8.04 Sales Convention

Periodically, Franchisor will arrange a business conference for all of its franchisees (the "Sales Convention") at which franchisees may participate in various programs with Franchisor and other franchisees. Franchisee shall purchase one Sales Convention full registration package for each of its Locations for each Sales Convention Franchisor arranges. On or about the first of each year, if a Sales Convention is to be held that year, Franchisor shall automatically deduct the cost of such registration from Franchisee's Depository Checking Account. All of Franchisee's management and sales professionals are strongly encouraged but not required to attend each Sales Convention that is made available.

8.05 Continuing Assistance

Franchisor shall provide such periodic assistance, as it deems appropriate, utilizing Franchisor's representatives who shall contact or visit the franchised Locations from time to time. The frequency and duration of such contacts or visits to Locations by representatives of Franchisor shall be in the sole discretion of Franchisor. In addition, Franchisor will be available on an ongoing basis for consultation and guidance with respect to the operation and management of the Franchised Business. Franchisor, from time to time, also may make available an operations review of the Franchisee's business operations based on information provided by the Franchisee. The operations review will be no more frequent than one per year. In addition to the Operations Manual, Franchisor may from time to time provide Franchisee with additional materials relating to the Franchised Business.

8.06 Proprietary Materials

At the Sales Professional Orientation, Affiliate Integration Process, or other training programs (if any), Franchisor shall provide to Franchisee proprietary information, training materials, training curricula and related Materials for use in connection with the training of Franchisee's staff. Such items are and shall remain the property of Franchisor. Franchisor may also from time to time make available to Franchisee for purchase Materials relevant to the System and the Franchised Business. Franchisee shall not, and shall not allow its employees or others, to copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing proprietary information and related Materials without Franchisor's express prior written consent.

8.07 Timing

Franchisee acknowledges that Franchisor's ability to provide the training, continuing assistance and other services provided for under Article VIII and Article IX hereof promptly following the Effective Date may be affected by various factors including the number of Locations being operated by Franchisee and the number of franchisees being incorporated into the Network at substantially the same time. Franchisor shall establish a reasonable schedule to provide such services taking such factors into account and shall exercise commercially reasonable efforts to provide such services within the times otherwise provided hereunder.

8.08 Response to Consumer Complaints

Franchisee agrees to respond to consumer and/or customer complaints as required by the Operations Manual, which among other requirements imposes upon Franchisee an obligation to work with Franchisor to respond reasonably to consumer or customer complaints.

IX.

OPERATION OF BUSINESS

9.01 Franchisee Operational and Staff Requirements

(a) Franchisee shall operate an Approved Broker Management System pursuant to paragraphs 9.02(b) and 9.02(c) hereof in a competent manner and failure to do so constitutes a material breach of this Agreement.

(b) All Locations shall remain open on a full-time and continuous basis, except as caused by acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money).

(c) Once a Location is Abandoned, it may not be reopened by Franchisee except as a new Additional Location, after compliance with all procedures and payment of fees applicable to Additional Locations.

(d) Upon expiration of the limited period of operation, unless extended by Franchisor in its sole discretion, a Satellite Office shall be either converted into an Additional Location pursuant to paragraph 4.03 hereof (with all required, applicable fees paid to Franchisor in such event) or closed (pursuant to paragraph 4.02).

(e) Franchisee shall provide Franchisor with an estimate of the period of operation of each Subdivision Sales Office and a summary of any other pertinent details requested by Franchisor. A Subdivision Sales Office may be established by Franchisee only upon the written consent of Franchisor, which consent shall not be unreasonably withheld but which consent may be subject to certain conditions at commencement of operations or any time thereafter, including (i) limitations on the authorized period and scope of operation and (ii) a requirement to operate and utilize an Approved Broker Management System or such other real estate software system specified in the Operations Manual for use in Subdivision Sales Offices.

(f) Franchisee acknowledges that the System provides the opportunity to participate in a referral service that promotes broker-to-broker referrals of business on a nationwide basis between Franchisee and other brokers (currently Prudential Referral Services, Inc.) and agrees that Franchisee is obligated to observe all terms, conditions and general referral

policies at any time applicable to participants in such services. Franchisee agrees to confirm its participation on these terms by executing the document captioned "Broker to Broker Referral Terms and Conditions" attached hereto as Exhibit C. Franchisee further acknowledges that in order to facilitate continuity of participation and geographic coverage, participation in such a referral service need not be limited to franchisees of Franchisor and that Franchisee has no right to limit, exclude or otherwise control decisions as to the identity of participants, all such decisions being left to the sole discretion of those responsible for the management of the referral service.

9.02 Reporting and Computer Software System Requirements

(a) Not later than 120 days after the Effective Date, and at all times thereafter, Franchisee, at its sole expense, shall install, be trained on, and continuously use, one of the approved real estate software systems set forth on Exhibit A attached hereto, or such other system approved by Franchisor in writing in its sole discretion, which approval may be subject to certain restrictions or conditions set forth by Franchisor. Each such approved system is an "Approved Broker Management System", and includes an information interface capability that allows it to electronically communicate with Franchisor's designated computer system. Franchisee must also maintain a software support agreement for the Approved Broker Management System. Franchisee shall communicate data to Franchisor's designated computer system directly from Franchisee's computer system by use of an Approved Broker Management System. Franchisor may update the list of Approved Broker Management Systems from time to time in the Operations Manual. After installing an Approved Broker Management System, Franchisee may replace such Approved Broker Management System with another Approved Broker Management System, provided Franchisee gives Franchisor 30 days' prior notice of such replacement. In the event that at any time following the First Anniversary Year, or earlier if otherwise provided in the approval for systems other than those set forth in Exhibit A, Franchisor determines in its sole discretion that such Approved Broker Management System has become inadequate, Franchisor shall so notify Franchisee and Franchisee shall take immediate steps to install, be trained on and use an alternative Approved Broker Management System within the time period (not less than 90 days) set forth in the Operations Manual.

(b) Franchisee is required to report certain data to Franchisor on a periodic basis through an Approved Broker Management System, including, but not limited to, Gross Revenues received or receivable, closed sales and other closed contracts, as set forth in the Operations Manual. **USE BY FRANCHISEE OF AN APPROVED BROKER MANAGEMENT SYSTEM IS MANDATORY.** Without limiting the foregoing, commencing on the Effective Date, Franchisee is required to timely, accurately and fully report all closed transactions and other information as specified in the Operations Manual. Such information shall be reported in the format specified in the Operations Manual. Franchisor shall be the co-owner of any such reported information with unrestricted rights to use such information.

(c) Franchisee shall report the data required by the Operations Manual manually until Franchisee becomes active on an Approved Broker Management System. Franchisee shall submit manually reported information to Franchisor on a weekly basis commencing upon the Effective Date as further specified in the Operations Manual. All payments due under this Franchise Agreement when Franchisee is reporting manually shall be collected through Franchisee's Depository Checking Account.

(d) Franchisee must also maintain a software support agreement for the Approved Broker Management System. In the event Franchisee does not maintain a software support agreement, Franchisor may purchase such software support it deems reasonably appropriate on Franchisee's behalf, and Franchisee shall reimburse Franchisor for all costs of such software support through an automatic deduction from Franchisee's Depository Checking Account.

(e) If Franchisee is not active on an Approved Broker Management System within one hundred twenty (120) days of its Effective Date, or otherwise fails to comply with the electronic reporting requirements herein, Franchisee shall pay Franchisor an administrative fee for processing Franchisee's manual transactions as further provided in the Operations Manual.

9.03 Communications Systems and Hardware

(a) At its sole expense, Franchisee shall obtain a data grade telephone line (the "data line") or other communication device and other hardware meeting the specifications prescribed by Franchisor in the Operations Manual, such data line or other communication device and other hardware to be used to facilitate communications between Franchisee's computer system and Franchisor's designated computer system. Such data line or other communication device

shall be available for all transmissions of data required by this Agreement for such periods and at such intervals as is set forth in the Operations Manual. All costs associated with the maintenance of such data line or other communication device and other hardware shall be borne solely by Franchisee. The data line or other communication device and other hardware shall be operational no later than 120 days following the Effective Date.

(b) Franchisor reserves the right to require Franchisee, either upon prior written notice or as may be provided in the Operations Manual, to add commercial communications systems or capacities. For example, and not by way of limitation, Franchisor may require electronic mail, Internet capacities and/or participation in an Intranet developed by Franchisor. The cost of such systems or capacities shall be borne by Franchisee and may include a reasonable charge for services Franchisor chooses to provide.

9.04 Depository Checking Account

At the Effective Date and thereafter, Franchisee shall establish and maintain a Depository Checking Account at a bank or other financial institution that is a participating member of the Depository Checking Account or such other network or system as may be directed by Franchisor pursuant to the guidelines set forth in the Operations Manual. Franchisee shall instruct the institution holding the Depository Checking Account to allow Franchisor access to the Depository Checking Account for collection of Continuing Royalty, Marketing Fees and other fees set forth in this Agreement. Under no circumstances shall such access to the Depository Checking Account be deemed control or joint control of the Depository Checking Account by Franchisor. Franchisee continuously shall maintain a minimum balance in the Depository Checking Account of \$1,500 or such higher continuous minimum balance as Franchisor shall deem reasonably necessary. Franchisee shall reimburse Franchisor for all extraordinary costs incurred by Franchisor in collecting or attempting to collect funds due Franchisor from the Depository Checking Account (for example, without limitation, charges for non-sufficient funds, uncollected funds or other discrepancies in deposits or maintenance of the Depository Checking Account balance in accordance with the terms hereof). The Depository Checking Account shall be established and maintained solely for purposes set forth in this paragraph 9.04 and the Operations Manual.

9.05 Operations Manual

(a) Franchisee shall operate the Franchised Business in accordance with the Operations Manual, a copy of which shall be provided to Franchisee on or soon after the Effective Date. Franchisor shall have the right to modify the Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. Franchisor agrees that although such modifications to the Operations Manual may be material in that they may have an effect on the operation of the Franchised Business, they may not conflict with or materially alter the terms of this Agreement. All such additions, deletions or modifications shall be effective five business days after Franchisor has given notice to Franchisee in accordance with paragraph 14.07 hereof or, at Franchisor's option, provided Franchisee with an electronic copy of the revisions to the Operations Manual.

(b) All additions, deletions or modifications to the Operations Manual shall be equally applicable to all similarly situated Franchisees. The Operations Manual, as modified or amended from time to time, shall not alter Franchisee's fundamental status and rights under this Agreement. As modified from time to time, the Operations Manual shall be deemed to be an integral part of this Agreement and references to the Operations Manual made in this Agreement, or in any amendments or exhibits hereto, shall be deemed to mean the Operations Manual, as amended from time to time.

(c) Franchisor shall furnish to Franchisee at no additional charge an electronic copy of the Operations Manual at the time of the Affiliate Integration Program, all of which copies shall at all times remain the sole, confidential, trade secret property of the Franchisor. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Operations Manual to Franchisor and shall retain no copy or reproduction. Except as specifically permitted by Franchisor, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Operations Manual and shall not disclose the terms thereof to any other person except employees and agents of Franchisee when required in the operation of the Franchised Business by means of electronic communication. The Operations Manual may not be forwarded to anyone and no electronic copy provided to anyone except as provided by Franchisor.

9.06 Signs and Display Materials

Franchisee agrees that all signs, display materials and other Materials shall be in full compliance with the specifications provided in, and in conformity with, the Operations Manual. Said Materials may be purchased and procured by Franchisee from Franchisor or suppliers designated or approved by Franchisor in accordance with Operations Manual guidelines.

9.07 Telephone Numbers

At its sole expense, Franchisee shall obtain "white pages" and "yellow pages" listings in the form, size and content and in accordance with procedures prescribed by the Operations Manual, in at least one applicable telephone directory of general distribution covering the Locations, Subdivision Sales Offices and Satellite Offices, or such other areas as Franchisor may direct, of its authorized Assumed Name as promptly as possible after the Effective Date of this Agreement, and shall list telephone numbers for each Location. If Franchisee is engaged in businesses other than the Franchised Business, Franchisee must maintain different telephone numbers and may make no reference to the Franchised Business in any "white pages" or "yellow pages" listings in respect of such other businesses.

9.08 Contact Person

Franchisee shall appoint a Contact Person(s), who shall be responsible to receive and disseminate all marketing and other materials received from Franchisor. Contact Person shall participate in conference calls and other events as provided in the Operations Manual. Failure to comply herewith shall result in those actions provided by the Operations Manual. Franchisee shall notify Franchisor of the name, business address and business phone number of the Contact Person, updating such information whenever a change occurs.

9.09 Insurance

Franchisee shall have in effect on the Effective Date and maintain during the term hereof insurance in such types and amounts as are specified in the Operations Manual. All policies of insurance to be maintained by Franchisee shall contain a separate endorsement naming the Franchisor and if required by Franchisor, its parent and affiliated companies, as additional insured. Such policies of insurance shall not be subject to cancellation or modification except with 30 days' prior written notice to the Franchisor. Franchisee shall cause certificates of insurance showing compliance with the above requirements to be delivered to the Franchisor at the initiation of the Franchise Agreement and at such other times as Franchisor may request. In the event Franchisee does not maintain the insurance coverage required in the Operations Manual, then in addition to any other rights and remedies available to it under the Agreement, Franchisor may purchase such policies of insurance as it deems required and Franchisee shall reimburse Franchisor for all costs of such insurance.

9.10 Records and Rights of Inspection

(a) Franchisee covenants and agrees that it shall keep and maintain during the term hereof, and for a period of 36 months following expiration or termination for any reason, full, true and complete records of all revenues and expenditures respecting each Location, Subdivision Sales Office, Satellite Office or Administrative Office, whether related to the Franchised Business or otherwise, in the form and manner specified by Franchisor in its Operations Manual. Franchisee shall permit Franchisor or its representatives or agents selected in the sole discretion of Franchisor, during normal business hours, to examine or audit the books of accounts, bank statements, documents, records, papers, and federal, state and local tax return records relating to the Franchised Business or individual officers, directors, owners, partners, or affiliated or related entities or shareholders. If Franchisor should cause an audit to be made and the Gross Revenues or business transacted as shown by Franchisee's records should be found to be understated by any amount, Franchisee shall immediately pay to Franchisor the additional amount payable as shown by such audit, plus interest thereon at the rate of 15% per annum or the highest rate of interest allowed by law, whichever is lower, computed from the date (or dates) said understated amount (or amounts) were due. If (i) Franchisee's Gross Revenues are found to be understated by two percent or more or (ii) if Franchisee's financial records require a substantial effort (as determined in the sole judgment of Franchisor, exercised in good faith) on behalf of Franchisor's auditors to be placed in a condition readily conducive to audit, Franchisee shall pay to Franchisor the entire cost of such audit; otherwise, the cost of the audit shall be borne by Franchisor. If either Franchisee or Franchisor cancels a scheduled audit, the party canceling such audit will pay the costs arising out of the cancellation. Franchisee shall furnish the Franchisor with a copy of any and all certified financial statements respecting Franchisee's

business, and relevant information from Franchisee's Multiple Listing Service, if requested, without any cost or expense to Franchisor.

(b) Within 120 days after the end of each of Franchisee's fiscal years, Franchisee shall furnish Franchisor with (i) a Profit and Loss Statement and Balance Sheet of the Franchised Business for the previous fiscal year, (ii) a Reconciliation of Gross Revenues for the previous fiscal year, (iii) a report of sales closed through Franchisee's Approved Broker Management System for the previous fiscal year, (iv) a list of Franchisee's Locations and other offices (including the addresses and telephone numbers of each office and the number of sales professionals who operate from each office), (v) such materials as Franchisor shall require with respect to compliance with Identity Standards, (vi) such materials as Franchisor shall require with respect to compliance with applicable laws, rules and regulations, and (vii) any further information Franchisor shall reasonably require. All such financial statements and information shall be prepared in accordance with the guidelines prescribed by Franchisor in the Operations Manual, and shall be certified by Franchisee or, in the case of a corporate Franchisee, by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true, complete and correct.

(c) Franchisor shall have the right, at any time, to use any financial report or statement, or any information derived therefrom, relating to the Franchised Business or any or all of the Locations, Subdivision Sales Offices, Satellite Offices or Administrative Offices, as part of Franchisor's Franchise Disclosure Document or similar disclosure document.

9.11 Review

Upon reasonable prior written notice, Franchisor shall have the right to send representatives at reasonable intervals during normal business hours, into Franchisee's Locations or other offices to inspect Franchisee's other records, operations, business methods, service, management and administration, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Operations Manual. If such other records are not located at a Location, Subdivision Sales Office, Satellite Office or Administrative Office, Franchisor's representatives shall have the right to inspect said other records, wherever located.

9.12 Compliance with Laws

Franchisee shall (a) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (b) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (c) prepare and file all necessary tax returns, (d) pay promptly all taxes imposed upon Franchisee or upon its business or property, and (e) at all times comply with the Code of Ethics of the National Association of Realtors and other appropriate organizations. Franchisee represents and warrants that it shall obtain and at all times maintain all necessary permits, certificates and/or licenses necessary to conduct the Franchised Business in the localities within which each Location or other office is situated. Franchisee shall immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, officer, member, manager, owner, director or partner of Franchisee, which notification shall include all relevant details in respect thereof, according to the procedures set forth in the Operations Manual.

9.13 No Other Real Estate Brokerage Businesses

Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, Franchisee agrees that it shall not, during the term of this Agreement, act as a real estate broker with respect to any business other than the Franchised Business, nor operate, manage, own, assist, license, sublicense, act on behalf of, represent, or hold an interest, direct or indirect (as an employee, officer, director, shareowner, partner, joint venturer or otherwise), in any real estate brokerage business other than the Franchised Business, without the express prior written consent of Franchisor. Franchisee acknowledges that the Franchised Business does not include, among other things, Acting as a Real Estate Broker with respect to a transaction involving Commercial Property having a gross listing or sales price that exceeds \$25,000,000, and such action is, therefore, included in the prohibition contained in the preceding sentence. It is the intention of the parties that Franchisee maximize the Gross Revenues of the Franchised Business for the mutual benefit of Franchisor and Franchisee, and any action of Franchisee that diverts business to another entity or diminishes the Gross Revenues of the Franchised

Business shall be a material breach of this Agreement. Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation, (a) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Service Marks or the System, or (b) solicit any person who is at that time employed by Franchisor to leave his or her employment. This paragraph 9.13 shall apply to each Equity Holder of Franchisee.

Franchisee acknowledges that the restrictions contained in this paragraph are reasonable and necessary in order to protect legitimate interests of Franchisor, and in the event of violation of any of these restrictions, Franchisor shall be entitled to obtain damages including, without limitation, Continuing Royalty and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor may be entitled at law or in equity.

Franchisee agrees that it and each of its Equity Holders will give written notice to Franchisor prior to engaging in any real estate related business other than the Franchised Business ("RERB"), including, without limitation, mortgage, escrow, construction, development, appraisal, referral and consulting matters; and Franchisee acknowledges that it and each of its Equity Holders have given such written notice prior to entering into this Agreement. If Franchisor so directs, Franchisee and each of its Equity Holders shall execute an agreement acceptable in form and content to Franchisor that there will be no use of the Service Marks in connection with any RERB, that all real estate transactions involving both the Franchised Business and any RERB shall be conducted on an arm's length basis and that any RERB is subject to the provisions of subparagraph 9.10(a) above.

9.14. Change in Status Processing

Requests for (a) change of Assumed Name, (b) relocations of any Locations, Subdivision Sales Offices or Satellite Offices, (c) closures of any Locations or Subdivision Sales Offices or Satellite Offices, (d) changes in designated Responsible Agent or Broker, (e) establishment or extension of the authorized operational periods of Satellite Offices or Subdivision Sales Offices, or (f) other changes in status as may be specified from time to time by Franchisor, shall be made on such form as designated by Franchisor in the Operations Manual. No approvals shall be effective until delivered in writing and signed by an officer of Franchisor.

X.

ASSIGNMENT

10.01 Assignment by Franchisor

Franchisor shall have the right to Transfer any or all of its direct or indirect interest in this Agreement (including, without limitation, the economic benefits derived from this Agreement), and any or all of its rights and privileges hereunder to any other person, firm or corporation ("Assignee of Franchisor"); provided that, in respect to any Transfer ("Assignment by Franchisor") resulting in the subsequent performance by such Assignee of Franchisor of the functions of the Franchisor: (a) at the time of Assignment by Franchisor, the Assignee of Franchisor is financially responsible and economically capable of performing the obligations of Franchisor hereunder; and (b) the Assignee of Franchisor expressly assumes and agrees to perform such obligations. In the event of such Assignment by Franchisor, Franchisor shall be relieved of all obligations or liabilities then existing or thereafter assertable under this Agreement; provided however, that if Franchisee continues to comply with all terms and conditions of this Agreement, including but not limited to paragraph 3.03 and Articles VII and IX hereof, then Franchisee shall be entitled during such continued compliance to use the Service Marks licensed hereunder until the later of the end of the then current term of this Agreement or two years from the date of such Assignment by Franchisor. At the end of such period of continued compliance and use of the Service Marks, Franchisee shall comply with the terms of paragraph 13.01 below.

10.02 Assignment by Franchisee

(a) Restriction on Transfer. This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its principals or, in the case of a corporate Franchisee, the

principal officers thereof who will actively and substantially participate in the ownership and operation of the Franchised Business or, in the case of a partnership Franchisee, the partners thereof who will actively and substantially participate in the ownership and operation of the Franchised Business or, in the case of a limited liability company, the manager(s) or managing member(s) who will actively and substantially participate in the ownership and operation of the Franchised Business. Therefore, neither Franchisee nor any immediate or remote successor to Franchisee, nor any individual, partnership, corporation, limited liability company or other legal entity that directly or indirectly owns an equity interest (as that term is defined herein) in Franchisee, shall Transfer any direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived therefrom, or any equity interest in Franchisee, in whole or in part, in any manner, except as permitted by this Agreement. Any purported Transfer of any interest in this Agreement, the Franchised Business, or an equity interest in Franchisee not in accordance with this Agreement shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may terminate this Agreement upon notice without opportunity to cure, pursuant to subparagraph 11.02(d) of this Agreement.

(b) Transfers to Employees, Officers, Directors, Members, Managers, Agents, Owners. Except as otherwise provided in this Agreement, without Franchisor's prior written consent, (i) Franchisee or an Equity Holder may Transfer or issue in any single transaction or series of transactions up to five percent (5%) of the equity interest in Franchisee to an employee, officer or agent of Franchisee directly involved in the operation of the Franchised Business on a full-time basis at the time of such Transfer or issuance, and (ii) Designated Equity Holders (identified in part 8 of Exhibit D hereof) may receive a Transfer of up to 25% of the equity interest in Franchisee; provided (in either case) that such Transfer, when combined with all other Transfers that have occurred since Franchisee shall have been a franchisee of Franchisor, does not affect a change in Control of Franchisee. For the purposes of this subparagraph (b), the term "full-time" shall mean generally working an average of 35 or more hours per week. Notwithstanding the foregoing, the parties acknowledge that it is possible that circumstances may change or additional information regarding Designated Equity Holders may come to light after the Effective Date. Therefore, Franchisee shall give Franchisor prior written notice of any Transfer to Designated Equity Holders, and Franchisor may prohibit such Transfer to the Designated Equity Holders within 30 days thereafter if Franchisor articulates, in the exercise of its reasonable business judgment, a material reason for such prohibition not related to the information Franchisee has previously disclosed to Franchisor regarding such individuals, or not otherwise actually known by any of the officers of Franchisor, on the date hereof

(c) Transfers to Family Members. Franchisee or an Equity Holder, if a natural person, may with Franchisor's consent, which will not be unreasonably withheld, Transfer the Franchised Business or an equity interest in Franchisee to such person's spouse, parent, sibling, niece, nephew, descendant or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement.

(d) Transfers to Affiliated Corporations. Franchisee or an Equity Holder, if a natural person, a sole proprietorship or a partnership, may without the consent of Franchisor, upon 30 days' prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a corporation or limited liability company entirely owned by such natural person, sole proprietorship or partnership, as the case may be, in the same proportionate amount of ownership as prior to such Transfer, provided that (i) adequate provision is made for the management of the Franchised Business and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement, and (ii) such Transfer may be denied by Franchisor if, in Franchisor's reasonable judgment, the economic resources of the transferee are not sufficient to fully and faithfully conduct the Franchised Business as contemplated by this Agreement or the Transfer and the prospective transferees may reasonably be expected to have a negative effect on the reputation or business operations of the Franchised Business, the Network, the System, or Franchisor, its parent or any of its affiliates.

(e) Transfers Upon Death, Incapacity. Notwithstanding any of the foregoing, in the event of the death or legal incapacity of Franchisee or an Equity Holder, if a natural person, such person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with such person's will or, if such person dies intestate, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business and the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants or spouse's descendants. A Transfer pursuant to this subparagraph 10.02(e) shall be free from Franchisor's right of first refusal provided in paragraph 10.03 hereof so long as subparagraph 10.02(m) is complied with.

(f) Restrictions on Granting Security Interests and Subfranchising. Except as otherwise set forth below, Franchisee shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever, nor subfranchise or otherwise Transfer, or attempt to subfranchise or otherwise Transfer any Location so long as it is operated as a Location, or to Transfer or subfranchise a portion but not all of Franchisee's rights hereunder without the express prior written permission of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor's sole discretion. Notwithstanding anything contained herein to the contrary, Franchisee shall have the right to pledge its accounts receivable without the prior written consent of Franchisor for the sole purpose of obtaining financing for the operation of the Franchised Business provided Franchisee is in full compliance with all of the terms and conditions of this Agreement, and any other agreement, arrangement or understanding with Franchisor.

(g) . Other Transfers. Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in paragraph 10.03 hereof, Franchisee or an Equity Holder may effect any Transfer of a direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived therefrom, or any equity interest in Franchisee, not permitted by the preceding subparagraphs (b) through (e), only after written notice to Franchisor and only with Franchisor's written consent, which may not be unreasonably withheld. Franchisor shall exercise its good faith business judgment in determining whether to give or withhold its consent to a Transfer under this subparagraph 10.02(g). Such exercise of good faith business judgment shall include Franchisor's consideration of certain skills and qualifications of the prospective transferee that are of business concern to Franchisor, including without limitation, the following: experience in real estate brokerage, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferees; the ability of such prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the Network, the System, or Franchisor, its parent or any of its affiliates.

(h) Equity Interest Defined. An "equity interest" in an entity shall mean any stock or partnership interest, membership interest or other direct or indirect beneficial ownership interest in such entity (whether partnership, corporation, limited liability company, trust or otherwise), or in the economic benefits derived therefrom, and if the holder of such equity interest is not a natural person, "equity interest" shall also include any stock or partnership interest, membership interest or other direct or indirect beneficial ownership interest in, or in the economic benefits derived from, such holder. "Equity interest" in Franchisee shall also include any direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived therefrom or in the assets of the Franchised Business if such assets are Transferred in connection with a Transfer of a substantial portion of such assets. "Equity Holder" shall mean any holder of an equity interest or other ownership interest in Franchisee and shall not include Franchisee itself

(i) Computing Equity Interests. In computing the percentages of equity interests in Franchisee, limited partners will not be distinguished from general partners in the case of partnerships, and Franchisor's judgment will be final if there is any question of the definition of "equity interest" or as to the computation of relative equity interests, the principal considerations being: (i) direct and indirect power to exercise control over the affairs of Franchisee; (ii) direct and indirect right to share in Franchisee's profits; and (iii) amounts directly or indirectly exposed to risk in Franchisee's business. Equity interests may be Transferred only if the Transfer is registered or exempt from registration under federal securities laws. If Franchisee is a partnership or corporation, Franchisee represents that the equity interests in Franchisee are directly and (if applicable) indirectly owned as shown on Exhibit D attached hereto.

(j) Registration of Proposed Transfer. If a proposed Transfer of an equity interest in Franchisee requires registration under any federal or state securities law, Franchisee shall: (i) request Franchisor's consent at least 45 days before the proposed effective date of the registration; (ii) accompany such requests with one payment of a non-refundable fee of \$10,000; (iii) reimburse Franchisor for expenses incurred by Franchisor in connection with review of materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses; and (iv) agree, and all participants in the proposed offering subject to registration shall agree, to fully indemnify Franchisor in connection with the registration in writing, in form and substance satisfactory to Franchisor; furnish Franchisor all information requested by Franchisor; avoid any implication of Franchisor's participating in or endorsing the offering, and use Franchisor's service marks and trademarks only as directed by Franchisor.

(k) Transfer and Processing Fees. In the event Franchisee submits a request for a Transfer of a ten percent (10%) or greater equity interest in Franchisee, a Transfer that would result in a change in Control of Franchisee, or an assignment of

this Agreement, Franchisee shall pay to Franchisor a non-refundable transfer and processing fee of \$5,000. Such transfer and processing fees are payable simultaneously with such application for a Transfer or assignment.

(l) Assumption of Obligations. Prior to any Transfer by Franchisee or an Equity Holder of an equity interest in Franchisee permitted hereunder, if the transferor thereof is a party to any agreement or understanding with Franchisor, including, without limitation, a guarantee of Franchisee's obligations hereunder, such transferor shall give Franchisor 30 days' prior written notice of the Transfer (except under subparagraph 10.02(e) hereof) and (i) shall cause the transferee to enter into an equivalent agreement or understanding with Franchisor prior to such Transfer in form and substance satisfactory to Franchisor; and (ii) in any event, shall cause the transferee and each Equity Holder of such transferee to expressly assume in writing for the benefit of Franchisor all of the respective obligations of Franchisee and its Equity Holders under this Agreement. No such Transfer shall be effective unless and until such transferee and each Equity Holder of such transferee complies fully with the terms of this paragraph, notwithstanding any other provision of this Agreement.

(m) Conditions Precedent to Transfer. Franchisor may impose certain conditions precedent to its required consent to a Transfer pursuant to this Article X including, without limitation, the following:

(i) that the proposed transferee (or the principal Equity Holders thereof) present themselves for a personal interview at Franchisor's corporate office, or such other location designated by Franchisor, at such date and time reasonably requested by Franchisor, without expense to Franchisor and prior to such Transfer;

(ii) Franchisee shall have complied fully as of the date of any such Transfer with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor; and

(iii) the transferee of Franchisee agrees that all of Franchisor's training and orientation programs then required by Franchisor shall be satisfactorily completed by transferee's necessary personnel within 30 days after the effective date of such Transfer, and such transferee agrees to pay for all of its expenses incurred in connection therewith, including travel, hotel and meal expenses.

(iv) concurrent with the Transfer, Franchisee and any transferee of Franchisee or the Franchised Business shall enter into a new Franchise Agreement on the terms of Franchisor's then current standard form of Franchise Agreement for the then current initial franchise term, and all Equity Holder(s) shall execute such other documents reasonably requested by Franchisor in connection with the Transfer, including, without limitation, Franchisor's then current standard form of Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee

(n) No Waiver. Franchisee acknowledges (i) that any consent granted or withheld by Franchisor under this Article X shall not serve to waive Franchisor's right to grant or withhold consents thereafter, and (ii) that Franchisor may consider the effect (cumulative or otherwise) of prior transfers in determining whether to grant or withhold its consent to any Transfer.

(o) Notice. If a Transfer occurs that is permitted without Franchisor's prior written consent pursuant to this paragraph 10.02, Franchisee and the transferor shall give Franchisor notice of such Transfer within ten days after such Transfer and shall provide all related information reasonably requested by Franchisor.

10.03 Right of First Refusal

(a) Except as otherwise provided in paragraph 10.02 hereof, the right of Franchisee and Equity Holders to Transfer any equity interest in Franchisee or any direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or in the assets of the Franchised Business if the Transfer of such assets is made in connection with a Transfer of a substantial portion of such assets, as permitted in paragraph 10.02 hereof, shall be subject to Franchisor's right of first refusal with respect thereto if such Transfer (i) is in excess of twenty-five percent (25%) of such equity interest in any single transaction or series of related transactions or (ii) effects a change in Control of Franchisee, unless the transferee is one of the Designated Equity Holders (identified in part 7 of Exhibit D hereto). Franchisor's said right of first refusal may be exercised in the following manner:

(b) Franchisee or such Equity Holder shall serve upon Franchisor a written notice setting forth (i) all of the terms and conditions of any offer or agreement relating to a proposed Transfer by such person, or all terms and conditions of any

proposed Transfer arising out of, or resulting from, any judicial proceeding, arbitration or other quasi-judicial proceeding, and (ii) all available information concerning the proposed transferee of such person.

(c) Within thirty business days after Franchisor's receipt of such notice (or if it shall request additional information, within thirty business days after receipt of such additional information), Franchisor shall notify the proposed transferor of one of the following:

- (i) Franchisor shall exercise its right of first refusal as provided herein; or
- (ii) Franchisor grants its consent to such Transfer to the proposed transferee as stated in the notice; or
- (iii) Franchisor shall not exercise its right of first refusal and does not consent to such Transfer.
- (iv) If Franchisor does not notify the proposed transferor within such time period, Franchisor's consent to the proposed Transfer shall be deemed denied and Franchisor shall be deemed to have declined to exercise its right of first refusal.

(d) If Franchisor shall elect to exercise its right of first refusal, it shall purchase the equity interests or assets proposed to be Transferred on the same terms and conditions as set forth in such offer or agreement, or in the case of a proposed Transfer pursuant to a judicial proceeding, arbitration or quasi-judicial proceeding, on the same terms and conditions as set forth in the written notice set forth in subparagraph (b) above. If Franchisor shall elect not to exercise its right of first refusal and shall consent to such Transfer, the proposed transferor shall for a period of 90 days be free to so Transfer to such proposed transferee upon the terms and conditions specified in said notice. If, however, said terms shall be materially changed, or if said 90-day period shall have expired, Franchisor shall again have such right of first refusal with respect thereto and the proposed transferor shall again be required to comply with subparagraph 10.03(a) above.

(e) Franchisor's right of first refusal as contained herein shall in no way modify or diminish Franchisor's right to withhold its consent to Transfer under paragraph 10.02 hereof

10.04 Transfer of Premises

In the event of a Transfer by Franchisee of this Agreement or the Franchised Business, if legally permissible, Franchisee shall also Transfer all of its rights under any lease(s) for its Locations or any other property necessary for the operation of the Franchised Business to the same transferee of Franchisee.

XI.

DEFAULT AND TERMINATION

11.01 General

(a) This Agreement may be terminated unilaterally by Franchisor only for good cause, which for purposes of this Agreement shall mean a material violation of this Agreement or any other agreement, lease or undertaking between Franchisee or any of its Equity Holders or affiliates and Franchisor or any of its affiliates and shall include any failure by Franchisee to substantially comply with any obligation, duty or promise under the Agreement, including, without limitation, those acts or omissions specified in paragraphs 11.02 and 11.03 hereof. Franchisor shall exercise its right to terminate this Agreement in the manner described in this Article XI.

(b) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor shall have the right to terminate this Agreement, Franchisor shall have the right to exercise any and all remedies available to it at law or in equity, including without limitation specific performance and damages (including without limitation direct, indirect, special, incidental or consequential damages.) All rights and remedies provided in this Article XI and elsewhere in this Agreement shall be in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

(c) Franchisee's breach of the Franchise Agreement shall likewise be a default of the PRS Broker to Broker Referral Agreement (Exhibit C of the Franchise Agreement.)

11.02 Termination Without Prior Notice

Franchisor shall have the right to terminate this Agreement without prior notice to Franchisee upon the occurrence of any or all of the following events, each of which shall be deemed an incurable breach of this Agreement:

- (a) If Franchisee shall Abandon all of its Locations;
- (b) To the extent permitted by law, (i) if Franchisee or, in the case of a partnership, a general partner thereof becomes insolvent (as revealed by its records or otherwise), or (ii) if Franchisee files a voluntary petition and is adjudicated bankrupt, or if an involuntary petition is filed against Franchisee and such petition is not dismissed within 30 days, or (iii) if Franchisee shall make an Assignment by Franchisee for the benefit of creditors, or (iv) if a receiver or trustee in bankruptcy or similar officer, temporary or permanent, be appointed to take charge of Franchisee's affairs or any of its property, or (v) if dissolution proceedings are commenced by or against Franchisee (if a corporation, limited liability company or partnership) and are not dismissed within 30 days thereafter, or (vi) if any final judgment against Franchisee from which no further appeal is available and which is not currently on appeal remains unsatisfied or unbonded of record for 30 days after receipt by Franchisee of actual or constructive notice thereof, and the amount of such judgment exceeds \$50,000 or 10% of Franchisee's Gross Revenues for the preceding Anniversary Year, whichever is less;
- (c) If (i) Franchisee has knowingly (as determined by Franchisor in its discretion) either inaccurately reported or withheld the reporting of any Gross Revenues twice within 12 consecutive calendar months, or if (ii) a Designated Equity Holder or an Equity Holder having a 10% or greater equity interest in Franchisee has knowingly and directly caused or authorized Franchisee to either inaccurately report or withhold the reporting of any Gross Revenues;
- (d) If Franchisee shall violate the provisions of paragraph 10.02 of this Agreement or otherwise attempt or purport to sell, assign, transfer or encumber the Service Marks without the prior written consent of Franchisor as hereinabove provided;
- (e) If Franchisee's real estate broker's license is suspended or revoked, and such license or a substitute license has not been reinstated within seven days thereafter;
- (f) If Franchisee shall default in any material obligation in respect of which Franchisee twice previously within the preceding 12 months has received a notice of default from Franchisor with respect to the same or similar breach;
- (g) If Franchisee shall default in its obligation to permit Franchisor or its representative or agents to examine or audit books of accounts, bank statements, documents, records, papers or tax return records under paragraphs 9.10 or 9.11 hereof; or
- (h) If Franchisee fails for two consecutive Anniversary Years after the First Anniversary Year to achieve Gross Revenues sufficient to generate a total Continuing Royalty for each such consecutive Anniversary Year of at least Fifteen Thousand Dollars (\$15,000).
- (i) If Franchisee engages in any activity in violation of Article VII of this Franchise Agreement that could not, under any circumstances (as determined by Franchisor in its discretion), result in a complete cure or remedy of any damage caused by such violations.
- (j) If Franchisee violates trust account rules and regulations.
- (k) If Franchisee has knowingly (as determined by Franchisor in its discretion) either inaccurately reported or failed to report any information as part of its application or qualification as a Franchisee; or
- (l) If Franchisee materially violates any federal, state or local law, rule or regulation.

11.03 Termination With Notice

(a) Franchisor may terminate this Agreement if within 24 hours of receipt of written notice by Franchisor to cure, Franchisee fails to cure a violation of the Franchise Agreement that in Franchisor's sole discretion and judgment impairs the Service Marks, including without limitation any act or conduct by Franchisee or its employees or agents that in Franchisor's sole discretion and judgment impairs the goodwill associated with the Service Marks.

(b) Franchisor may terminate this Agreement if Franchisee uses the Service Marks in any manner that is not permitted by this Agreement, or takes any action that incorrectly indicates that certain products or services are associated with the Service Marks, and Franchisee fails to cure such violation within 24 hours of receipt of written notice by Franchisor to cure.

(c) With respect to any default by Franchisee of its obligation to pay any sums due Franchisor under this Agreement, Franchisor may terminate this Agreement upon not less than 14 days' prior written notice of such default. If Franchisee shall cure said default prior to the end of such period, Franchisor's right to terminate shall cease with respect to the breach that has been so cured.

(d) Except as otherwise expressly provided herein, including, without limitation, paragraph 11.06 below, Franchisor may terminate this Agreement only upon 30 days' prior written notice to Franchisee setting forth the breach complained of in this Agreement or any other agreement to which both Franchisor or any of its affiliates and either Franchisee or any of its affiliates or Equity Holders are party. Upon receipt of such notice, Franchisee shall immediately commence diligently to cure said breach, and if Franchisee shall cure said breach during such period, Franchisor's right to terminate this Agreement shall cease; provided, however, that if, because of the nature of said breach, Franchisee shall be unable to cure the same within said 30 day period, Franchisee shall be given such additional time as shall be reasonably necessary within which to cure said breach, not to exceed an additional 30 days, upon condition that Franchisee shall, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use its best efforts to do so.

(e) A material violation of this Agreement shall mean any action or omission by Franchisee that impairs or adversely affects the Network, Franchisor, or the relationship created by this Agreement. Without limitation, each of the following events, along with the events set forth in paragraph 11.02 above is deemed a material violation of this Agreement. The parties acknowledge, however, that these events do not represent an exhaustive list of material violations of this Agreement, and additional events may occur that individually, or in combination with other events, may constitute a material violation of this Agreement. It shall be a material violation of this Agreement:

(i) If Franchisee fails to make any of the periodic reports required pursuant to paragraph 9.02 of this Agreement, fails to deposit its Continuing Royalty payments pursuant to subparagraph 5.02(e) of this Agreement, or fails to pay to Franchisor any sum when due;

(ii) If Franchisee shall violate any of the provisions of Article VII of this Agreement;

(iii) If Franchisee shall Abandon one or more of its Locations;

(iv) If Franchisee closes or relocates any Location, Subdivision Sales Office or Satellite Office, except as provided by paragraph 4.02 of this Agreement;

(v) If Franchisee fails to maintain an independent contractor relationship with Franchisor;

(vi) If Franchisee or any of its Equity Holders commit an act, or permit an act to be committed, that violates any federal, state or local law, rule or regulation.

11.04 Description of Default

The description of any default in any notice served by Franchisor hereunder upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof

11.05 Statutory Limitations

Notwithstanding anything to the contrary in this Article XI, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth herein, and in the event the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement shall be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected shall be amended only to the extent necessary to bring it within the requirements of the law or regulation.

11.06 Extended Cure Period

Notwithstanding anything contained herein to the contrary, including, without limitation, subparagraph 11.03(c) hereof, in those circumstances under which Franchisor shall have the right to terminate this Agreement, except in the case of violations specified in subparagraphs 11.03(a) and (b), Franchisor shall have the right, to be exercised in its sole discretion, to grant to Franchisee, in lieu of immediate termination of this Agreement, an extended period of time to cure the breach that gave rise to Franchisor's right to terminate, but in no event shall such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. Franchisee acknowledges that Franchisor's election to grant such an extended cure period to Franchisee shall not operate as a waiver of any of Franchisor's rights hereunder.

11.07 Prohibition - Post-Term Non-Compete Restrictions

Franchisor has imposed no post-term non-compete restrictions. Franchisee agrees that, if the Franchise Agreement expires or terminates for any reason, no non-compete clause or similar contractual restriction that Franchisee may have entered into with any employee, officer, director, shareholder, or real estate salesperson of Franchisee shall be binding or enforceable against (1) Franchisor, its parent or any affiliated company of Franchisor, (2) any other franchisee of Franchisor, or (3) any such employee, officer, director, shareholder, or real estate salesperson of Franchisee, who may (i) accept employment or other contractual relationship with Franchisor, its parent or affiliated company, or any franchisee of Franchisor, or (ii) acquire a franchise or any interest in a franchise from Franchisor or any franchisee of Franchisor.

XII.

COMMUNICATION AND DISPUTE RESOLUTION

Franchisor and Franchisee have entered into a long-term franchise relationship that gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the Network and/or System, as contemplated by this Agreement. To that end, Franchisor and Franchisee acknowledge that they need to attempt to resolve disagreements and/or disputes before such disagreements and/or disputes negatively impact the relationship. Good faith communications between Franchisor and Franchisee are an important aspect of that obligation. The provisions in this Article XII are intended to facilitate such communication and the prompt resolution of any disagreements or disputes between the parties. To the extent any element or aspect of this Article XII is found, under applicable law, to be unenforceable in any way, it shall not be deemed void but, if possible, shall be enforced to the fullest lawful extent and all other provisions of this Article XII shall remain in full force and effect.

12.01 Availability of Alternative Dispute Resolution

Except for the disputes described in paragraph 12.02 of this Agreement and except as otherwise specifically modified by this Article XII, any dispute between Franchisor and any of its Affiliates, on the one hand, and Franchisee and any of its Affiliates, on the other, arising out of, relating to or referencing this Agreement or its breach in any way, including without limitation, any claim sounding in tort arising out of the relationship created by this Agreement, and any claim that this Agreement or any other of its parts is invalid, illegal or otherwise voidable or void, is subject to the dispute resolution provisions set forth in paragraphs 12.03 and 12.04 of this Agreement.

"Affiliates", as used in this Article XII, includes without limitation all shareholders, members, partners, owners, direct and indirect parents and subsidiaries, all affiliates thereof, and all officers, directors, employees, managers and agents of the foregoing, acting in the course of conducting business activities related to Franchisor or Franchisee, as the case may be.

12.02 Disputes Not Subject To Alternative Dispute Resolution

The following disputes are not subject to the procedures stated in paragraphs 12.03 and 12.04 of this Agreement:

- (a) Any claim by Franchisor for monies due to Franchisor by Franchisee;
- (b) Any disputes relating to (i) Franchisee's use of the Service Marks, or any other mark in which Franchisor or any of its affiliates has an interest; (ii) acts that otherwise violate Franchisee's obligations under Article VII of this Agreement; or (iii) conduct that is alleged to otherwise infringe the intellectual property rights of Franchisor or any of its affiliates;
- (c) Any dispute relating to the assignment of interests in violation of Article X of this Agreement;
- (d) Any dispute for which Franchisor is entitled to terminate this Agreement without prior notice under the provisions of paragraph 11.02 of this Agreement;
- (e) Any dispute in any way relating to the scope, application or enforceability of this Article XII; and
- (f) Any dispute, other than those enumerated above, in which any injunctive relief is sought, but only to the extent of proceedings for such relief, as further provided in paragraph 12.06 hereof

12.03 Written Notice of Unresolved Disputes -- "Notification of Dispute" Procedure

Except as provided in paragraph 12.02 above, all disputes shall be brought to the attention of Franchisor and Franchisee by delivering a written notice headed "Notification of Dispute." Delivery of such notice shall be made within 60 days of the date on which facts respecting the dispute first come to Franchisor's or Franchisee's attention. A notice of default under Article XI of this Agreement may precede the Notification of Dispute and, in such cases, the Notification of Dispute may be sent at such time as it appears that the default has not been satisfactorily corrected. The Notification of Dispute shall specify, to the fullest extent possible, the party's version of facts surrounding the dispute, the amount of damages and/or the nature of any other relief such party claims. The party (or parties as the case may be) receiving a Notification of Dispute shall respond within 30 business days after receipt thereof, in accordance with paragraph 14.07 of this Agreement, stating its version of the facts and, if applicable, its position as to the relief sought by the party initiating the dispute procedure; provided, however, that if the dispute has been the subject of a default notice given under Article XI hereof, the Franchisee shall respond to the notice under this paragraph 12.03 within ten business days.

If upon receipt of a Notification of Dispute and responses under this paragraph 12.03, the dispute (or any part thereof) is not resolved, the parties initiating the Notification of Dispute shall so indicate in writing within five business days or the dispute shall be deemed to be resolved as set forth in the response to the Notification of Dispute. If the dispute is not resolved, the parties shall endeavor in good faith to resolve the dispute outlined in the Notification of Dispute and responses.

All notices, requests and responses to be delivered to Franchisor or Franchisee under this Article XII shall be delivered in accordance with paragraph 14.07 of this Agreement.

12.04 Option to Mediate Dispute

In the event a dispute outlined in a Notification of Dispute has not been resolved within 15 days after receipt of the last writing called for by paragraph 12.03 above, either party may initiate a mediation procedure in accordance with this paragraph 12.04 within five days thereafter by making a written request for mediation. Such mediation will be conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") according to its procedures. If JAMS is unable to act in the matter, mediation shall be conducted under the auspices of any other mediation service mutually agreed to by the parties according to the mediator's procedures. The scope of such mediation and the authority of the mediator to act with respect to the dispute is defined by the specific provisions of this Article XII and any mediator will be required to execute an acknowledgment of applicability of the provisions of this Article XII in any proceeding under this Agreement.

The object of any mediation subject to this paragraph 12.04 is to assist the parties in reaching a mutually acceptable resolution of the dispute. Such mediation shall, in all circumstances, be consistent with the rights and obligations created by this Agreement and shall not be premised on the derogation or diminution of those rights or disregard of those rights. The mediation process shall begin promptly and shall be concluded within ten business days of the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation.

In the event the dispute is not resolved by mutual agreement, the mediator shall request each party to submit, within ten business days or less, a proposed "Listing of Relevant Facts" that each party asserts are relevant to resolution of the dispute. Submissions shall be limited to assertions of fact without opinion, legal argument or ultimate conclusory assertions. Based on such submissions, the mediator shall prepare a final Listing of Relevant Facts including those facts that appear to be related to the dispute and undisputed; those that appear to be relevant to the dispute but are the subject of factual disagreement; and those that (whether disputed or not) appear to be irrelevant to the dispute. The Listing of Relevant Facts prepared by the mediator shall also be limited to specific facts without opinion, legal argument or ultimate conclusory assertions and shall be delivered to all parties, in writing, within ten business days after the submission date referred to above. The mediator's Listing of Relevant Facts shall be on an advisory basis and may not be admitted as evidence in any proceeding between the parties or used outside of the proceeding; provided, however, that either party may make reference to the Listing of Relevant Facts on an *in camera* basis in the course of pre-trial proceedings in a subsequent court proceeding between the parties involved in the dispute.

All mediation proceedings shall take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The expenses of the mediation service shall be borne equally by Franchisor and Franchisee, and all other expenses relating to such mediation shall be borne by the party incurring them.

12.05 Business Judgment

The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its business judgment based on its assessment of the overall best interests of the Network and/or System. Where such discretion has been exercised, and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

12.06 Court Proceedings

If the dispute is not subject to paragraphs 12.03 and 12.04 hereof or if after the conclusion of all procedures under those paragraphs including the delivery of any Listings of Relevant Facts by the mediator, the parties have been unable to resolve the dispute, either party may avail itself of the right to seek relief from a court of competent jurisdiction in Orange County, California, and only in that location, in accordance with paragraph 12.07 specifically and in accordance with the provisions of this Article XII; provided, however, that if the procedures in paragraphs 12.03 and 12.04 of this Agreement have been employed, any such complaint shall be filed within 60 days following the conclusion of the mediation process and the mediator's delivery of the Listing of Relevant Facts, which 60 day period shall constitute an agreed limitation as provided in paragraph 12.08 of this Agreement, and such complaint shall be limited to the cause(s) of action within the scope of the Notification of Dispute delivered in accordance with paragraph 12.03 of this Agreement.

In any such proceeding, any dispute that involves decisions expressly reserved herein for Franchisor's business judgment or discretion shall not be set aside unless the Court finds that Franchisor has exercised its judgment or discretion without any reasonable business basis therefor, as provided in paragraph 12.05 hereof.

All disputes that involve adjudication in a court shall be governed by the provisions of paragraphs 12.07 and 12.08 of this Agreement. If, in an action commenced in a court pursuant to paragraph 12.02 of this Agreement, a party seeks temporary or preliminary injunctive relief, the court hearing the matter shall proceed to adjudicate the issues before it with respect to such relief and shall not delay the entry of any order with respect to such relief; provided, however, that except for

matters fully determined in connection with proceedings for temporary or preliminary relief, the dispute resolution procedures set forth herein shall be used. If in an action commenced in court pursuant to paragraph 12.02, the opposing party shall raise a legally sufficient claim by way of defense, cross-claim or counterclaim that is otherwise subject to the dispute resolution provisions of this Article XII, the court hearing the matter shall proceed to adjudicate the issues before it; provided, however, that the court may elect to use the dispute resolution procedures set forth herein with respect to any such defense, counterclaim or cross-claim to the maximum extent feasible, so long as the use of all such dispute resolution procedures may be completed within 60 days from the date the matter is referred to the mediator for that purpose.

12.07 VENUE; SUBMISSION OF ISSUES TO COURT; LIMITATION OF DAMAGES

The parties acknowledge that Franchisor operates a nationwide franchise system, with franchisees located in numerous different states and in numerous counties and cities within such states. Accordingly, the parties hereby agree that in view of the fact that the books, records and business personnel of Franchisor are located, for the most part, in Orange County, California, and in order to minimize disruption or interference with operation of the franchise system as a whole, Franchisee and Franchisor agree as follows:

(a) ANY AND ALL COURT PROCEEDINGS ARISING FROM OR RELATING IN ANY MANNER TO ANY DISPUTE BETWEEN FRANCHISOR AND ANY OF ITS AFFILIATES, ON THE ONE HAND, AND FRANCHISEE AND ANY OF ITS AFFILIATES, ON THE OTHER, ARISING OUT OF, RELATING TO OR REFERENCING THIS AGREEMENT OR ITS BREACH IN ANY WAY, SHALL BE BROUGHT IN, AND ONLY IN, THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA (ORANGE COUNTY DIVISION-SANTA ANA). NO INDIVIDUAL OR ENTITY (WHETHER NAMED OR OTHERWISE DESIGNATED) SHALL BE JOINED AS A PARTY TO SUCH PROCEEDINGS IF SUCH JOINDER HAS THE EFFECT OF DESTROYING FEDERAL COURT JURISDICTION UNLESS THAT INDIVIDUAL OR ENTITY IS A NECESSARY PARTY TO THE PROCEEDING AS A MATTER OF LAW. WHERE THERE IS NO UNITED STATES DISTRICT COURT HAVING JURISDICTION OVER THE DISPUTE, THE PROCEEDING MAY BE INITIATED IN, AND ONLY IN, THE SUPERIOR COURT OF CALIFORNIA IN AND FOR ORANGE COUNTY, CALIFORNIA, OR IF THE JURISDICTIONAL LIMITS FOR THE SUPERIOR COURT ARE NOT MET, THEN THE PROCEEDING MAY BE INITIATED IN THE HARBOR MUNICIPAL COURT OF THE ORANGE COUNTY JUDICIAL DISTRICT, NEWPORT BEACH, CALIFORNIA. IN EITHER CASE, FRANCHISEE HEREBY CONSENTS TO THE EXERCISE OF JURISDICTION BY SUCH COURTS.

(b) THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS ARTICLE XII SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

(c) NO PUNITIVE OR EXEMPLARY DAMAGES SHALL BE AWARDED AGAINST EITHER FRANCHISOR OR FRANCHISEE, OR ANY AFFILIATES OF EITHER OF THEM, IN ANY PROCEEDING, AND ALL CLAIMS TO SUCH DAMAGES ARE HEREBY WAIVED.

12.08 Limitation of Actions

Franchisor and Franchisee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless any Notification of Dispute required to be delivered under this Agreement has been delivered in accordance with paragraph 12.03 hereof and unless the proceeding is brought before the expiration of the earlier of (a) the end of the 60-day period specified in paragraph 12.06 of this Agreement for the initiation of proceedings following mediation, if applicable; or (b) one year after the date of discovery of the facts resulting in such alleged liability or obligation or (c) two years after the date of the first act or omission giving rise to such alleged liability or obligation. The foregoing limitations period shall not apply (i) to any claim by Franchisor for monies due to Franchisor by Franchisee, including, but not limited to, those liabilities or obligations discovered as a result of an audit conducted by Franchisor pursuant to subparagraph 9.10(a), or (ii) any disputes relating to (1) Franchisee's use of the Service Marks, or any other mark in which Franchisor or any of its affiliates has an interest; (2) acts that otherwise violate Franchisee's obligations under Article VII of this Agreement; or (3) conduct that is alleged to otherwise infringe the intellectual property rights of Franchisor or any of its affiliates. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (a), (b) or (c) above.

XIII.

FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION

13.01 Franchisee's Obligations

(a) Except as otherwise set forth in paragraph 10.01 with respect to assignment by Franchisor of any or all of its interest in this Agreement, in the event of termination or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to any other obligations provided for in this Agreement, Franchisee shall forthwith discontinue the use and/or display of the Service Marks in any manner whatsoever and all Materials containing or bearing same and shall not thereafter operate or do business under the Assumed Name or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by it or other owners of the Service Marks. In such event, Franchisee also shall comply with paragraph 13.02 respecting the return to Franchisor of certain Materials and shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or Materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, video disks, forms, advertising matter, marks, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business. At such time as requested by Franchisor, Franchisee shall make its books and records available to Franchisor's representatives who shall conduct a termination audit.

(b) In the event of termination or expiration as described in paragraph 13.01(a) above, Franchisee shall promptly:

(i) remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Service Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor;

(ii) erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Service Marks and all words indicating that Franchisee is associated or affiliated with Franchisor;

(iii) permanently discontinue all advertising of Franchisee to the effect that Franchisee is associated or affiliated with Franchisor;

(iv) refrain from doing anything that would indicate that Franchisee is or ever was an authorized Franchisee including, without limitation, indicating, directly or indirectly, that Franchisee was licensed to use the Service Marks or any other distinctive System features or that Franchisee at any time operated under any name, word or mark associated or affiliated with Franchisor;

(v) in the event that Franchisee engages in any business thereafter, it shall use trade names, service marks or trademarks (if any) that are significantly different from those under which Franchisee had done business and shall use sign formats (if any) that are significantly different in color and type face; and take all necessary steps to ensure that its present and former employees, agents, officers, shareholders and partners observe the foregoing obligations;

(vi) in the event such termination is a result of a material default by Franchisee, then Franchisee shall take all action necessary to disconnect and change all telephone numbers and directory listings used by the Franchised Business immediately without providing for any forwarding numbers; or, at Franchisor's option, shall assign all interest and right to use all such telephone numbers and directory listings to Franchisor;

(vii) if this Agreement has expired in accordance with its terms as set forth in subparagraph 17.02(e), then Franchisee may retain its interest and right to use all telephone numbers and yellow page and white page listings. However, if the Agreement has terminated or expired for any other reason, the Franchisee shall assign all interest and right to use all telephone numbers and all yellow page and white page listings applicable to the Franchised Business in use at the time of such termination or expiration to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such yellow page and white page listings as soon as possible; and

(viii) assign all Internet and web site addresses, e-mail addresses and domain names using the Service Marks to Franchisor and use best efforts to identify any individual Internet, web site addresses, e-mail addresses and domain names using the Service Marks that may have been created by employees or sales agents in violation of this Agreement and cause those employees or agents to assign the addresses or names to Franchisor. Franchisee shall instruct its Internet service provider to purge from its servers all domain name server information associated with such Internet and web site addresses, e-mail addresses and domain names being assigned or transferred.

(c) If Franchisee shall fail or omit to make or cause to be made any removal or change described in subparagraph 13.01(b) above, then Franchisor shall have the right within 15 days after written notice to enter upon Franchisee's premises upon which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at the expense of Franchisee, which expense Franchisee agrees to pay to Franchisor promptly upon demand; and Franchisee hereby irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the purpose of terminating any and all of Franchisee's rights in the Assumed Name and any of the Service Marks.

(d) In the event that a Location is Abandoned or otherwise closed for a period of seven consecutive days with or without Franchisor's prior written consent, Franchisee shall promptly take action to remove any indication that such Location is associated or affiliated with either Franchisee or Franchisor, and remove at Franchisee's expense all signs erected or used by Franchisee on, in or in connection with such Location and bearing either the Service Marks or any word or mark indicating that such Location is associated or affiliated with either Franchisee or Franchisor, except as otherwise required by law.

13.02 Rights of Franchisor

The expiration or termination of this Agreement shall be without prejudice to any rights of Franchisor against Franchisee and such expiration or termination shall not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee that, by their nature, survive the expiration or termination of this Agreement. Franchisee is obligated to return, at no expense to the Franchisor, any and all copies of the Operations Manual, computer equipment, video equipment, videotapes, videodisks, software, software manuals and documentation, and any other communications media and Material provided for Franchisee's use without additional charge in connection with the operation of the Franchised Business.

13.03 Franchisor's Right to Cure Defaults by Franchisee

In addition to all other remedies herein granted, if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure such default for the account of and on behalf of Franchisee, and all costs or expenses including attorneys' fees incurred by Franchisor on account thereof shall be due and payable by Franchisee to Franchisor on demand.

13.04 Waiver and Delay

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Operations Manual, shall constitute a waiver of the provisions of this Agreement or the Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof

13.05 Attorneys' Fees and Expenses

In any action or proceeding between the Franchisor and Franchisee for the purpose of enforcing or preventing any breach of any provision of this Agreement, whether by judicial or quasi-judicial action, arbitration or otherwise or any appeal thereof, each party shall bear its own costs including but not limited to its own attorneys' fees, except for those actions or proceedings, whether quasi-judicial action, arbitration or otherwise or any appeal thereof, brought for collection of moneys due, enforcement of indemnifications and/or with regard to the use or protection of the Service Mark, which proceedings or

actions, whether by judicial or quasi-judicial action, arbitration or otherwise or any appeal thereof, the prevailing party shall be entitled to collect its fees and expenses including attorneys' fees from the other party.

XIV.

GENERAL CONDITIONS AND PROVISIONS

14.01 Relationship of Franchisee to Franchisor

It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, director, officer, member, manager, partner, fiduciary or co-venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, director, officer, member, manager, partner or co-venturer of Franchisor or the owner of the Service Marks. All employees or agents hired or engaged by or working for Franchisee shall be only the employees or agents of Franchisee and shall not for any purpose be deemed employees or agents of Franchisor or the owner of the Service Marks, nor subject to Franchisor's control; and in particular, Franchisor shall have no authority to exercise control over the hiring or termination of such employees, officers, managers, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or the day-to-day activities of such persons, except to the extent necessary to protect the Service Marks. Franchisee agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor or the owner of the Service Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof

14.02 Indemnity

Except as otherwise expressly provided in paragraph 7.07 hereof, Franchisee hereby agrees to protect, defend and indemnify Franchisor, its direct or indirect parents, their subsidiaries, affiliates, officers, directors, employees and designees and hold them harmless from and against any and all costs and expenses actually incurred by them or for which they are liable, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature, and including those incurred pursuant to a settlement entered into in good faith, arising out of or in connection with the Franchised Business, including specifically without limitation any claim or controversy arising out of (a) any Transfer by Franchisee referred to in paragraph 10.02 hereof, (b) acts or omissions of Franchisee that are not in strict compliance with this Agreement and the Operations Manual in respect of use or display of the Service Marks, or (c) acts or omissions of Franchisee that tend to create an impression that the relationship between the parties hereto is other than one of Franchisor and Franchisee. Notwithstanding the foregoing, (x) Franchisee shall have no obligation to protect, defend or indemnify Franchisor, its direct or indirect parents, their subsidiaries, affiliates or designees from and against any such costs or expenses arising from the conduct of Franchisor found to be willful, malicious or grossly negligent, and (y) in any proceeding in which Franchisor has been found to have been actively negligent (as opposed to passively negligent or vicariously liable), Franchisor and Franchisee shall each bear all of such costs and expenses (i) in proportion to their share of responsibility in any finding of comparative negligence made in such proceeding or (ii) if no such finding has been made, as shall be determined in a communication and dispute resolution proceeding pursuant to Article XII hereof, based on application of comparative negligence standards.

14.03 Survival of Covenants

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

14.04 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Franchisor and shall be binding upon and inure to the benefit of the Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment by Franchisee contained herein.

14.05 Joint and Several Liability

If Franchisee consists of more than one person or entity, or a combination thereof, the obligation and liabilities to Franchisor of each such person or entity are joint and several.

14.06 Counterparts

This Agreement may be executed in any number of copies, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

14.07 Notices

All notices that the parties hereto may be required or may desire to give under or in connection with this Agreement shall be in writing and shall be sent either by United States certified mail, return receipt requested, postage prepaid, or by other reliable overnight delivery service, expenses prepaid, addressed as follows:

If to Franchisor:

Prudential-Real-Estate ~~BRER~~ Affiliates, Inc.
3333 Michelson Drive, Suite 1000
Irvine, California 92612
Attention: Law Department

If to Franchisee: to the attention of the Responsible Agent and/or Broker at the address indicated in paragraph 17.02(c) hereof unless another or an additional receiving person and/or address is desired by Franchisee, in which event the different receiving person and/or address will be attached hereto as an exhibit.

The addresses herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices shall be deemed given three business days after deposit in the United States certified mail or on the next business day after delivery to such reliable overnight delivery service as aforesaid.

14.08 CPI Adjustment

The following amounts may be adjusted by Franchisor periodically:

- The Thresholds in subparagraphs 5.02(a) and (b) hereof;
- Marketing Fees and Thresholds set forth in paragraph 5.03 hereof;
- The transfer and processing fees set forth in paragraph 10.02 hereof;

Any other amounts as required by any other provision that by its terms calls for adjustments corresponding to the Consumer Price Index.

The foregoing amounts may be increased by the cumulative annual average percentage increase in the Consumer Price Index from December 31, 2010 through the date of adjustment, provided that the cumulative annual average percentage increase from December 31, 2010 through the date of adjustment shall not exceed the cumulative increase in the Consumer Price Index from December 31, 2010 through the date of adjustment. The Marketing Fees may have been adjusted to some extent since December 31, 1999 to reflect a portion of the cumulative annual average percentage increase. Franchisor reserves the right to increase the Marketing Fees for the total cumulative annual average percentage increase and for any future increases in the Consumer Price Index.

XV.

CONSTRUCTION OF AGREEMENT

15.01 Governing Law

This Agreement and the totality of the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of California, except that statutes or regulations of that state pertaining to the franchise relationship, termination or renewal thereof, or disclosure with regard thereto, shall apply only to those agreements contemplating operation of a Franchised Business within that state or to a franchisee which, as of the Effective Date, is domiciled in that state.

15.02 Entire Agreement; Modification

This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other promises or agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. Nothing in the Agreement is intended to disclaim Franchisor's representations set forth in its franchise disclosure document. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement. Franchisee agrees that it has executed this Agreement without reliance upon any such unauthorized representation or promise. This Agreement cannot be modified or changed except by (a) written instrument signed by all of the parties hereto, or (b) Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent and which is effective immediately upon notice. The ability of Franchisor to reduce the scope of any of Franchisee's obligations under this Agreement shall not be interpreted as according Franchisor any right correspondingly to reduce the scope of any of its obligations under this Agreement, unless otherwise specifically empowered to do so hereunder.

15.03 Titles of Convenience

Paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

15.04 Gender

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any paragraph may require.

15.05 Severability

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Operations Manual and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter shall prevail, but in such event the provision of this Agreement or the Operations Manual thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, Article, paragraph, sentence or clause of this Agreement or the Operations Manual shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining parts thereof shall continue in full force and effect, unless said provision pertains to the payment of fees pursuant to Article V hereof, in which case this Agreement shall terminate.

15.06 No Third Party Beneficiaries

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity shall be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

XVI.

SUBMISSION OF AGREEMENT

The submission of this Agreement to Franchisee does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE PRESIDENT OR OTHER EXECUTIVE OFFICER OF FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY FRANCHISOR WITH ANY DISCLOSURE, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

XVII.

ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE

17.01 Certain Acknowledgements and Representations of Franchisee

Franchisee represents and warrants that the following statements are true and accurate:

(a) Franchisee is a duly licensed real estate broker under the laws of the state within which the Locations are situated and is in compliance with all applicable laws, rules and regulations of cognizant authorities. Additionally, if Franchisee is a partnership, corporation or a limited liability company, the Responsible Agent and/or Broker identified in paragraph 17.02(c) below is a duly licensed real estate broker under the laws of the state within which the Locations are located and is in compliance with all applicable laws, rules and regulations of cognizant authorities.

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business and/or the Franchise.

(c) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Operations Manual. Franchisee represents that it has the capabilities, professionally, financially and otherwise, to comply with the standards of Franchisor.

(d) If Franchisee is a corporation or limited liability company, Franchisee is duly incorporated or formed and is qualified to do business in the state and any other applicable jurisdiction within which the Locations are located.

(e) The execution of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(f) Any individual executing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement shall constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

(g) Franchisee has, or if a partnership, corporation or other entity, its partners, managers, members, executive officers or its other principals have, carefully read this Agreement and all other related documents to be executed by it concurrently or in conjunction with the execution hereof, that it has obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, that it understands the nature of this Agreement, and that it intends to comply herewith and be bound thereby.

(h) This Agreement has been developed from the experiences of Franchisor and the Network, including Franchisor's current and former employees, agents and franchisees, who collectively possess substantial experience in the business of franchised residential real estate brokerage. The formation of this Agreement and the disclosures made in connection with the franchise relationship set forth herein have been governed in part by the franchise relations acts, the franchise investment laws, the franchise disclosure laws and the regulations promulgated thereunder in the states in which Franchisor and the Network do business. Such laws, regulations and disclosure requirements have been implemented for the protection and benefit of franchisees and prospective franchisees. Franchisee acknowledges that it has been advised to obtain legal advice and counsel to evaluate the opportunity of becoming a franchisee of Franchisor and the benefits and duties of this Agreement. Franchisee acknowledges that it has chosen to enter into this Agreement solely based upon independent judgment as to its needs at a time when other prominent residential real estate franchise opportunities were available.

17.02 Additional Information Respecting Franchisee

(a) Franchisee represents that attached hereto as Exhibit D is a schedule containing complete information respecting the owners, members, managers, partners, shareholders, officers and directors, as the case may be, of Franchisee.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to paragraph 14.07 hereof) where Franchisee's financial and other records are maintained is:

(c) The name and business address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to paragraph 14.07 hereof) of Franchisee's "Responsible Agent or Broker" is:

(d) Franchisee represents that Franchisee has delivered to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including without limitation all partnership agreements, certificates of partnership, Articles or certificates of incorporation or other organization, by-laws and shareholder or member agreements, including all amendments, side letters and other items modifying such documents.

[Remainder of page intentionally left blank.]

(e) The term (as described in paragraph 6.01 hereof) of this Agreement expires on _____.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed.

FRANCHISOR:

~~PRUDENTIAL REAL ESTATE~~BREX AFFILIATES, INC.
a Delaware corporation

By: _____

Its: _____

By: _____

Its: _____

FRANCHISEE:

By: _____

Its: _____

By: _____

Its: _____

**NONDISCLOSURE, NONCOMPETITION AND NONTRANSFER COVENANT
AND PERSONAL GUARANTEE**

(To be executed, if Franchisee is not an individual, by all persons or entities who have more than a ten percent equity interest in the Franchisee)

In consideration of the execution by Franchisor of this Franchise Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, being all of the persons and legal entities having more than a ten percent equity interest in Franchisee, do hereby agree, individually and jointly, to comply with and be bound by subparagraph 9.10(a) and all provisions of this Franchise Agreement in any way related to nondisclosure, noncompetition and nontransfer to the same extent as if each of them were the Franchisee, including but not limited to paragraphs 3.04, 7.01, 7.03, 9.05, 9.13, 13.01 and all of Article X, and hereby agree not to engage in any activities not permitted to the Franchisee thereunder (whether on their own behalf or in any capacity on behalf of any entity).

The undersigned hereby unconditionally and irrevocably guarantee the full performance of each and all of the terms, covenants and conditions of said Franchise Agreement to be kept and performed by Franchisee, including, but not limited to, the payment of all sums due thereunder.

The undersigned do hereby further agree that this covenant and agreement on their part shall continue in favor of Franchisor notwithstanding any extensions, modifications, renewals, or alterations of the Franchise Agreement entered into by and between the parties thereto, or their successors or assigns, or notwithstanding any assignment of said Franchise Agreement, and no extension, modification, alteration or assignment of the Franchise Agreement shall in any manner release or discharge the undersigned, and they hereby consent thereto.

The undersigned do hereby waive notice of any demand by Franchisor, as well as notice of nonpayment, nonperformance or default, excepting such notices as may be specifically provided for in the Franchise Agreement.

Franchisor may assign this Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee in whole or in part. The undersigned expressly waive the provisions of Section 2845 of the Civil Code of California. All of the obligations of the undersigned under this Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee are independent of the obligations of Franchisee under the Franchise Agreement, and a separate action may be brought against the undersigned whether or not an action is brought against Franchisee under the Franchise Agreement.

The parties agree that any controversy or claim arising out of this Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee, or any breach thereof, shall be adjudicated in accordance with Article XII of the Franchise Agreement.

This Nondisclosure, Noncompetition and Nontiansfer Covenant and Personal Guarantee (i) shall be executed by all persons and other legal entities who now have and who shall from time to time have more than a 10 percent equity interest in Franchisee, and the execution hereof by all such persons and legal entities shall be the responsibility of the undersigned; (ii) shall be governed in accordance with the laws of the same state whose laws govern this Franchise Agreement; and (iii) shall be binding upon and inure to the benetit of the respective successors and assigns of the parties herein named.

(Signamre)

Name: _____

Residence
Address: _____

Residence
Telephone
Number: _____

(Signature)

Name: _____

Residence
Address: _____

Residence
Telephone
Number: _____

(Signature)

Name: _____

Residence
Address: _____

Residence
Telephone
Number: _____

(Signature)

Name: _____

Residence
Address: _____

Residence
Telephone
Number: _____

List of Exhibits to Franchise Agreement:

Exhibit A – Approved Broker Management Systems

Exhibit B – Original Locations and Other Offices

Exhibit C – ~~Residential~~BRER Referral Services, Inc. - Broker to
Broker Referral Terms and Conditions

Exhibit D – Schedule of Names and Addresses of Sole Proprietor or
Shareholders, Partners, Principal Officers, and if a Limited Liability
Company, Members and Managers, as Applicable and Other Information

EXHIBIT A

APPROVED BROKER MANAGEMENT SYSTEMS

BMS	Vendor Name & Address	Relationship Contact, Title, Phone & Email
AccountTECH	AccountTEGH 54-Middlesex-Tumpiko Suite-B Bedford, MA-02421	Mark-Blagdon (781)-276-1555 mark@accounttech.com www.aaccounttech.com
Direct Data Entry (PREA Center Transaction Reporting)	Affiliate Assistance Hotline (888) REAL-PRU or (888) 732-5778	Not suggested for more than 10 transactions per month Management reports not available.
DPN A Division of Lone Wolf Real Estate Technologies, Inc.	DPN Division Office Lone Wolf Real Estate Technologies, Inc. 6830 W. Oquendo Road Suite 200 Las Vegas, NV 89118 (800) 955-3282	Barbara Kutil (800) 955-3282 barb@dpn.com Jonathan Peterson jpeterson@dpn.com Debbie Lowell Debbie.Lowell@fnis.com www.dpn.com
Guru NETworks	Guru NETworks, Inc. 4100 Lafayette Center Drive Suite 103 Chantilly, VA 20151	Ike Broaddus (800) 487-8638 sales@gurunet.net www.gurunet.net
LanTrax	LanTrax, Inc. 1967 Wehrle Drive, Ste. 2 Williamsville, NY 14221	Aaron Taylor aaron.taylor@lantrax.com (716) 929-0000
Lone Wolf Software A Division of Lone Wolf Real Estate Technologies, Inc.	Lone Wolf Real Estate Technologies, Inc. 1425 Bishop Street, Unit #3 Cambridge, Ontario N1R 6J9	Sales sales@lewolf.com (866) 279-9653 www.lonewolf.com
Lucero Summit A Division of Lone Wolf Real Estate Technologies, Inc.	Lucero Division Office Lone Wolf Real Estate Technologies, Inc. 3191 S. White Mountain Road Show Low, AZ 85901 (928) 537-1300	Glenn Hunter info@lucerosummit.com www.golucero.com (928)537-1300 x1
REAL/Easy	Executive Systems Inc. 5859 South 108 th Street Hales Comer, WI 53130	Stan Chmielewski (800) 732-5327 stan@execsys.com www.realeasy.com
REALedger	MIS Consulting & Sales, Inc. 1600 NW 167 th Place Suite 310 Beaverton, OR 97006	Jerry Kalimanis (866) 600-7325 jerry@mis-c.com www.realedger.com

This information can be viewed on the Prudential Intranet website at www.prea.prudential.com
 Broker Manager Tools/Databridge
 Keyword for search: Databridge Vendors

EXHIBIT C

PRUDENTIAL~~BRER~~ REFERRAL SERVICES, INC.

BROKER TO BROKER REFERRAL TERMS AND CONDITIONS

By signing below, Franchisee ("Broker" for purposes of this Exhibit) confirms that as of this date the referral service referred to in paragraph 9.01 of Broker's Franchise Agreement with BRER Affiliates Inc. (formerly known as Prudential Real Estate Affiliates, Inc.) ("Prudential Real Estate") is BRER Referral Services Inc. (formerly known as Prudential Referral Services®, Inc.) ("PRSBRS®"), and that the terms, conditions and general referral policies applicable to Franchisee as a participant in such referral service are as set forth below (for purposes of these Terms and Conditions, a "PRSBRS Member" shall mean a real estate broker who has an executed Broker to Broker Referral Agreement or Broker to Broker Referral Terms and Conditions in effect with PRSBRS):

1. **Designation of Broker; Referral Service Area.**

PRSBRS hereby designates Broker to perform brokerage referral services and other obligations and duties pursuant to these Terms and Conditions within the Effective Service Area (hereinafter "ESA"), which PRSBRS, in its sole discretion, shall determine. The ESA is **NON-EXCLUSIVE**. PRSBRS may designate or may have designated additional real estate brokers to perform services in or around the ESA at any time and from time to time. RRSBRS may at any time and from time to time require Broker to submit such information as RRSBRS may reasonably require regarding Broker's service within the ESA. RRSBRS in its sole and absolute discretion (without any requirement of reasonableness whatsoever) may at any time and from time to time modify the Broker's ESA. PRSBRS retains sole discretion to determine which PRSBRS Members it chooses to deal with in or around the ESA. In cases of direct dealings between PRSBRS Members, such Members have the sole right to determine which other Members they will deal with in or around the ESA.

Without limiting in any way PRSBRS' absolute right to alter the ESA as set forth above, Broker acknowledges that from time to time its ESA may be reduced at such time as new members are added to the RRSBRS network.

2. **Responsibilities of Broker.**

Broker agrees to the following specific terms and conditions:

a. To follow and observe the rules and regulations of PRSBRS relating in any way to the Terms and Conditions and all matters hereunder, as announced in writing by PRSBRS (the "PRSBRS Manual"). The PRSBRS Manual may be amended from time to time by PRSBRS in its sole discretion upon 30 days' written notice to Broker and other RRSBRS Members.

b. To file such reports of referral activities and other matters related to performance under this contract as PRSBRS may from time to time require under the PRSBRS Manual. This includes monthly submission of the PRSBRS Broker-to-Broker Referral Activity Report.

c. To maintain all real estate licenses and registrations necessary to operate in good standing in all jurisdictions in the ESA.

d. To maintain high standards of professional and business conduct.

e. To exercise its best efforts to generate referrals.

f. To exercise its best efforts to achieve referral targets as specified in the PRSBRS Manual.

g. To provide all information required by PRSBRS to be maintained in the Company Locator (online referral directory on PREA Center) (which will include a Broker profile, Referral contact information, an ESA profile, email address and an afterhours telephone number), and to promptly advise RRSBRS of all additions, changes, deletions and corrections in its operations as reflected in the Company Locator.

h. To exercise its best efforts to ensure that the company's Referral/Relocation Director reviews the PRSBRS Manual and RRSBRS 101 – Increasing Your Referrals & Conversion Rates training presentation available on PREA Center within six months of affiliation. If there is no assigned department director, then the individual(s) primarily responsible for handling outgoing and incoming broker-to-broker referral transactions shall review these materials.

3. Referral Guidelines.

The parties shall abide by the following general referral guidelines:

a. Broker shall use all reasonable efforts to send all outgoing referrals to a Prudential Real Estate affiliate (which term includes franchisees and company-owned offices, if any) or other PRSBRS Member in the destination community, except as provided below. Any referral to an ESA shared by more than one Prudential Real Estate affiliate or other RRSBRS Member shall be placed exclusively with one of those Prudential Real Estate affiliates or other Members. If there is no Prudential Real Estate affiliate or other PRSBRS Member in the destination community, or if Broker's customer requests that a non-RRSBRS broker be utilized, Broker shall contact PRSBRS for a broker recommendation and use reasonable efforts to place the outgoing referral with the recommended broker. If Broker's customer specifically requests that a non-PRSBRS broker be utilized in a designated community, then such a broker may be utilized.

b. Broker agrees to use procedures and forms, as made available and designated by RRSBRS to process all Broker referrals in accordance with the PRSBRS Manual.

c. Broker shall initiate all referrals by telephone to the destination broker and enter the referral information in a software program approved by PRSBRS if available. If accepted, the destination broker shall use reasonable efforts to keep the origination broker informed of the referral status thereafter, as may be required by the PRSBRS Manual.

d. Broker shall make reasonable efforts to send only qualified referrals in accordance with the RRSBRS Manual. A destination broker shall have 48 hours after contact from an origination broker to reject a referral. Such rejection shall be made in accordance with the RRSBRS Manual. If not rejected within 48 hours, the referral shall be deemed accepted. Referrals shall not be rejected unless the customer has previously been referred or acquired from another source and has been properly registered by the

destination broker on such broker's customer list, or the customer refuses the destination broker's services. If a referral is rejected because the customer has previously been referred or acquired from another source, then the origination broker may not send such referral to another broker.

e. In the event that the ESA is covered by more than one PRSBRS Member, both shall be assigned the ESA in the Company Locator. If a company has an office location in the ESA, it will be indicated as such.

f. Primary responsibility for referral and relocation activity of Broker shall be performed by designated employees, who shall be available during normal business hours (and after hours at a telephone number listed in the Company Locator) as required for the handling of incoming and outgoing referrals, in accordance with the PRSBRS Manual.

g. Broker shall abide by the referral fee structure hereinafter set forth.

h. Broker shall only be eligible to receive commercial real estate referrals if Broker has qualified for commercial real estate referrals in accordance with the PRSBRS Policy Manual.

4. Compensation to RRSBRS, Referral Fees and Traffic Generation.

a. Following the First Anniversary Year, Broker shall pay RRSBRS an annual fee of Thirty-Five Dollars (\$35.00) per full-time sales associate and full-time sales associate equivalent; provided that Broker's minimum annual fee shall be Seven Hundred Fifty Dollars (\$750.00) and Broker's maximum annual fee shall be Seven Thousand Five Hundred Dollars (\$7,500.00). This fee shall be payable quarterly pursuant to PRSBRS invoice or the Broker may choose to pay the annual fee in advance with the first quarter invoice. In the event this Agreement is terminated prior to its natural expiration date and Broker is in good standing at the time, PRSBRS shall refund to Broker the appropriate pro-rata share of the annual fee previously paid to RRSBRS. Broker shall not be relieved from its obligation to pay such annual fees during such time as it may be removed from the Company Locator for non-compliance with the terms and conditions herein.

b. PRSBRS, Prudential Real Estate and their affiliated companies have created and are creating, and from time to time may terminate, certain programs to generate referral activity and specialized referral programs, including but not limited to, affinity relationships with various groups (some of which may be or whose members may be located in Broker's geographic area). Members of PRSBRS are not guaranteed such referrals; however, they are the preferred recipients of such referrals. Broker acknowledges and agrees that neither PRSBRS, Prudential Real Estate, nor their affiliated companies have any obligation to create such programs. The referral fee to be paid to PRSBRS for any transaction from any such program shall be determined in PRSBRS's sole discretion at the time of the referral. However, the PRSBRS member may decline the referral. If members do not accept any referral, PRSBRS may offer that referral to non-members on terms no better than offered to the member.

c. Unless otherwise agreed at the time of referral, the origination broker shall be entitled to a referral fee only on the transaction referred. No referral fee shall be payable to the origination broker on account of additional sales or purchases by such referred customer.

d. Referral fees are due at the time of closing and shall be forwarded by Broker to the origination Broker directly and immediately in accordance with the PRSBRS Manual.

e. Referral fees shall be earned on all referrals resulting in irrevocable transfer of title within 18 months from the date of the referral.

f. The sums set forth in paragraph a. above, and in accordance with the PRSBRS Policy Manual, may be increased by PRSBRS, in its sole discretion, one time per year by an amount not to exceed twenty percent (20%) per annum cumulative.

g. All delinquent payments of any sums due PRSBRS are subject to a late charge of 15% per annum or the highest rate permitted by law, whichever is lower.

5. Business Conferences.

Broker's broker of record and other representatives may attend the Prudential Real Estate Sales Convention and Prudential Forum, which will be held from time to time, at their own expense.

6. Mandatory Reporting Requirements.

All Broker generated referrals, whether sent to a Prudential Real Estate affiliate, another PRSBRS Member or non-PRSBRS broker, all referrals received and information as to referrals converted shall be reported monthly in accordance with the RRSBRS Manual. This reporting is mandatory.

7. Competitor Organizations.

a. While a PRSBRS Member, Broker and any parent, subsidiary, or other affiliate of Broker agree that they shall not directly or indirectly join, belong to or be otherwise affiliated with any organization which operates a relocation marketing network or third party home purchase program which is similar to or in competition with the business of (i) PRSBRS or (ii) any company affiliated with PRSBRS which is in the relocation management business (in such context, "RM") that requires Broker to send outgoing referrals to a non-RRSBRS broker.

b. Marketing efforts on behalf of a corporate client to market properties will not be deemed to be in competition with PRSBRS, and marketing efforts on behalf of or to a corporate client for the purpose of obtaining listings or servicing home finding referrals will not be deemed to be in competition with PRSBRS.

c. Nothing herein shall prohibit Broker from belonging to a trade association or subscribing to relocation training as long as the trade association or the source of training is not a competitor of PRSBRS.

d. Broker is encouraged to solicit relocation business and to provide corporate calling services provided that neither the corporate caller nor Broker offers services independently as a substitute for services provided by PRSBRS or RM and further provided that the calling does not conflict with existing contractual relationships between (i) RRSBRS or RM and (ii) the corporation at the time the call is made.

8. Advisory Board.

RRSBRS has established an advisory and mentoring board ("PRSBRS Mentors") comprised of PRSBRS Members in good standing, employees of PRSBRS or its affiliates, and members of the industry.

PRSBRS Mentors consist of those individuals appointed by RRSBRS from time to time and who agree to serve. The purpose of the PRSBRS Mentors is to plan and evaluate PRSBRS programs, make recommendations to PRSBRS and provide guidance to PRSBRS members on increasing referrals and improving results. The PRSBRS Mentors shall meet at such times and places as PRSBRS may direct. PRSBRS Mentors are required to attend the Prudential Real Estate Sales Convention and Prudential Forum, and shall do so at their own expense.

9. **Dispute Resolution.**

In the event that a dispute arises between or among PRSBRS Members, such dispute, if it is unable to be resolved between such members, shall be submitted to three-person arbitration committee comprised of members of the PRSBRS Mentors and Prudential Real Estate and Relocation Services Broker Alliance Management. Such committee shall evaluate the merits of the dispute and issue a decision, which shall be final and binding on the parties to the dispute. Each party shall bear all its own costs associated with such a dispute and a pro rata share of the costs and expenses of the arbitration committee. Unless otherwise agreed, all such arbitrations shall take place in Orange County, California.

10. **Term and Termination.**

a. These Terms and Conditions are effective concurrently with Broker's Franchise Agreement with Prudential Real Estate and shall continue thereafter until termination or expiration of the Franchise Agreement for any reason.

b. Any and all fees, commissions or other funds earned by Broker with respect to referrals made prior to terminations shall be paid to Broker as though these Terms and Conditions have not been terminated.

c. Upon termination of these Terms and Conditions, Broker shall promptly return all materials, software, manuals, forms or other written material, or any copies or duplicates thereof, relating to PRSBRS to PRSBRS headquarters.

d. Termination of these Terms and Conditions by expiration or termination of the Franchise Agreement shall not entitle Broker to a refund of any funds previously paid to PRSBRS.

11. **PRSBRS Responsibilities.**

a. PRSBRS shall provide Broker with the Company Locator listing of all PRSBRS Members together with identification of the ESA served by each such Member.

b. PRSBRS from time to time will provide opportunities for networking and further education in broker-to-broker referral management.

c. PRSBRS authorizes Broker to use the name "PrudentialBRER Referral Services", the PRSBRS logo and other PRSBRS service marks (collectively, the "PRSBRS Service Marks") only in connection with the broker-to-broker referral business of this network, as hereinafter described. Broker agrees not to use the PRSBRS Service Marks for business or other purposes except as authorized in these Terms and Conditions, or with the express written consent of PRSBRS. Broker acknowledges that PRSBRS prescribes minimum standards respecting the nature and quality of the services provided by Broker in connection with which the PRSBRS Service Marks are used. Nothing herein shall give Broker

any right, title or interest in or to the PRSBRS Service Marks, except a mere privilege and license during the term hereof to display and use the same strictly according to the limitations provided in these Terms and Conditions and the PRSBRS Policy Manual, including without limitation identity standards. Broker agrees that as between Broker and PRSBRS, the PRSBRS Service Marks are the exclusive property of PRSBRS. Upon request by PRSBRS, Broker will execute a service mark license agreement reflecting the foregoing.

d. If PRSBRS makes software available to Broker (which it may do in its sole discretion), Broker shall be required to enter into a software license agreement with PRSBRS, or its approved vendor, and utilize the approved software (the "PRSBRS Approved Software") in accordance with the PRSBRS Manual. PRSBRS or its approved vendor may designate a monthly service fee for use of the PRSBRS Approved Software. Use of the PRSBRS Approved Software will require Broker to purchase, use and maintain certain computer hardware.

12. Default.

A breach of Broker's Franchise Agreement with Prudential Real Estate shall likewise be a default of this Agreement. A breach of this Agreement shall likewise be a default of Broker's Franchise Agreement.

Broker shall be considered to be in default of this Agreement, for, but not limited to, the following reasons:

- a. Broker's failure to pay PRSBRS fees and annual dues;
- b. Broker's failure to report pursuant to Paragraph 6 above or in accordance with the Policy Manual;
- c. Broker's failure to pay referral fees due other brokers involved in a referral transaction;
- d. Broker's failure to perform to industry standards, as determined by PRSBRS in its reasonable business judgment.
- e. Broker's violation of the terms of Paragraph 11c.

13. Remedies of RRSBRS.

In the event Broker defaults under this Agreement, as determined in Paragraph 12 above, PRSBRS (a) shall remove Broker's name from the Company Locator and (b) shall not consider Broker for referrals processed through PRSBRS. However, if Broker shall cure the default, then PRSBRS shall reinstate Broker in the Company Locator as of the next upload after the cure, and shall again consider Broker for referrals processed through PRSBRS.

14. Transfer of Membership.

Broker shall not represent to any potential investor or buyer or make or imply, as a condition of sale of the assets of Broker's company, that membership in PRSBRS is a salable asset of Broker. In the event that Broker's interest in its franchise agreement with Prudential Real Estate, and the franchise granted there under, is assigned or transferred in its entirety with the prior written consent of Prudential

Real Estate pursuant to the terms of such Franchise Agreement, Broker's membership in PR\$BRS, together with these Terms and Conditions, shall immediately be transferred and assigned to the assignee of the franchise upon such assignee's written agreement to assume all obligations under such agreement, without the need for a re-application by the assignee for membership in PR\$BRS. Notice of such franchise assignment or transfer shall be given to PR\$BRS within five business days after the effective date of such assignment or transfer.

15. General Provisions.

a. Broker is not an agent of PR\$BRS. Broker is responsible for its dealings with customers, clients and referrals and will indemnify PR\$BRS and any other PR\$BRS Member for any claims by such customers, clients and referrals arising out of such dealings.

b. Any notice required or permitted under these Terms and Conditions shall be sent by U.S. Mail, certified, return receipt requested, or by reliable overnight delivery service, to the respective address set forth in the Franchise Agreement, and shall be effective as of three business days after deposit in the U.S. Mail, or on the next business day after delivery to such reliable overnight delivery service.

c. No amendment, modification, alteration, waiver or course of dealing shall be binding unless done in writing as an addendum to this Agreement and signed by the parties hereto.

d. These Terms and Conditions shall be governed by and construed in accordance with the laws of the State of California.

By signing below, Franchisee further agrees that PR\$BRS may enforce these Terms and Conditions in its own name.

IN WITNESS WHEREOF, the undersigned has executed these Terms and Conditions as of the Effective Date of the Franchise Agreement.

FRANCHISEE:

(Entity Name),
a (Entity State) corporation

By: _____
(Name)

Its: _____
(Title)

By: _____

Its:

EXHIBIT F

Agents for Service of Process

CALIFORNIA

Michael E. Wasenius, Esq.
~~BRER Affiliates Inc. Prudential Real Estate Affiliates, Inc.~~
3333 Michelson Drive, Suite 1000
Irvine, California 92612

HAWAII

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

The Attorney General
500 S. Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
Suite 560
One North Capital Street
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commission
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Department of Commerce
Corporation & Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

The Commissioner of Securities
500 Metro Square Building
St. Paul, Minnesota 55101

NEW YORK

Secretary of State of New York
162 Washington Street
Albany, New York 11231

NORTH DAKOTA

Commissioner of Securities
Fifth Floor
600 East Boulevard
Bismarck, ND 58505

OREGON

Commissioner
Corporation Division
Commerce Building
Salem, Oregon 97310

RHODE ISLAND

Director of Business Regulations
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232

SOUTH DAKOTA

Director of the Division of Securities
c/o 18 West Capitol
Pierre, South Dakota 57501

VIRGINIA

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

WASHINGTON

Administrator
Department of Financial Institutions
P. O. Box 9033
Olympia, Washington 98507-9033

WISCONSIN

The Wisconsin Securities Commissioner
P. O. Box 1768
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

ALBERTA, CANADA

Donald P. McLaws
3400, 150 - 6th Avenue S.W.
Calgary, Alberta T2P 3Y7

PROMISSORY NOTE FOR INITIAL FRANCHISE FEE

Irvine, California

\$ _____

FOR A GOOD AND VALUABLE CONSIDERATION, the undersigned ("Borrower") promises to pay to ~~PRUDENTIAL-REAL-ESTATE~~BRER AFFILIATES, INC. (fka Prudential Real Estate Affiliates, Inc.)("Lender"), or order, at 3333 Michelson Drive, Suite 1000, Irvine, California 92612, or at such other place as Lender may from time to time designate, the principal sum of _____ Dollars (\$ _____) with interest on the unpaid principal at the rate of _____ percent (____%) per annum from _____, 20____, until paid.

Principal and interest shall be paid in lawful money of the United States of America in _____ (____) installment payments in accordance with the attached amortization schedule on or before _____, 20____, at which time the entire unpaid balance of principal hereof and all accrued interest shall be due and payable. Borrower shall pay a late charge equal to four percent (4%) of any payment which is not paid when due.

Unless otherwise designated by Lender in writing, all amounts due under the terms hereof shall be collected by Lender from the Depository Account established and maintained by the Borrower with an Automated Clearing House member bank pursuant to the terms of the Franchise Agreement between Lender and Borrower being entered into concurrently herewith ("Franchise Agreement"). Borrower's payments of the amounts due under the terms hereof shall be collected on the date the payment is due, or on the first business day following the date the payment is due, if notification of collection need be given by Lender to Borrower. All terms and conditions of the Franchise Agreement relating to the establishment, maintenance and collections of amounts from the Depository Account are incorporated herein by reference and shall apply to payments of the amounts due hereunder.

Upon default in payment when due, at the option of the holder hereof, the whole of the principal sum then remaining unpaid and all interest accmed hereon shall become immediately due and payable, without demand or notice. In case any payment herein provided for shall not be made in accordance with the terms herein, Borrower further promises to pay all costs of collection and reasonable attorney's fees.

Continued affiliation as a franchisee of Lender requires full payment of this Promissory Note for Initial Franchise Fee ("Note"), in accordance with the terms contained herein. Any default under this Note shall constitute a default under the Franchise Agreement. Any default under the Franchise Agreement shall constitute a default under this Note. Upon termination or expiration of the Franchise Agreement between Lender and Borrower for any reason, at the option of the holder hereof, the whole of the principal sum then remaining unpaid and all interest accrued hereon shall become immediately due and payable, without demand or notice.

Borrower and all endorsers of this Note, and each of them, hereby waive diligence, demand, presentment for payment, notice of non-payment, protest and notice of protest and specifically consent to and waive notice of any renewals, extensions, amendments to modifications of this Note whether made to or in favor of Borrower or any other person or persons. The claiming of any statute of limitations as a defense to any demand against Borrower or any endorser is expressly waived by each and all of said parties.

This Note shall be constmed and enforced in accordance with the laws of the State of California.

Any notice to Borrower shall be given by mailing such notice via first class mail to Borrower at the address given below. Any notice to Lender shall be sent to the address in the first paragraph of this note or such other address as may have been designated by notice to Borrower.

DATED AS OF: _____, 20____

_____,
a _____ corporation

By: _____
_____, President

By: _____
_____, Secretary

_____, as an individual

_____, as an individual

Address:

FRANCHISE TERM NOTE

\$ _____

Irvine, California

FOR VALUE RECEIVED, the undersigned, _____, a _____ ("Maker") with its principal place of business at _____, hereby promises to pay to the order of ~~PRUDENTIAL-REAL-ESTATE~~ EBRER AFFILIATES, INC. (fka Prudential Real Estate Affiliates, Inc.), a Delaware corporation with its principal place of business at 3333 Michelson Drive, Suite 1000, Irvine, CA 92612 ("Lender"), the principal sum of _____ DOLLARS (\$ _____), together with interest at _____% per annum on the outstanding balance of said principal sum, commencing at the times and pursuant to the terms hereinafter provided until this Franchise Term Note is paid in full.

1. Annual Payments. The principal amount of this Franchise Term Note, together with accrued interest, shall be repaid in annual installments in accordance with the attached Schedule on the _____ day of _____ of each year, beginning on _____, until paid in full, whether at maturity, by acceleration, or otherwise. All remaining principal, together with accrued interest, if any, shall be due and payable in full on _____, or the termination or expiration of the initial term of the Real Estate Brokerage Franchise Agreement between Maker and Lender dated as of _____, as the same may be amended, modified and in effect from time to time (the "Franchise Agreement"), whichever occurs first.

2. Franchise Agreement. Maker and Lender contemplate that so long as no default, breach, or other violation by Maker has occurred and is continuing under the Franchise Agreement, a portion of the Continuing Royalty paid by Franchisee to Franchisor, as such terms are defined in the Franchise Agreement, may be used by Maker to repay the relevant annual installment payment of principal and any accrued interest then due hereunder (the "Royalty Rebate"). The maximum annual Royalty Rebate shall be \$ _____. In the event Maker does not qualify for the Royalty Rebate or the Royalty Rebate is not sufficient to pay the annual installment under this Franchise Term Note, then Maker shall immediately pay the annual installment or such shortfall, as the case may be to Lender within ten (10) days of the due date of such annual installment as set forth in this Franchise Term Note.

3. Acceleration Upon Default. If Maker does not make any payment of principal and accrued interest thereon, if any, when due, or if a default, breach or other violation by Maker under the Franchise Agreement has occurred, then, at the option of Lender, the entire outstanding principal amount of this Franchise Term Note, and any and all accrued and unpaid interest thereon, shall become immediately due and payable without demand, presentment for payment, notice of dishonor, protest and notice of protest, notice of intent to accelerate and notice of acceleration, diligence in collecting or bringing suit against Maker, or any other notice by Lender other than as expressly provided in the Franchise Agreement.

4. Prepayment. Maker may, upon at least three (3) business days' prior written notice to Lender stating the proposed date and amount of the prepayment, prepay the outstanding balance of principal and interest, if any, of this Franchise Term Note in whole or in part, without premium or penalty. If Maker gives Lender notice of a prepayment, Maker shall make the prepayment on the date and in the amount stated in the notice.

5. Payments and Computations. All payments on account of indebtedness evidenced by this Franchise Term Note shall be made not later than 11:00 A.M. (Pacific Time) on the day when due in lawful money of the United States. All computations of interest shall be made by Lender on the basis of a 365-day year for the actual number of days occurring in the period for which such interest is payable. Said payments are to be made at such place as Lender or the legal holders of this Franchise Term Note may, from time to time, in writing appoint, and in the absence of such appointment, then at the principal place of business of Lender as set forth on the first page of this Franchise Term Note.

6. Applicable Law. Maker represents and agrees that this instrument and the rights and obligations of all parties hereunder shall be governed by and construed under the laws of the State of California without regard to the conflicts of law principles of such State.

7. Severability. The parties hereto intend and believe that each provision in this Franchise Term Note comports with all applicable local, state and federal laws and judicial decisions. However, if any provision or provisions, or if any portion of any provision or provisions, in this Franchise Term Note is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such portion, provision or provisions of this Franchise Term Note to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Franchise Term Note shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained therein, and that the rights, obligations and interest of Maker and Lender or the legal holders hereof under the remainder of this Franchise Term Note shall continue in full force and effect.

8. Maximum Interest. Notwithstanding any other provision of this Franchise Term Note or any other agreement between Maker and Lender, nothing herein shall require the Maker to pay, or the holder of this Franchise Term Note to accept, interest in an amount which subjects the holder to any penalty or forfeiture under applicable law, and in no event shall the total of all charges payable hereunder (whether of interest or of such other charges which may or might be characterized as interest) exceed the maximum rate permitted to be charged under applicable law. Should Lender or any other holder of this Franchise Term Note receive any payment which is or would be in excess of that permitted to be charged under applicable law, such payment shall have been, and shall be deemed to have been, made in error and shall be held as additional cash collateral for the indebtedness evidenced by this Franchise Term Note.

9. Waiver. Maker and all parties now or hereafter liable for the payment hereof, whether as endorser, guarantor, surety or otherwise, generally waive demand, presentment for payment, notice of dishonor, protest and notice of protest, notice of intent to accelerate and notice of acceleration, diligence in collecting or bringing suit against any party hereto, and all other notices other than as expressly provided in the Franchise Agreement and agrees to all extensions, renewals, indulgences, releases or changes which from time to time may be granted by the holder hereof and to all partial payments hereon, with or without notice before or after maturity.

10. Notices. All notices and communications pursuant to or in respect of this Franchise Term Note shall be given as provided in Section 14.07 of the Franchise Agreement.

11. Time. Time is of the essence as to all dates set forth herein.

12. Attorney's Fees. In case any payment herein provided for shall not be made in accordance with the terms herein, Borrower further promises to pay all costs of collection and reasonable attorney's fees.

DATED AS OF: _____, 20____

FRANCHISEE:

By: _____

_____, as an individual

By: _____

_____, as an individual

SCHEDULE

Franchise Term Note

_____, 20____

Schedule of Franchise Term Note Payments:

Date Payable	Beginning Principal Balance	Principal Payment	Interest Payment	Total Payment Due	Ending Principal Balance
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AGREEMENT REGARDING USE OF DOMAIN NAME

This Agreement Regarding Use of Domain Name ("Agreement") is entered into this _____ day of _____ (the "Effective Date"), by and between ~~PRUDENTIAL REAL ESTATE BROKER AFFILIATES, INC.~~ (fka Prudential Real Estate Affiliates, Inc.), a Delaware corporation, ("Franchisor") and _____ a _____, doing business in the state of _____ as Prudential _____ ("Franchisee") with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Real Estate Brokerage Franchise Agreement, as amended from time to time ("Franchise Agreement"), pursuant to which Franchisee is licensed to use the Prudential name and Service Marks ("Service Marks") in connection with its real estate brokerage operations. Pursuant to the terms of the Franchise Agreement, Franchisee is permitted to operate its business under the fictitious business name Prudential _____.

B. Pursuant to the terms of the Franchise Agreement, the identity standards ("Identity Standards") regarding the proper use by Franchisee of the Service Marks contained in Franchisor's Operations Manual are specifically incorporated into the terms of the Franchise Agreement. Pursuant to these Identity Standards, Franchisee has limited use of the Service Marks as more particularly set forth therein. Franchisee acknowledges that the Identity Standards required by Franchisor and its affiliates the owner of the Service Marks, Prudential Financial, Inc. ("Prudential Financial") and The Prudential Insurance Company of America ("Prudential"), are a necessary and desirable part of maintaining the integrity of Franchisor's franchise system and network of franchisees, as well as the protection of the Service Marks.

C. Franchisee is currently using the domain name(s) listed on Schedule I attached hereto and incorporated herein by this reference, in connection with its website. As used herein, the term "Domain Name" shall mean all domain names listed on Schedule I as well as any other present or future tradenames or domain names which include the Prudential name (or any derivatives thereof) and/or any other trademarks and service marks owned by Prudential. Franchisor has advised Franchisee that the Domain Name(s) listed on Schedule I is/are not in compliance with the Identity Standards. Nevertheless, Franchisee has requested, and Franchisor has reviewed and approved, Franchisee's request to continue its use of the Domain Name, subject however, to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing facts and for other valuable consideration, the receipt and adequacy of which is hereby acknowledged, Franchisor and Franchisee agree as follows:

1. Capitalized terms as used herein shall be as defined in the Franchise Agreement.
2. Franchisor hereby grants conditional approval to the use by Franchisee of the Domain Name(s) listed on Schedule I.
3. As a material consideration of Franchisor's consent hereto, Franchisee agrees to operate its website(s) in strict accordance with the Franchise Agreement, including but not limited to, the Identity Standards of Franchisor. Franchisee acknowledges and agrees that any violation of this paragraph 3 shall constitute a material breach of the Franchise Agreement and good cause, by Franchisor, to immediately terminate the Franchise Agreement with no further opportunity to cure.

4. (a) Franchisee agrees that upon expiration or earlier termination of this Agreement, as set forth below, it shall transfer and assign any and all of its right, title and interest, in and to the Domain Name, as well as any website addresses or e-mail addresses which are associated with the Domain Name and website. In connection therewith, Franchisee shall execute, concurrently herewith, an assignment ("Assignment") in the form of Exhibit A, attached hereto and incorporated herein by this reference, which shall become effective upon the date of the expiration or earlier termination of this Agreement. In the event that Franchisor and/or Prudential initiates the transfer of the Domain Name electronically, Franchisee agrees to unlock, consent to the transfer of, and otherwise authorize the transfer of the Domain Name to Prudential and its administrative contact, inet-admin@prudential.com, as directed by Franchisor and/or Prudential. In addition, Franchisee does hereby irrevocably constitute and appoint Franchisor and/or Prudential Financial and/or Prudential as its true and lawful attorney with full power of substitution for Franchisee and in its name, place and stead to execute and do all such acts, deeds, assurances, conveyances, transfers, instruments and such further things and documentation that may be required for the purposes of (i) assigning or transferring said trademarks or domain names registered by Franchisee; (ii) take all action necessary to establish ownership and control of the Domain Name together with any e-mail or website addresses associated with such domain and website as well as (iii) instructing the Internet Service Provider to purge from its servers, all Domain Name Server information associated with such domain names being assigned or transferred.

(b) Franchisor shall hold the Assignment in trust until such time as the Franchise Agreement expires or is otherwise terminated. Franchisor shall then date the Assignment and Franchisor, Prudential Financial or Prudential may take whatever steps are necessary to either abandon the Domain Name or otherwise retain such Domain Name for their own use in their own discretion.

5. Franchisee acknowledges and agrees that Franchisor shall have no obligation to compensate Franchisee for any monies invested in using or promoting the Domain Name or for registering and promoting any new domain name, which may become necessary should this Agreement be terminated.

6. (a) This Agreement shall terminate upon the earlier of (a) notice from Franchisor that this Agreement is being terminated due to a breach hereof, or (b) the termination of the Franchise Agreement.

(b) Notwithstanding subparagraph (a) immediately above, Franchisor shall have the right to terminate this Agreement, without cause, upon thirty (30) days prior written notice.

7. This Agreement will be governed by and construed in accordance with the laws of the state of California. In addition, the parties submit to the jurisdiction of the appropriate court of Orange County, California.

8. If any of the provisions of this Agreement are found or deemed by a court of competent jurisdiction to be invalid or unenforceable, they shall be considered severable from the Agreement and shall not cause the remainder to be invalid or unenforceable.

9. All notices, request, demands or other communications under this Agreement shall be given in accordance with Article XIV of the Franchise Agreement.

10. This Agreement supercedes any and all agreements, either oral or written between the parties hereto. Each party to this Agreement acknowledges that no other representations, inducements,

promises or agreements, including any regarding future identify standards, have been made by any party or anyone acting on behalf of any party.

IN WITNESS WHEREOF, this Agreement has been entered into as of the date first written above.

FRANCHISEE:

(Entity Name),
a (Entity State) corporation

By: _____

Its:

By: _____

Its:

Witness: _____

Witness: _____

FRANCHISOR:

~~PRUDENTIAL REAL ESTATE~~ EBRER AFFILIATES,
INC.,
a Delaware corporation

By: _____

Its: Executive Vice President
and Chief Financial Officer

By: _____

Its: Vice President, Corporate Counsel
and Assistant Secretary

SCHEDULE I
List of Domain Names

EXHIBIT A
ASSIGNMENT

The undersigned, _____, a _____, doing business as Pmdential _____ ("Assignor"), whose principal address is _____, in consideration of the smn of one dollar (\$1.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby, assign and transfer to THE PRUDENTIAL INSURANCE COMPANY OF AMERICA ("Assignee"), whose principal place of business is 751 Broad Street, Newark, New Jersey 07102-3777, any and all worldwide rights, titie and interest in and to: (1) the trade names, trademarks, service marks and domain name(s) listed on Exhibit A attached hereto and incorporated herein by this reference as well as (2) any other trade names, trademarks, servicemarks and domain names used or owned by Assignor which include any name, trademark or servicemark owned by Assignee, including but not limited to "Pmdential" "PRU" and "ROCK SOLID"; and (3) any e-mail and website addresses associated with such domain name(s). The aforementioned assignments shall include any and all goodwill associated with Assignor's uses of said tradenames, trademarks, servicemarks, domain names and/or e-mail addresses.

Assignor does hereby irrevocably nominate, constimte and appoint Assignee's Secretary or any Assignee officer with a title of Functional Vice President or above as the tme and lawful attorney for Assignor with full power of substitution for Assignor and in its name, place and stead to execute and do all such acts, deeds, assurances, conveyances, transfers, instmmments, and such further things and documentation that may be required for the purposes of (1) assigning or transferring said tradenames, trademarks or domain names registered by Assignor; (2) establishing ownership and control of such domain names together with any e-mail or website addresses associated with such domain names and website and (3) instmcting the Internet Service Provider to purge from its servers all Domain Name Server information associated with such domain names being assigned herein. Assignor hereby covenants and agrees for the Assignor and Assignor's successors and assigns to allow, ratify and confirm whatsoever Assignee shall do or cause to be done by virtue of this power of attorney. The undersigned also agrees to execute such further documentation as may be required by such registrar in order to effect and complete said transfer.

EXECUTED AT _____ this ____ day of _____, 20__

(Assignor)

By: _____

Its: _____

Signed in the presence of:

Witness

Signed in the presence of

Witness

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

On _____, 20__ before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signamre(s) on the instrmnt the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY of PERJURY under the laws of the State of Califomia that the foregoing paragraph is tme and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Accepted this ____ day of _____, 20__

The Pmdential Insurance Company of America
(Assignee)

By: _____

Its: Vice President

RESIDENTIAL OFFERING

STATE ADDENDA

Exhibit K

ADDENDUM FOR CALIFORNIA FRANCHISEES

The following specific disclosures are made to prospective California franchisees:

The cover page is amended by adding the following:

THESE FRANCHISES ARE EXEMPT FROM REGISTRATION UNDER PART 2., CHAPTER 1., SECTION 31101(a) AND (b) OF THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA BECAUSE OF PRUDENTIAL-REAL-ESTATE'S NET WORTH AND EXPERIENCE. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT ANY OF ITS OFFICES.

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.

With respect to ITEM 17 of the Disclosure Document, please note that the California Business and Professions Code §§ 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17 of the Disclosure Document, and Article 11.02(b) of the Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 *et seq.*)

Also with respect to Item 17 of the Disclosure Document, should any party commence an action or proceeding for the purpose of enforcing or preventing the breach of any provision of the Franchise Agreement, whether by judicial or quasi-judicial action, arbitration, or otherwise or any appeal, each party shall bear its own costs, including but not limited to its own attorney's fees, except for those actions or proceedings, whether quasi-judicial action, arbitration or otherwise or any appeal, brought for collection of moneys due, enforcement of indemnifications and/or with regard to the use of the Service Mark, which proceedings or actions, whether by judicial or quasi-judicial action, arbitration or otherwise, or any appeal, the prevailing party shall be entitled to collect its fees and expenses, including attorney's fees from the other party. This provision may not be enforceable under California law.

~~Prudential-Real-Estate has~~ We have granted exclusive territories ~~in Orango, Santa-Barbara, San-Diego and San-Luis-Obispo Counties and portions of Los-Angelos, Riverside, San Bernardino and Ventura Counties~~ within the geographical areas covered by specifically identified U.S. Postal Zip Codes (the "Southern California Exclusive Territory") to a large franchisee, Pickford Realty, Ltd. ("Pickford"), that operates under the tradename, Prudential California

Realty, subject to certain performance requirements. So long as the Southern California Exclusive Territory is in effect, the expansion of the residential brokerage franchise network within the Southern California Exclusive Territory will occur only with the consent of Pickford. If Pickford consents to the sale of a new franchise by Prudential Real Estate within the Southern California Exclusive Territory, Prudential Real Estate thereafter pays Pickford an amount equal to 50% of the Continuing Royalty collected from such new franchisee so long as the Southern California Exclusive Territory remains in effect. Any new franchises granted within the Southern California Exclusive Territory with the consent of Pickford will be required thereafter to get the consent of Pickford to open any new offices or relocate any existing offices in the Southern California Exclusive Territory so long as the Southern California Exclusive Territory remains in effect. Such consent of Pickford to open new offices or relocate existing offices is in addition to the consent necessary from Prudential Real Estate in its sole discretion.

The service marks that ~~Prudential Real Estate~~we may license to ~~its~~our franchisees in California to identify the franchised business include the tradename, "Prudential California Realty." Throughout California, ~~Prudential Real Estate expects that~~we expect that any permitted expansion of the Network will occur primarily under the common tradename, Prudential California Realty. ~~Prudential Real Estate~~We and The Prudential Insurance Company of America have used or licensed this tradename for use in California and interstate commerce since 1990. During this period, no claim alleging infringement, unfair competition or similar matter has ever been raised relating to use of this tradename. The registration of the name "Prudential California Realty" was issued on December 29, 1998, by the United States Patent and Trademark Office, registration No. 2,214,283. This registration grants ~~Prudential Real Estate~~us certain presumptive legal rights regarding use of the name.

~~PRUDENTIAL REAL ESTATE'S WEBSITE:~~
~~<http://www.prudential.com/vicw/page/11112?sog=3&name=rcalestato>~~

~~HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT WWW.CORP.CA.GOV.~~

ADDENDUM FOR HAWAII FRANCHISEES

The following specific disclosures are made to prospective Hawaii franchisees:

The cover page is amended by adding the following:

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 OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN HAWAII WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ADDENDUM FOR ILLINOIS FRANCHISEES

The Attorney General of Illinois requires the following specific disclosures to be made to prospective Illinois franchisees:

The cover page is amended by adding the following:

~~Prudential-Real-Estate-is~~We are exempt from registration of the franchise in Illinois because of itsour net worth and experience.

- **THE LAWS OF THE STATE OF ILLINOIS WILL GOVERN THE FRANCHISE RELATIONSHIP BETWEEN PRUDENTIAL-REAL-ESTATEUS AND YOU.**
 - **ANY MEDIATION, ARBITRATION, OR LITIGATION WILL TAKE PLACE IN COOK COUNTY, ILLINOIS OR OTHER MUTUALLY AGREEABLE LOCATION IN ILLINOIS.**
 - **NO EXCLUSIVE TERRITORY IS GRANTED, EXCEPT UNDER CERTAIN CIRCUMSTANCES IN PRUDENTIAL—REAL—ESTATE'SOUR DISCRETION. PERFORMANCE GUIDELINES TYPICALLY REQUIRE ANNUAL INCREASES IN, OR MAINTENANCE OF, YOUR PRODUCTION OR MARKET SHARE. THE SPECIFIC REQUIREMENTS VARY BASED ON INDIVIDUAL MARKET CONDITIONS, YOUR EXISTING PRODUCTION AND MARKET SHARE, AND ARE USUALLY NEGOTIATED (SEE ITEM 12 OF THIS DISCLOSURE DOCUMENT).**
-

1. Concerning Item 12 of the Disclosure Document, please note that the exclusive territory criteria referred to varies from region to region, but factors which are considered by ~~Prudential-Real-Estate~~us include the projected market share ~~Prudential-Real-Estate-believe~~we believe You should attain in the defined area applicable to You and Your existing and projected market share, Your operational history and business plan, Your existing financial capabilities and the backgrounds and business qualifications of Your principals. The level of performance to maintain territorial exclusivity varies because of different business operations of certain franchisees:

- The majority of exclusive contracts are based on maintaining and/or achieving a designated market share within the exclusive territory over a designated time period. The market share on current exclusive contracts currently ranges from 0.5% to 40%.
- A few exclusive contracts, primarily with ~~Prudential-Real-Estate's~~our very large Franchisees, are based on achieving gross revenues. In order to maintain the exclusive, the gross revenues must be in excess of the total of base year gross revenues multiplied by a market adjustment rate, further multiplied by real gain adjustment rates for each year of the exclusive contract.

- In rare situations, the exclusive contract can also be maintained by achieving a designated number of sales volume transactions, or by attaining a designated number of franchise sales offices.

30% of ~~Prudential-Real-Estate's~~our existing Franchisees have achieved these exclusive territory levels.

2. Please note that the conditions under which the Franchise can be terminated and Your rights upon non-renewal may be affected by Illinois law, specifically Illinois Revised Statutes 815 ILCS 705/19 and 705/20.

3. Contrary to the facts in the provisions of Section 12.08 of the Franchise Agreement, Section 27 of the Illinois Franchise Disclosure Act will apply. Therefore, Section 12.08 of the Franchise Agreement shall read:

"Franchisor and Franchisee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless any Notification of Dispute required to be delivered under this Agreement has been delivered in accordance with Section 27 of the Illinois Franchise Disclosure Act to enforce any liability created by this Act unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by this Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire. The foregoing limitations period shall not apply to those liabilities or obligations discovered as a result of an audit conducted by Franchisor pursuant to subparagraph 9.10(a). Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified above."

4. Contrary to the facts in the provisions of Section 15.01 of the Franchise Agreement, with regard to legal relations only, the laws of the State of Illinois will govern the franchise relationship between ~~Prudential-Real-Estate~~You and Yous.

5. Regarding Item 17v. of the Disclosure Document, any provision that designates jurisdiction or venue in a forum outside of this State is void provided that a franchise agreement may provide for arbitration in a forum outside of this State. Therefore, contrary to the provisions of Item 17v. of the Disclosure Document and Section 12.07 of the Franchise Agreement, any litigation will take place in Cook County, Illinois or other mutually agreeable location in Illinois.

6. Illinois law requires ~~Prudential-Real-Estate~~us to give You a copy of this Disclosure Document 14 calendar days before You sign the Franchise Agreement or any other binding agreement, or before ~~Prudential-Real-Estate~~we receive any consideration from You, whichever occurs first.

ADDENDUM TO ILLINOIS FRANCHISE AGREEMENT

Any provision of the Franchise Agreement that designates jurisdiction or venue in a form outside of this State is void provided that a franchise agreement may provide for arbitration in a form outside of this State. Therefore, notwithstanding the provisions of paragraph 12.07 of the Franchise Agreement, any litigation will take place in Cook County, Illinois or other mutually agreeable location in Illinois.

Notwithstanding the provisions of paragraph 12.08 of the Franchise Agreement, any Notification of Dispute will comply with Section 27 of the Illinois Franchise Disclosure Act. Paragraph 12.08 of the Franchise Agreement shall read:

"Franchisor and Franchisee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless any Notification of Dispute required to be delivered under this Agreement has been delivered in accordance with Section 27 of the Illinois Franchise Disclosure Act to enforce any liability created by this Act unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that the Franchisee may have a claim for relief in respect to conduct governed by this Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire."

Notwithstanding the provisions of paragraph 15.01 of the Franchise Agreement, with regard to legal relations only, the laws of the State of Illinois will govern the franchise relationship between Franchisor and Franchisee.

Paragraph 15.02 of the Franchise Agreement is hereby deleted in its entirety and replaced by the following:

"15.02 Entire Agreement; Modification

This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings, except for or other than those contained in the latest Franchise Disclosure Document received by Franchisee, are superseded hereby. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement. Franchisee agrees that it has executed this Agreement without reliance upon any such unauthorized representation or promise. This Agreement cannot be modified or changed except by (a) written instrument signed by all of the parties hereto, or (b) by Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's

consent and which is effective immediately upon notice. The ability of Franchisor to reduce the scope of any of Franchisee's obligations under this Agreement shall not be interpreted as according Franchisor any right correspondingly to reduce the scope of any of its obligations under this Agreement, unless otherwise specifically empowered to do so hereunder."

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

~~PRUDENTIAL-REAL-ESTATE~~BRER
AFFILIATES, INC.

(Company)

By: _____

By: _____

By: _____

By: _____

ADDENDUM FOR INDIANA FRANCHISEES

The Indiana Securities Division requires the following specific disclosures to be made to prospective Indiana franchisees:

The cover page is amended by adding the following:

Indiana Risk Factors:

- ANY LITIGATION ARISING UNDER THE FRANCHISE AGREEMENT WILL TAKE PLACE IN INDIANA OR OTHER PLACE MUTUALLY AGREED BY PRUDENTIAL-REAL-ESTATE AND YOU AND US.
- IN ANY CONFLICT BETWEEN CALIFORNIA LAW AND INDIANA LAW RESPECTING FRANCHISE REGISTRATION, FRANCHISE DISCLOSURE OR FRANCHISE RELATIONS, THE LAW OF INDIANA WILL APPLY.

~~Prudential-Real-Estate-is~~ We are exempt from registration of the franchise in Indiana because of our net worth and experience. If you learn that anything in this Disclosure Document is untrue, contact the Federal Trade Commission and the Indiana Securities Commission, 302 West Washington Street, Room E111, Indianapolis, Indiana 46204.

1. Contrary to Item 17 of the Disclosure Document, any litigation arising under the Franchise Agreement will take place in Indiana or other place mutually agreed by ~~PREA~~You and ~~Yous~~us. The rights of parties to punitive or exemplary damages in court proceedings and trial by jury in Indiana are not waived.

2. In the event of any conflict between California law and Indiana law respecting franchise registration, franchise disclosure or franchise relations, the law of Indiana will apply.

**AMENDMENT TO FRANCHISE AGREEMENT
FOR INDIANA FRANCHISES**

The following provisions establish an amendment to the Franchise Agreement. This Amendment is incorporated into the Franchise Agreement to the extent the following paragraphs amend the respective sections of the Franchise Agreement as follows:

1. Notwithstanding the provisions of Sections 12.06 and 12.07 of the Franchise Agreement, any litigation under the Franchise Agreement will take place in Indiana or other place mutually agreed by Franchisor and Franchisee.

2. Notwithstanding the provisions of Section 12.07 of the Franchise Agreement, the rights of parties to (a) punitive and exemplary damages and (b) trial before a jury in court proceedings will not be waived in Indiana.

3. Notwithstanding the provisions of Section 12.08 of the Franchise Agreement, Indiana franchisees will have three (3) years in which they may maintain an action to enforce any liability after discovery of the facts constituting a violation and, no action will be brought by Franchisor or an Indiana franchisee after a period of two (2) years after the alleged act or omission has occurred.

4. Notwithstanding the provisions of Section 15.01 of the Franchise Agreement, in the event of any conflict between California law and Indiana law respecting the franchise relationship, termination or renewal, franchise registration or franchise disclosure, the law of Indiana will apply.

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

~~PRUDENTIAL REAL ESTATE~~ BRER
AFFILIATES, INC.

(Company)

By: _____

By: _____

By: _____

By: _____

ADDENDUM FOR MARYLAND FRANCHISEES

~~PRUDENTIAL-REAL-ESTATE-IS~~WE ARE EXEMPT FROM REGISTERING ITS~~OUR~~ FRANCHISE UNDER THE MARYLAND FRANCHISE LAW. IF YOU FIND THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, PLEASE CONTACT THE FEDERAL TRADE COMMISSION AND THE MARYLAND DIVISION OF SECURITIES.

Maryland Franchise Law, Md. Bus. Reg. Code Ann. §§ 14-201 et al. (2004 Repl. Vol. and Supp. 2009) requires the following specific disclosures to be made to prospective Maryland franchisees:

1. Under Maryland Franchise Law, COMAR 02.02.08.10, franchisor shall provide a Disclosure Document, together with all proposed agreements relating to the sale of the franchise, to a prospective franchisee at the earlier of the prospective franchisee's first personal meeting with the franchisor; or ten (10) business days before the signing of the agreement or the payment of any consideration.
2. Item 17 of the Disclosure Document and Article 11.02(b) of the Franchise Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 *et seq.*).
2. Contrary to Item 17 of the Disclosure Document, You will have the amount of time specified by § 14-227 of the Maryland Franchise Registration and Disclosure Law (currently three years from the date of purchase or grant of the Franchise) in which to bring an action arising under said § 14-227 of the Maryland Franchise Law.
3. You will receive an accounting of the advertising expenditures on or about March 31 of each year. If You desire additional information respecting the advertising expenditures, You should send a written request for information to ~~Prudential-Real-Estate~~tous.
4. ~~Prudential-Real-Estate's~~Our standard form of Promissory Note is attached as Exhibit G to the Disclosure Document.

ADDENDUM TO MARYLAND FRANCHISE AGREEMENT

The following provisions constitute an amendment to the Franchise Agreement. This Amendment is hereby incorporated into and made a part of the Franchise Agreement to the extent the following paragraphs amend the respective sections of the Franchise Agreement as set forth below:

1. Notwithstanding the provisions of Sections 15.01, You will have the amount of time specified by Section 14-227 of the Maryland Franchise Law which states that any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise. The limitation of claims provision shall not act to reduce the three-year statute of limitations afforded a franchisee for bringing a claim arising under Section 14-227 of the Maryland Franchise Law.

2. Contrary to the provisions of Sections 12.06, 12.07 and Section 15.01 of the Franchise Agreement, any court proceeding arising under the Franchise Agreement and/or under the Maryland Franchise Law may take place in the applicable court in the state of Maryland.

3. Maryland Franchise Law Section 14-226 prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchase a franchise. The parties hereby agree that any such representations contained in the Franchise Agreement, including without limitation those acknowledgements and representations contained in Section 17.01 of the Franchise Agreement, are not intended to, nor shall they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.

4. Except as expressly provided herein, the Franchise Agreement shall remain unchanged and shall continue in full force and effect. Wherever the terms of this Addendum to Franchise Agreement for Maryland Franchisees and the terms of the Franchise Agreement conflict, the terms of this Addendum shall be deemed to supersede the conflicting terms of the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed.

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

~~PRUDENTIAL-REAL-ESTATE~~
AFFILIATES, INC.

(Company)

By: _____

By: _____

By: _____

By: _____

ADDENDUM FOR MICHIGAN FRANCHISEES

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel, which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials that have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision that permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
Williams Building, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

ADDENDUM FOR MINNESOTA FRANCHISEES

The Minnesota Department of Commerce requires the following specific disclosures to be made to prospective Minnesota franchisees:

The cover page is amended by adding the following:

THESE FRANCHISES HAVE 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 BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE OR 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 14 CALENDAR DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 14 CALENDAR 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.

Minnesota Risk Factors:

- ANY COURT PROCEEDING ARISING UNDER THE FRANCHISE AGREEMENT WILL TAKE PLACE IN THE APPLICABLE COURT IN OR ABOUT MINNEAPOLIS, MINNESOTA.
- UNDER MINNESOTA STATUTES, §80C.21, SECTION 15.01 OF THE FRANCHISE AGREEMENT WILL NOT IN ANY WAY ABROGATE OR REDUCE YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, INCLUDING THE RIGHT TO SUBMIT MATTERS TO THE JURISDICTION OF THE COURTS OF MINNESOTA.

1. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit ~~Prudential-Real-Estatous~~ from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Your rights as provided for in Minnesota Statutes, Chapter 80C, or Your rights to any procedure, form, or remedies provided for by the laws of the jurisdiction.

2. Contrary to ITEM 13 of the Disclosure Document, Minn. Rule 2860.4400J. prohibits requiring a franchisee to consent to liquidated damages. To the extent ITEM 13 is inconsistent with the aforesaid, the foregoing Minnesota Rule will govern.

3. Concerning ITEM 17 of the Disclosure Document, please note that if You do not elect to extend Your Franchise for an additional term, You will be given an opportunity to operate Your Franchise over a sufficient period of time to enable You to recover the fair market value of the Franchise as a going concern, as determined and measured from the date of the failure to renew. ~~Prudential-Real-Estate~~We will not refuse to renew a Franchise for the purpose of converting Your business premises to an operation that will be owned by ~~Prudential-Real-Estate~~us for itsour own account.

4. Contrary to the provisions of ITEM 17 of the Disclosure Document, please note that ~~Prudential-Real-Estate~~we will not terminate the Franchise Agreement without "good cause" during the term of the initial period or renewal period. For purposes of the Franchise Agreement, "good cause" means Your failure to substantially comply with the material and reasonable franchise requirements imposed by ~~Prudential-Real-Estate~~us including:

- (a) Your bankruptcy or insolvency;
- (b) assignment for the benefit of creditors or similar disposition of the assets of the Franchised Business;
- (c) voluntary abandonment of the Franchised Business;
- (d) conviction of a plea of guilty or no contest to a charge of violating any law relating to the Franchised Business; or
- (e) Your act or conduct which materially impairs the goodwill associated with ~~Prudential-Real-Estate~~our trademark, trade name, service mark, logo type or other commercial symbol.

5. Also contrary to the provisions of ITEM 17 of the Disclosure Document, Minnesota Statutes §80C.14, Subdivision 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. To the extent the notice provisions of this Agreement are inconsistent with the foregoing, the aforesaid Minnesota statute will govern.

Contrary to the immediately preceding paragraph, notice of termination or cancellation of the Franchise shall be effective immediately upon receipt where the alleged grounds for termination or cancellation are:

- (i) Your voluntary abandonment of the Franchise relationship;

(ii) Your conviction of an offense directly related to the business conducted pursuant to the Franchise; or

(iii) failure to cure a default under the Franchise Agreement which materially impairs a goodwill associated with ~~Prudential-Real-Estate's~~our tradename, trademark, service mark, logo type or other commercial symbol after You have received written notice to cure at least 24 hours in advance thereof.

6. Throughout the Disclosure Document consent will not be unreasonably withheld within the meaning of Section 80C.14 of Minnesota Statutes 1986.

7. In addition to the specific disclosures required by the Minnesota Department of Commerce, we make the following disclosure to prospective Minnesota franchisees:

**AMENDMENT TO FRANCHISE AGREEMENT
FOR MINNESOTA FRANCHISEES**

The following provisions constitute an amendment to the Franchise Agreement. This Amendment is hereby incorporated into and made a part of the Franchise Agreement to the extent the following paragraphs amend the respective sections of the Franchise Agreement as set forth below:

1. Minn. Rule 2860.440J₂ prohibits a franchisee to consent to liquidated damages. Therefore, for Minnesota franchisees, Section 7.08 of the Franchise Agreement is deleted.

2. Notwithstanding the provisions of Section 9.04 of the Franchise Agreement, Minnesota franchisees shall not be required to maintain a minimum balance in the Depository Checking Account.

3. Notwithstanding the provisions of Sections 11.01, 11.02 and 11.03 of the Franchise Agreement, Minnesota Statutes § 80C.14, Subdivision 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. To the extent, the notice provisions of the Franchise Agreement are inconsistent with the foregoing, the aforesaid Minnesota statute will govern.

4. Notwithstanding the provisions of Section 12.06, 12.07 and Section 15.01 of the Franchise Agreement, any court proceeding arising under the Franchise Agreement shall take place in the applicable court in or about Minneapolis, Minnesota. Further, Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Your rights as provided for in Minnesota Statutes, Chapter 80C, or Your rights to any procedure, form, or remedies provided for by the laws of the jurisdiction.

5. Notwithstanding the provisions of Section 12.07 of the Franchise Agreement, the right to a jury trial will not be waived by Minnesota franchisees.

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

~~PRUDENTIAL-REAL-ESTATE~~BRER
AFFILIATES, INC.

(Company)

By: _____

By: _____

By: _____

By: _____

ADDENDUM FOR NEW YORK FRANCHISEES

The cover page is amended by adding the following:

ALTHOUGH THESE FRANCHISES ARE EXEMPT FROM FILING UNDER GENERAL BUSINESS LAW, ART. 33 OF THE STATE OF NEW YORK, THE NEW YORK STATE DEPARTMENT OF LAW DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT THAT THE INFORMATION PROVIDED HEREIN IS TRUE. A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT MAY CONSTITUTE A VIOLATION OF BOTH FEDERAL AND STATE LAW, AND SHOULD BE REPORTED TO BOTH THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C., 20580 AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 2 WORLD TRADE CENTER, NEW YORK, NEW YORK 10047.

GENERAL BUSINESS LAW, ARTICLE 33 OF THE STATE OF NEW YORK MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE AT THE EARLIER OF (a) THE FIRST PERSONAL MEETING BETWEEN THE FRANCHISOR OR ITS AGENT AND THE PROSPECTIVE FRANCHISEE, (b) AT LEAST TEN BUSINESS DAYS PRIOR TO THE EXECUTION OF A BINDING FRANCHISE OR OTHER AGREEMENT OR (c) AT LEAST TEN DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION IN CONNECTION WITH THE SALE OR PROPOSED SALE OF A FRANCHISE.

ADDENDUM FOR NORTH DAKOTA FRANCHISEES

The Securities Commissioner requires the following specific disclosures to be made to prospective North Dakota franchisees:

The cover page is amended by adding the following:

~~Prudential-Real-Estate-is~~WE are exempt from registration of this franchise with the state of North Dakota because of its net worth and experience. If you learn that anything in this Disclosure Document is untrue, contact the Federal Trade Commission and the North Dakota Securities Commissioner, State Capitol Building, Bismarck, North Dakota 58505.

North Dakota Risk Factors:

- **THE LOCATION OF MEDIATION OR LITIGATION WILL TAKE PLACE IN NORTH DAKOTA OR OTHER MUTUALLY AGREED SITE.**
 - **IN THE EVENT OF ANY CONFLICT BETWEEN CALIFORNIA LAW AND NORTH DAKOTA LAW RESPECTING FRANCHISE REGISTRATION, FRANCHISE DISCLOSURE OR FRANCHISE RELATIONS, THE LAW OF NORTH DAKOTA WILL APPLY.**
-

1. Contrary to the facts in Item 17 of the Disclosure Document, the location of mediation will be in the State of North Dakota, or other mutually agreed site. The rights of parties to punitive or exemplary damages in court proceedings and trial by jury in North Dakota are not waived.

2. Also contrary to the facts in Item 17 of the Disclosure Document, any litigation arising under the Franchise Agreement will take place in North Dakota or other place mutually agreed by ~~Prudential-Real-Estate~~You and ~~You~~us.

4. North Dakota Franchisees are not subject to the provisions in Item 17 concerning limitation of actions.

ADDENDUM FOR OREGON FRANCHISEES

Prudential Real Estate Affiliates, Inc. makes the following specific disclosure to prospective Oregon franchisees:

Effective January 21, ~~1998~~, 2009, Prudential Real Estate Affiliates, Inc. granted an exclusive territory for the State of Oregon to a large franchisee, Phoenix Brokers, LLC and Phoenix Brokers II LLC, that operates under the tradename, Prudential Northwest Properties, subject to certain performance requirements. So long as the exclusive territory is in effect, Prudential Real Estate anticipates that expansion of the franchise network within the State of Oregon will occur only with the consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC. Within the Counties of Clackamas, Clatsop, ~~Clark~~, Colubria, Hood-River, ~~Lincoln~~ Cowlitz, Multnomah, Tillamook, Wasco, ~~Washington~~ and Yamhill, Phoenix Brokers, LLC and Phoenix Brokers II LLC may grant or withhold its consent in its sole and absolute discretion. Within the rest of the State of Oregon, the consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC may not unreasonably be withheld. If Phoenix Brokers, LLC and Phoenix Brokers II LLC consents to the sale of a new franchise by Prudential Real Estate Affiliates, Inc., Prudential Real Estate Affiliates, Inc. thereafter pays Phoenix Brokers, LLC and Phoenix Brokers II LLC an amount equal to 50% of the Continuing Royalty collected from such new franchisee so long as the exclusive territory remains in effect. Any such new franchises granted in the State of Oregon after January 21, ~~1998~~, 2009, with the consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC will be required thereafter to get the consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC to open any new offices or relocate any existing offices so long as the exclusive territory is in effect. Such consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC to open new offices or relocate existing offices is in addition to the consent necessary from Prudential Real Estate in its sole discretion.

Existing-Prudential-Real-Estate franchisees operating in the State of Oregon prior to January 21, 1998, are not required to get the consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC to open or relocate offices within the county or counties in which they already had an office or offices on January 21, 1998, but are required to do so outside of such county or counties which are in Phoenix Brokers LLC and Phoenix Brokers II LLC exclusive territory. Such consent of Phoenix Brokers, LLC and Phoenix Brokers II LLC to open new offices or relocate existing offices is in addition to the consent necessary from Prudential-Real-Estate in its sole discretion.

ADDENDUM FOR RHODE ISLAND FRANCHISEES

~~PRUDENTIAL-REAL-ESTATE-IS~~WE ARE EXEMPT FROM REGISTRATION OF THIS FRANCHISE WITH THE STATE OF RHODE ISLAND BECAUSE OF ITS NET WORTH AND EXPERIENCE. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE DEPARTMENT OF BUSINESS REGULATIONS, SECURITIES SECTION, 233 RICHMOND STREET, SUITE 232, PROVIDENCE, RHODE ISLAND 02903-4232, THE DEPARTMENT CHARGED WITH ENFORCEMENT OF THE FRANCHISE AND DISTRIBUTORSHIP INVESTMENT REGULATIONS OF RHODE ISLAND.

Rhode Island Risk Factors:

EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT "HOME STATE" LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO THIS STATE SPECIFIC ADDENDUM FOR DETAILS.

The Department of Business Regulation requires the following specific disclosures to be made to prospective Rhode Island franchisees:

With respect to Rhode Island franchisees, Item 17 of this Disclosure Document should state §19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction of 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."

Rhode Island Franchise Investment 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 a copy of the Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise at the earlier of the prospective franchisee's first personal meeting with the franchisor; or ten (10) business days before the signing of the agreement or the payment of any consideration.

ADDENDUM FOR SOUTH DAKOTA FRANCHISEES

The following is to be distributed to prospective franchisees in the State of South Dakota.

The cover page is amended by adding the following:

South Dakota Risk Factors:

- **ARBITRATION AND MEDIATION WILL BE CONDUCTED AT A MUTUALLY AGREED UPON SITE. VENUE FOR CLAIMS ENFORCEABLE UNDER THE SOUTH DAKOTA FRANCHISE ACT WILL BE IN SOUTH DAKOTA.**
- **ALL MATTERS REGARDING FRANCHISE REGISTRATION, EMPLOYMENT, COVENANTS NOT TO COMPETE AND OTHER MATTERS OF LOCAL CONCERN WILL BE GOVERNED BY THE LAWS OF SOUTH DAKOTA.**

ADDENDUM FOR TEXAS FRANCHISEES

The following specific disclosures are made to prospective Texas franchisees:

1. ~~Prudential-Real-Estate-has~~We have granted exclusive territories in the City of Houston, ~~the Counties of Fort Bond, Harris and Montgomery, and portions of the Counties of Brazoria, Fort Bend,~~ Galveston, ~~Harris, Montgomery,~~ Walker and Waller (the "Houston Exclusive Territory") to a large franchisee, Greater Houston III, L.P. ("GARY GREENE"), a Texas corporation that operates under the tradename, Prudential GARY GREENE, REALTORS®, subject to certain performance requirements. So long as the Houston Exclusive Territory is in effect, the expansion of the franchise network within the Houston Exclusive Territory will occur only with the consent of GARY GREENE. Any new franchises granted within the Houston Exclusive Territory with the consent of GARY GREENE will be required thereafter to get the consent of GARY GREENE to open any new offices or relocate any existing offices in the Houston Exclusive Territory so long as the Houston Exclusive Territory remains in effect. Such consent of GARY GREENE to open new offices or relocate existing offices is in addition to the consent necessary from ~~Prudential-Real-Estateus~~ in itsour sole discretion.

2. Under ~~Prudential-Real-Estate'sour~~ standard form of franchise agreement, ~~Prudential-Real-Estate-provideswe provide~~ various forms of training and consulting services and ~~Prudential-Real-Estate-collectswe collect~~ Continuing Royalties from franchisees. In the Houston Exclusive Territory, ~~Prudential-Real-Estate-haswe have~~ contracted with GARY GREENE to be an optional alternate source of certain services to franchisees located within the Houston Exclusive Territory. ~~Prudential-Real-EstateWe~~ may enter into a TLC Amendment with certain franchisees of ~~Prudential-Real-Estateours~~ within the Houston Exclusive Territory, pursuant to which (1) GARY GREENE offers certain services to such franchisees; (2) ~~Prudential-Real-Estatowe~~ no longer ~~isare~~ responsible for providing training and consulting services to such franchisees; and (3) ~~Prudential-Real-Estatolicensoswe license~~ such franchisees to use the common tradename, Prudential GARY GREENE, REALTORS. If eligible, in ~~Prudential-Real-Estate'sour~~ sole discretion, You may choose to participate in the TLC Program. Under the TLC Program:

- GARY GREENE provides certain services to You in place of training and consulting services provided by ~~Prudential-Real-Estateus~~, and may provide other services at the discretion of the GARY GREENE.
- The Continuing Royalty rate You pay to ~~Prudential-Real-Estateus~~ is not changed by your participation in the TLC Program. ~~Prudential-Real-Estate-hasWe have~~ contracted with GARY GREENE to provide certain services and You pay no additional service fees to GARY GREENE for such services. GARY GREENE may charge fees for other optional services provided.
- You and ~~Prudential-Real-Estatowe~~ enter into both a standard Franchise Agreement and a TLC Amendment containing terms and conditions of the TLC Program. The TLC Amendment contains provisions for the reduction of ~~Prudential-Real-Estate'sour~~ training and consulting services, licensing of the Prudential GARY GREENE, REALTORS tradename, default procedures and remedies. Simultaneously with the TLC Amendment, You enter into

a TLC Service Agreement with GARY GREENE, under which GARY GREENE agrees to provide TLC Services to You.

- Your TLC Amendment will terminate if Your TLC Service Agreement terminates for any reason, including the expiration or termination of GARY GREENE's franchise agreement with ~~Pmdontial-Roal-Estatous~~. If Your TLC Amendment is terminated due to a termination of Your TLC Service Agreement, Your Franchise Agreement will remain in effect for the remainder of its term and You will again receive all services from ~~Pmdontial-Real-Estatous~~.
- If Your TLC Amendment is terminated for any reason, You must stop operating under the Prudential GARY GREENE, REALTORS tradename immediately. You must then convert to an alternate tradename acceptable to ~~Prudontial-Roal-Estatous~~ at Your own expense, and operate under the alternate tradename for remaining term of Your Franchise Agreement.
- ~~Pmdontial-Roal-Estato-assumes~~We assume no liability for the actions of GARY GREENE and ~~doesdo~~ not guarantee satisfactory performance by GARY GREENE. You should make whatever due diligence inquiry You deem appropriate into the financial and operational status of GARY GREENE and its ability to provide services to You during the term of the TLC Service Agreement.
- Certain remedies are accorded ~~Pmdontial-Roal-Estatous~~ in the event of default by GARY GREENE or You under any Service Agreement between You and GARY GREENE. See Section 3 of the TLC Amendment, page 4.

GARY GREENE's franchise agreement with ~~Pmdontial-Real-Estatous~~ expires on June 27, 2012, unless sooner terminated pursuant to its terms. ~~Pmdontial-Roal-Estato-has~~We have agreed with GARY GREENE that if a controlling interest in ~~Pmdontial Real Estate~~ Aftilaite, Inc. is transferred to a third party unaffiliated with ~~its parontwith~~Pmdontial Financial, Inc., in a private sale, then GARY GREENE shall have a one-time option to terminate its franchise agreement upon giving notice within 45 days.

3. ~~Pmdontial-Roal-Estate, through its affiliate, The Pmdontial Real Estate Financial Services of America, Inc. ("PREFSA"), a former affiliate of ours,~~ has acquired a minority equity position in GARY GREENE, in connection with the provision of certain acquisition and operating financing for such ~~companios~~GARY GREENE by PREFSA.

TEXAS
TLC AMENDMENT
TO
REAL ESTATE BROKERAGE FRANCHISE AGREEMENT

THIS TLC AMENDMENT TO REAL ESTATE BROKERAGE FRANCHISE AGREEMENT ("TLC Amendment") is entered into as of _____, 20____, by and between ~~PRUDENTIAL REAL ESTATE~~BREER AFFILIATES, INC. (fka Prudential Real Estate Affiliates, Inc.), a Delaware corporation ("Franchisor") and _____, a _____ proposing to do business in the State of Texas as Pmdenfial _____ (the "Franchisee"), with reference to the following facts:

A. Franchisor and Franchisee have entered into a Real Estate Brokerage Franchise Agreement (the "Franchise Agreement") on _____, 20____. Initially capitalized terms not defined herein are used as defined in the Franchise Agreement.

B. The parties agree that the Franchise Agreement is hereby modified as set forth herein, and that this TLC Amendment constitutes a part of the Franchise Agreement.

C. The parties acknowledge that Franchisee may desire to operate its Franchised Business using the Area Tradenames (defined below). The Area Tradenames may be licensed to and used by other franchisees of Franchisor, pursuant to licenses of the Area Tradenames granted to them by Franchisor. In addition, _____ (the "Approved Supplier") does business under the Area Tradenames.

D. Simultaneously with this TLC Amendment, Franchisee is entering into a TLC Services Agreement with the Approved Supplier pursuant to which the Approved Supplier will provide certain services to Franchisee. This TLC Amendment is entered into between Franchisor and Franchisee to permit the use of the Area Tradenames by Franchisee and allow Franchisee to receive TLC Services (defined below) from the Approved Supplier, rather than receive the services from Franchisor referred to in Section 1.1, below, among other things.

IN CONSIDERATION of the covenants contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree:

1. TLC SERVICES QUALIFICATION

1.1 Reduction in Franchisor Services.

The Franchise Agreement is hereby modified so that Franchisor shall have no obligation to provide the services referred to in paragraphs _____ and _____ thereof, entitled "Staff Training Courses" and "Continuing Assistance".

1.2 TLC Services.

Franchisee shall obtain from the Approved Supplier certain services agreed upon by Franchisee and Approved Supplier. The services Franchisee shall obtain from the Approved Supplier are referred to as the "TLC Services." Notwithstanding any other provision in this TLC Amendment, any right of Franchisor under the Franchise Agreement to control or prescribe, in whole or in part, the method of operation, the quality standards of the goods or services, or the marketing plan or system of Franchisee is hereby retained by Franchisor, and Approved Supplier shall have no right to directly or indirectly control Franchisee in connection with such matters.

1.3 Qualification.

Franchisor agrees that Franchisee may qualify to receive the TLC Services from Approved Supplier instead of the Franchisor services referred to in paragraph 1.1 hereof if, simultaneously with this TLC Amendment, Franchisee enters into an TLC Service Agreement with the Approved Supplier, in form and substance satisfactory to Franchisor; and that Franchisee shall remain so qualified for so long as the Approved Supplier does in fact provide to Franchisee the TLC Services in compliance with the terms of the TLC Service Agreement and Franchisee is not in default of this TLC Amendment.

1.4 Approval of TLC Service Agreement.

Franchisor acknowledges that the form of TLC Service Agreement between Franchisee and Approved Supplier, a copy of which has been delivered to Franchisor, is in form and substance satisfactory to Franchisor.

1.5 Acknowledgment.

Franchisee hereby specifically acknowledges that Approved Supplier is not authorized to offer or sell franchises, or otherwise participate in any manner in the offer or sale of franchises. Approved Supplier may solely describe and explain to the prospective franchisee the TLC Services it provides under the TLC Service Agreement. Franchisee further hereby specifically acknowledges that Approved Supplier is not authorized to take any action respecting Franchisor's rights under the Franchise Agreement.

1.6 Continuing Royalty.

Franchisee understands and acknowledges that the Continuing Royalties to be paid by Franchisee under the Franchise Agreement shall not be altered in any manner by this TLC Amendment.

1.7 Limited Exclusivity Agreement of Approved Supplier.

1.7.1 Franchisee acknowledges that Franchisor has granted an exclusive territory (the "Exclusive Territory") to Approved Supplier pursuant to the _____ Amendment to Approved Supplier's Franchise Agreement with Franchisor, dated _____. Franchisee further acknowledges that the Exclusive Territory is subject to various contingencies and performance requirements and shall only be in effect for the initial term of Approved Supplier's Franchise Agreement, and not for any renewal terms, unless separately agreed to by Franchisor and Approved Supplier at the time of such renewal.

1.7.2 Franchisee understands and acknowledges that all or a portion of its operations and places of business are located within the Exclusive Territory as of the Effective Date. Franchisee understands that, as a result of Franchisee's location within the Exclusive Territory, any proposed expansion of the Franchisee within the Exclusive Territory is subject both to the terms of the Franchise Agreement and the consent of Approved Supplier, so long as the Exclusive Territory is in effect.

1.7.3 Franchisee acknowledges that the Exclusive Territory only prohibits Franchisor from licensing any person or entity to use the System by Acting as a Real Estate Broker with respect to residential real estate transactions from business premises owned or leased by such person or entity in the Exclusive Territory and does not limit the right of Franchisor within the Exclusive Territory to use, develop or license rights other than the System, or use or license the Service Marks for business purposes other than use of the System, including without limitation the licensing of the Service Marks in connection with the grant of a commercial only real estate brokerage franchise.

1.8 Term.

This TLC Amendment shall be effective as of the date hereof and, unless sooner terminated or suspended in accordance with the provisions hereof, shall expire at the earliest of 1) the date of termination, or expiration of the initial term, of the Franchise Agreement; 2) the date of termination, or expiration of the initial term, of Approved Supplier's franchise agreement with Franchisor, which expires on _____, unless sooner terminated pursuant to its terms; 3) Approved Supplier's Area Services Agreement with Franchisor, or 4) Franchisee's TLC Service Agreement with Approved Supplier.

2. AREA TRADENAMES

2.1 Area Tradenames.

The parties acknowledge that the Service Marks Franchisee is licensed to use on a non-exclusive basis under paragraph 7.01 of the Franchise Agreement shall include the tradenames "_____" and "Pmdential _____", either alone or together with other words or designs (the "Area Tradenames"). Franchisee acknowledges that, as between Franchisee and Franchisor, Franchisor is the sole owner of the rights in the Area Tradenames and

of the goodwill associated therewith, and Franchisee acknowledges that Franchisee has no right, title, interest or claim of ownership in or to the Area Tradenames other than the license granted in the Franchise Agreement as modified hereby. Franchisee agrees that all goodwill arising from use of the Area Tradenames by Franchisee shall inure to the sole benefit of Franchisor.

2.2 Limited Use.

As provided in paragraphs 7.01 and 3.01 of the Franchise Agreement, Franchisee acknowledges that it shall not use the Service Marks or the Assumed Name at Locations other than those authorized under the Franchise Agreement.

3. DEFAULT AND Franchisor REMEDIES

3.1 Defaults.

Any material failure of Franchisee to comply with, observe or perform any of the covenants, conditions or terms of the Franchise Agreement or this TLC Amendment, and to remedy such failure within the time allowed to cure such default, if any, under the terms of the Franchise Agreement, shall constitute a default hereunder.

3.2 Remedies.

Upon the occurrence of a default hereunder, Franchisor shall be entitled to exercise any or all of the following remedies:

3.2.1 Upon 10 days written notice to Franchisee and Approved Supplier, Franchisor may suspend all of Franchisee's rights under this TLC Amendment and its TLC Service Agreement to which Approved Supplier is a party. The term of any such suspension shall be determined by Franchisor and any suspension may be imposed with or without the agreement of Franchisee or Approved Supplier.

3.2.2 Upon 30 days written notice to Franchisee and Approved Supplier, Franchisor may terminate all of Franchisee's rights under this TLC Amendment and its TLC Service Agreement, with or without the agreement of Franchisee or Approved Supplier.

3.2.3 Nothing in this TLC Amendment shall in any way restrict, modify or amend the provisions of paragraph 11.01(b) of the Franchise Agreement, which remain in full force and effect, and, notwithstanding anything contained herein to the contrary, upon any default hereunder, Franchisor shall have the right to exercise any and all remedies available to it at law or in equity, including without limitation specific performance and damages (including without limitation direct, indirect, special, incidental or consequential damages), and all rights and remedies provided herein shall be in addition to and not in substitution of all other rights and remedies available to a party at law or in equity. Any exercise of one or more remedies

hereunder by Franchisor shall not be construed as a waiver of any other remedy and shall not prevent Franchisor from exercising any other available remedy.

3.3 Effect of Suspension of TLC Amendment and TLC Service Agreement.

In the event that Franchisee's TLC Amendment and TLC Service Agreement are suspended by Franchisor, then, upon written notice by Franchisor, Franchisee will no longer be deemed qualified to receive the TLC Services, but Franchisor shall continue to have no obligation to provide the services referred to in Section 1.1, above.

3.4 Effect of Termination of TLC Amendment and TLC Service Agreement.

In the event that this TLC Amendment and the TLC Service Agreement are terminated for any reason, then upon written notice by Franchisor, 1) Franchisor shall again provide the services referred to in Section 1.1, above, to Franchisee, 2) Franchisee shall cease using the Area Tradenames and change its Assumed Name immediately at its own expense, and 3) thereafter Franchisee shall only operate under another Assumed Name acceptable to Franchisor in its sole and absolute discretion for the remaining term of the Franchise Agreement.

3.5 Limitation on Damages.

In any circumstances in which Franchisee would be entitled to damages of any type arising from this TLC Amendment, Franchisee hereby agrees that the amount of damages to which it shall be entitled shall not exceed the Continuing Royalties earned by Franchisor under the Franchise Agreement during the time period when such damages were incurred.

3.6 No Liability for Conduct of Approved Supplier.

Notwithstanding any other provision of this TLC Amendment and other contracts executed herewith, Franchisor makes no warranty, representation or other assurance concerning Approved Supplier's performance of any contractual or other obligation to Franchisee. In the event of any breach or claimed breach of Approved Supplier's contractual or other obligations or duties to Franchisee, Franchisee agrees that it shall have no claim or remedy for such breach or claimed breach against Franchisor. Without limiting the generality of the foregoing, the breach or claimed breach of Approved Supplier's contractual or other obligations or duties to Franchisee shall not entitle Franchisee to any right of offset or other relief from Franchisee's obligations to Franchisor.

3.7 No Waiver.

No delay on the part of any party in exercising any remedy, right, power or privilege under this TLC Amendment or the Franchise Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such remedy, right, power or privilege, nor any single or partial exercise of any such remedy, right, power or privilege, preclude any further exercise thereof or the exercise of any other such remedy, right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. Any exercise of one or more remedies hereunder

by Franchisor shall not be construed as a waiver of any other remedy and shall not prevent Franchisor from exercising any other available remedy.

4. DUE DILIGENCE

Franchisee hereby represents and warrants to Franchisor that it has carefully read the provisions of the Addendum for Texas Franchisees included in Franchisor's Disclosure Document describing the TLC Program and has made whatever due diligence inquiry Franchisee deems appropriate into the ability of the Approved Supplier to provide TLC Services to Franchisee during the term of the TLC Service Agreement. Franchisee further represents and warrants that Franchisor has made no representations to Franchisee respecting any financial and/or operational status of the Approved Supplier.

5. GENERAL CONDITIONS

5.1 Entire Agreement; Modification.

This TLC Amendment contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this TLC Amendment. TLC agrees that it has executed this TLC Amendment without reliance upon any such unauthorized representation or promise. This TLC Amendment cannot be modified or changed except by written instrument signed by all of the parties hereto. All other terms and conditions of the Franchise Agreement not specifically modified hereby remain in full force and effect.

5.2 Titles for Convenience.

Paragraph titles used in this TLC Amendment are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this TLC Amendment.

5.3 Severability.

Nothing contained in this TLC Amendment shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this TLC Amendment and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this TLC Amendment, the latter shall prevail, but in such event the provision of this TLC Amendment thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, Article, paragraph, sentence or clause of this TLC Amendment shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining parts thereof shall continue in full force and effect.

5.4 No Third-Party Beneficiaries.

This TLC Amendment is not intended to benefit any other persons or entities except the named parties hereto and no other person or entity shall be entitled to any rights hereunder by virtue of so-called "third-party beneficiary rights" or otherwise.

5.5 Counterparts.

This TLC Amendment may be executed in any number of copies, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this TLC Amendment to be executed on or as of the date indicated above.

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

**~~PRUDENTIAL-REAL-ESTATE~~BRER
AFFILIATES, INC.**

(Company)

By: _____

By: _____

By: _____

By: _____

ADDENDUM FOR WASHINGTON FRANCHISEES

The cover page is amended by adding the following:

Washington Risk Factors:

- **IN ANY ARBITRATION INVOLVING A FRANCHISE PURCHASED IN WASHINGTON, THE ARBITRATION SITE SHALL BE EITHER IN THE STATE OF WASHINGTON, OR IN A PLACE MUTUALLY AGREED UPON AT THE TIME OF THE ARBITRATION, OR AS DETERMINED BY THE ARBITRATOR. THE LOCATION OF MEDIATION WILL BE IN THE STATE OF WASHINGTON, OR OTHER MUTUALLY AGREED SITE.**
- **IN THE EVENT OF A CONFLICT OF LAWS, THE PROVISIONS OF THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT, CHAPTER 19.100 RCW WILL PREVAIL.**
- **IT IS UNLAWFUL FOR ANY PERSON TO SELL A FRANCHISE THAT IS REGISTERED OR REQUIRED TO BE REGISTERED UNDER THIS CHAPTER WITHOUT FIRST DELIVERING TO THE OFFEREE, AT LEAST TEN BUSINESS DAYS PRIOR TO THE EXECUTION BY THE OFFEREE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST TEN BUSINESS DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT REQUIRED UNDER RCW ~~19.100.040~~, 19.100.040, WITH ANY ADDITION OR AMENDMENT TO THE OFFERING CIRCULAR REQUIRED BY RCW ~~19.100.070~~, 19.100.070, TOGETHER WITH A COPY OF THE PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

ADDENDUM TO FRANCHISE AGREEMENT FOR WASHINGTON FRANCHISEES

The Washington Securities Division requires the following specific disclosures to be made to prospective Washington franchisees:

Various states, including but not limited to the following, have statutes which may supersede the Franchise Agreement in Your relationship with the franchisor including areas of termination and renewal of Your franchise: ARKANSAS (Ark. Code of 1987 Anno. §§4-72-201 to 4-72-210), CALIFORNIA (Cal. Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Conn. Gen. Stat. Sections 42-133e to 42-133h), DELAWARE (Dela. Code Sections 2551 - 2556), HAWAII (Haw. Rev. Stat. Section 482E-6), ILLINOIS (815 ILCS 705/19, 705/20); INDIANA (Ind. Code Section 23-2-2.7, Sections 1 to 7), IOWA (Iowa Code Sections 523H.1 - 523H.17, 537A.10); LOUISIANA (La. Rev. Stats., tit. 12, oh. 13, Section 1042 and tit. 23, ch. 9, Section 921); MICHIGAN (MCL Section 445.1527; MSA Section 19.854(27)), MINNESOTA (Minn. Stat. 1996 Section 80C.14), MISSISSIPPI (Miss. Code Sections 75-24-51 to 75-24-63), MISSOURI (Mo. Rev. Stat. Sections 407.400 to 407.420), NEBRASKA (Neb. Rev. Stat. Sections 87-401 to 87-410), NEW JERSEY (N.J. Rev. Stat. Sections 56:10-1 to 56:10-29), SOUTH DAKOTA (S.D. Codified Laws Section 37-5A-51), VIRGINIA (Va. Code Sections 13.1-557 to 574, 13.1-564), WASHINGTON (Wash. Rev. Code Sections 19.100.180 and 19:100.190), WISCONSIN (Wis. Stat. Sections 135.01 to 137.07), DISTRICT OF COLUMBIA [Code Sections 29-1201 through 29-1208], PUERTO RICO [Annotated Laws Sections 278-278d], VIRGIN ISLANDS [Annotated Code Sections 130 through 139]. These and other states may have court decisions that may supersede the Franchise Agreement in Your relationship with the Prudential Real Estate including the areas of termination and renewal of Your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. Contrary to the provisions of Section 12.04 of the Franchise Agreement, the location of mediation will be in the State of Washington, or other mutually agreed upon site.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "Act"), Chapter 19.100 RCW will prevail.

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

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

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

~~PRUDENTIAL REAL ESTATE~~BRER
AFFILIATES, INC.

(Company)

By: _____

By: _____

By: _____

By: _____

ADDENDUM FOR WISCONSIN FRANCHISEES

The Wisconsin Franchise Investment Division requires the following specific disclosures to be made to prospective Wisconsin franchisees:

With respect to Item 17 of the Disclosure Document and Section 6.03 of the Franchise Agreement, please note that the Wisconsin Fair Dealership Law, Chapter 135, Wisconsin Statutes, supersedes any provisions of the Franchise Agreement, if such provisions are in conflict with that law.

Item 23: **RECEIPT**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If ~~Prudential Real Estate~~ offers we offer 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, ~~Prudential Real Estate~~ In connection with the proposed franchise sale.

[Maryland, New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Michigan, Oregon and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If ~~Prudential Real Estate~~ we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise:

<u>Franchisor:</u>	<u>Franchise Seller:</u>
Prudential Real Estate <u>BRER</u> Affiliates, Inc. 3333 Michelson Drive, Suite 1000 Irvine, California 92612 (949) 794-7900	Name of Individual negotiating on behalf of Franchisor: Prudential Real Estate <u>BRER</u> Affiliates, Inc. 3333 Michelson Drive, Suite 1000 Irvine, California 92612 (949) 794-7900

Issuance Date: ~~July 4,~~ December 14, 2011

~~Prudential Real Estate~~ BRER Affiliates Inc. authorizes the respective state agencies identified on Exhibit F to receive service of process for it in the particular state.

I have received a disclosure document issued July 4, December 14, 2011 that included the following Exhibits:

Exhibit A	Franchise Agreement and Exhibits
Exhibit B	Financial Statements
Exhibit C	Franchisees as of 12/31/2010
Exhibit D	Former Franchisees
Exhibit E	State Administrators
Exhibit F	Agents for Service of Process
Exhibit G	Form of Promissory Note and Franchise Term Note
Exhibit H	Operations Manual Table of Contents
Exhibit I	State Laws Requiring Licensing of Real Estate Brokers and Agents
Exhibit J	Agreement Regarding Use of Domain Name
Exhibit K	State Disclosure Addenda and Franchise Agreement Riders

_____ Date	_____ Signature	_____ Printed Name
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_____ Date	_____ Signature	_____ Printed Name
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Please sign this copy of the receipt, date your signature, and return it to Prudential Real Estate Broker Affiliates Inc., 3333 Michelson Drive, Suite 1000, Irvine, California 92612. This disclosure document is also available in PDF format on our website, www.prea.prudential.com.