

FRANCHISE DISCLOSURE DOCUMENT

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a Texas Corporation
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This franchise is for the operation of a combined specialty event, holiday and decorating service, low voltage landscape and security lighting service and permanent architectural lighting service offering Holiday Lighting Services, Permanent Lighting Services and Landscape Lighting Services operated as “The Decor Group” (“THE DECOR GROUP Franchised Business”) or a specialty event, holiday and decorating service offering Holiday Lighting Services only, operated as “Christmas Decor” (“CHRISTMAS DECOR Franchised Business”).

The total investment necessary to begin operation of a THE DECOR GROUP Franchised Business ranges from \$38,750 to \$130,750. This includes \$33,400 to \$108,900 that must be paid to the franchisor or its affiliates.

The total investment necessary to begin operation of a CHRISTMAS DECOR Franchised Business for a Standard Market Territory ranges from \$29,550 to \$116,250. This includes \$25,400 to \$95,900 that must be paid to the franchisor or its affiliates.

The total investment necessary to begin operation of a CHRISTMAS DECOR Franchised Business for a Community Market Territory ranges from \$21,550 to \$68,250. This includes \$17,400 to \$47,900 that must be paid to the franchisor or its affiliates.

We also offer an Option Agreement that allows you to reserve a Territory (“Territory”) for Christmas Decor for an initial option fee of \$1,000.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Recruitment at 301 SE Loop 289, Lubbock, Texas 79404, (806) 722-1225 or toll free (800) 687-9551.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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, DC 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.

Date of Issuance: October 3, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D-1.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Christmas Decor business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be Christmas Decor franchisee?	Item 20 or Exhibits D-1 and D-2 list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachments A and B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Texas. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Texas than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty and advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes you spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
5. **Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The Franchisor is The Decor Group, Inc. To simplify the language in this Disclosure Document The Decor Group, Inc. is referred to as “we”, “us”, “our” or “TDG”. “You” means the person, partnership, corporation, limited liability company or other entity who buys the franchise.

Franchisor, Parent and Affiliates

We conduct business under the names The Decor Group, Inc., Christmas Decor and Nite Time Decor. Our principal business address is 2301 Crown Court, Irving, Texas 75038 with Franchise Support located at 301 SE Loop 289, Lubbock, Texas 79404. We are a Texas corporation that was incorporated on February 19, 2002. We do not do business under any other name.

Our affiliate, American Christmas Light and Supply, Inc. (“ACLS”) was incorporated in Texas in December 1997 and sells certain lighting and other supplies to our franchisees. It does not operate a holiday lighting business or a landscape lighting or permanent lighting business and has never offered franchises in any line of business. ACLS maintains the same principal place of business as we do.

We have signed a non-binding letter of intent for the sale of the franchise assets owned by The Decor Group, Inc. and its affiliates to Wonder Franchises, LLC or its affiliate (the “Proposed Transaction”). As a part of the Proposed Transaction, ACLS would remain the supplier of, and continue to sell, certain lighting and other supplies to CHRISTMAS DECOR franchisees and third parties. Although the parties have not yet signed a definitive purchase agreement, the Proposed Transaction is anticipated to close during the fourth quarter of 2024. If the Proposed Transaction closes, this disclosure document will need to be amended to reflect changes that occur after such closing, including, without limitation, information about the new franchisor entity and its officers.

Agent for Service of Process

Our agents for service of process in the states which require franchise registration are listed in Attachment B. Our agent for service of process in all other states is our CEO Kevin B. (“Blake”) Smith.

Prior Experience

We began operating in the Texas Panhandle in 1984 as Quality Lawn Care and provided Christmas lighting and decorating services to generate additional revenue in the slow winter months. The business later added landscape lighting as an additional service. Quality Lawn Care was incorporated in Texas in 1992 as Quality Lawn Care Corporation. On February 19, 2002, the name “Quality Lawn Care Corporation” was changed to “The Decor Group, Inc.” (“TDG”).

On September 3, 1996, our owners incorporated Christmas Decor, Inc. (“CDI”) in Texas. From 1996 until March 31, 2012 (“Merger Date”) CDI offered franchises for CHRISTMAS DECOR Franchised Businesses. Our owners incorporated Nite Time Decor, Inc. (“NTD”) in Texas on May 5, 1999. From August 1999 until the Merger Date, NTD offered franchises for NITE TIME DECOR Franchised Businesses. CDI and NTD shared our principal business address. On the Merger Date, CDI and NTD were merged into The Decor Group, Inc., and we are the surviving entity. We have offered franchises for Christmas Decor Franchised Businesses since July 16, 2012. From July 16, 2012 until March 31, 2013

we also offered franchises for Nite Time Decor Franchised Businesses, but we no longer offer Nite Time Decor franchises.

As Quality Lawn Care, we operated a Christmas lighting and decorating business and a landscape lighting business. Certain of our officers and directors (who were also officers and directors of CDI and/or NTD) also previously operated businesses similar to the Franchised Businesses in Midland and Lubbock, Texas; however, those businesses were sold as franchises. We do not currently operate businesses of the type being franchised. We have never offered franchises in any other line of business and we do not engage in any other line of business.

From January 1999 (before it was incorporated) to December 2000, NTD operated a landscape lighting business; CDI did not directly operate a Christmas lighting and decorating business. During the period of their existence, neither CDI nor NTD offered franchises in any other line of business and did not engage in any other line of business.

We have no parent company required to be disclosed in this Item 1.

The Business We Offer

We offer qualified applicants the opportunity to purchase either a THE DECOR GROUP Franchised Business, or a CHRISTMAS DECOR Franchised Business.

The term “Franchised Business” may refer to the THE DECOR GROUP Franchised Business and/or the CHRISTMAS DECOR Franchised Business as the context requires. The terms “System” and “Marks” may refer to the CHRISTMAS DECOR System and CHRISTMAS DECOR Marks and/or to the NITE TIME DECOR System and the NITE TIME DECOR Marks as the context requires.

The Decor Group Franchised Business: We offer franchises for the operation of i) special event, holiday and Christmas lighting and decorating services (“Holiday Lighting Services”), ii) permanent lighting products and services (“Permanent Lighting Services”) and iii) specialty low voltage landscape and security lighting services (“Landscape Lighting Services”) and within a specific geographic Territory under the Christmas Decor, Nite Time Decor and PermaLite trademarks and business system (the “THE DECOR GROUP System”).

You will provide:

High quality lighting displays at homes and businesses during the Christmas season and for other holidays and special events. You will develop and train personnel to sell and deliver Christmas Decor approved products and services to local customers and operate and maintain a local office of the Christmas Decor franchise network. You must operate under the trade names, service marks, trademarks and related logos that we prescribe, including the trademark “Christmas Decor®” (“CHRISTMAS DECOR Marks”) and must display the Christmas Decor logo at your business location, on your signs, vehicles, uniforms, and on any marketing materials you use to solicit Holiday and Lighting Services.

High quality permanent and Architectural lighting for homes and businesses using cloud-based applications. You must operate under the trademark “PermaLites” and must display the PermaLites 365 logo at your business location, on your signs and on any marketing materials you use to solicit Permanent Lighting Services

High quality low voltage landscape lighting installed to enhance homes and businesses, or as a security or safety measure, or to accent certain landscape areas. You will develop and train

personnel to sell and deliver Nite Time Decor approved products and services to local. You must operate under the trade names, service marks, trademarks and related logos that we prescribe, including the trademark “Nite Time Decor®” (“NITE TIME DECOR Marks”) and must display the Nite Time Decor logo at your business location on your signs, vehicles, uniforms, and on any marketing materials you use to solicit Landscape Lighting Services.

Christmas Decor Franchised Business: We offer franchises for the operation of a special event and holiday and Christmas lighting and decorating service within a specific geographic Territory under the Christmas Decor trademarks and business system (the “CHRISTMAS DECOR System”). Customers want high quality lighting displays at their homes and businesses during the Christmas season and for other special events.

You will develop and train personnel to sell and deliver Christmas Decor approved products and services to local customers and operate and maintain a local office of the Christmas Decor franchise network. You must operate under the trade names, service marks, trademarks and related logos that we prescribe, including the trademark “Christmas Decor®” (“CHRISTMAS DECOR Marks”) and must display the Christmas Decor logo at your business location, on your signs, vehicles, uniforms, and on any marketing materials you use to solicit holiday lighting and decorating services.

When you purchase either Franchised Business, you will sign our form of standard Franchise Agreement, attached to this disclosure document as Exhibit A (“Franchise Agreement” or “Agreement”). We also offer an Option Agreement (Exhibit A-2 to this Disclosure Document) which allows you to reserve rights to acquire a specific Territory for a period of time if you pay an option fee.

Frequently (although not always) we sell The Decor Group franchises and Christmas Decor franchises to people who operate an existing business like a landscape business or a similar business. We call these existing, related businesses an “other business” and we acknowledge those other businesses when we enter into the Franchise Agreement to make it clear that they do not violate the restrictive covenants under the Franchise Agreement.

Your competitors include local lighting display installers, other national distributorships and retailers who sell similar products and services. In some areas electrical contractors may also sell and install either line voltage or low voltage landscape lighting.

Applicable Regulation

Some states may require special licenses, training and/or apprenticeships to install holiday, event, and decorating lighting or landscape lighting. You should check with state, county and municipal agencies to determine the licensing requirements that may apply to the operation of the Franchised Business and should consider these laws and regulations when evaluating your purchase of a franchise. In addition, many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupation, Health and Safety Act, also apply to the Franchised Business.

Item 2

BUSINESS EXPERIENCE

KEVIN BLAKE (“BLAKE”) SMITH, Chairman of the Board of Directors/Chief Executive Officer

Mr. Smith is our Chairman of the Board of Directors and Chief Executive Officer. He has held these positions since July 2002. Mr. Smith also served as the Chairman of the Board and Chief Executive

Officer of CDI from September 1996 until the Merger Date. He served as a Director of NTD from its formation until the Merger Date, as Chairman of the Board from January 2009 to the Merger Date, and as Chief Executive Officer from March 2010 to the Merger Date. He was President and Secretary of NTD from January 2009 to March 2010 and Executive Vice President of NTD from July 2002 to January 2009. He also serves as Chairman of the Board, and Chief Executive Officer of ACLS. He has been Chairman and Chief Executive Officer since its formation and was previously President from January 2010 to January 2012. He was previously Executive Vice President of ACLS from December 1997 to December 2009. All of these companies are located in Irving, Texas.

BRANDON STEPHENS, President/Chief Operating Officer/Secretary

Mr. Stephens has been employed by TDG since February 2003, and since February 2012 has served as our President, Chief Operating Officer and Secretary. He also currently serves as President, Chief Operating Officer and Secretary of ACLS and has held those positions since February 2012. He served as President, Chief Operating Officer and Secretary for CDI and NTD from February 2012 to the Merger Date. From June 2010 to February 2012 he was Vice President of Marketing for TDG, CDI, and NTD. All of these companies are located in Irving, Texas.

Item 3

LITIGATION

Franchisor Initiated Litigation – System Standards Enforcement Suits:

During the fiscal year ending December 31, 2023, The Decor Group, Inc. initiated 1 lawsuit against a former franchisee as follows:

- (1) *The Decor Group, Inc. v. Pro-Tree Outdoor Services L.L.C.*, (Hennepin County, Fourth Judicial District, Case No. 27-CV-23-17887) for breaches of the parties' Franchise Agreement, interference with business relationships, misappropriation of confidential information, and unjust enrichment. This resulted in the trial court issuing a Temporary Restraining Order restricting conduct of the former franchisee on December 5, 2023. The matter is currently being litigated further in pursuit of pecuniary damages.

Other than this action, no litigation is required to be disclosed in this Item

Item 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

Option Fee

If you purchase an Option Agreement, the initial option fee is \$1,000. If you sign an Option Agreement and pay the option fee, you may reserve a Territory for the option period specified in the Option Agreement. We will credit the option fee against your initial franchise fee if you purchase a franchise before the Option Agreement expires.

Initial Franchise Fee

The initial franchise fee is determined before you sign the Franchise Agreement and includes a fixed base fee and a territory fee. The territory fee is determined by a number of factors, including the size and type of territory granted, the number of residential households in the territory and other demographic data.

The base fee for a THE DECOR GROUP franchise is \$18,900 plus a territory fee ranging from \$1,500 to \$60,000.

For a CHRISTMAS DECOR franchise, The Initial Franchise Fee may vary according to the size and type of your Territory. The amount of the Initial Franchise Fee is determined as follows:

Standard Market Service Territory. The base fee is \$15,900 plus a territory fee ranging from \$1,500 to \$60,000 for a territory with a base population greater than 100,000.

Community Market Service Territory. The base fee is \$7,900 plus a territory fee ranging from \$1,500 to \$20,000 for a territory with a base population less than 100,000.

The initial franchise fee is payable when the Franchise Agreement is signed.

Initial Inventory and Equipment

Before beginning business, you must purchase opening inventory and equipment to provide Holiday Lighting Services estimated at approximately \$8,000 to \$20,000 for THE DECOR GROUP Franchised Business. For a CHRISTMAS DECOR Franchised Business, you must purchase opening inventory and equipment to provide Holiday Lighting Services estimated at approximately \$8,000 to \$20,000. You must purchase this opening inventory and equipment from us, our affiliate ACLS, or from another approved supplier on payment terms specified by the supplier. This inventory should be purchased upon completion of Quick Start Training. While there is no requirement to purchase inventory and equipment for Permanent Lighting Services or Landscape Lighting Services before beginning business, it is recommended that you also purchase \$5,000 to \$10,000 opening inventory and equipment to provide Landscape Lighting Services (for THE DECOR GROUP Franchised Business).

We are a member of the International Franchise Association (“IFA”) and participate in IFA’s VetFran Program which provides special financial incentives to qualified veterans. Under the VetFran Program we have arranged with our affiliate, ACLS, to offer honorably discharged veterans who purchase new franchises a \$1,500 credit against the cost of any initial inventory and equipment purchased from ACLS.

Refunds

All initial fees are non-refundable, except that (i) we will credit the option fee against your initial franchise fee if you purchase a franchise before the Option Agreement expires, and (ii) we will refund the initial franchise fee (less our expenses) if we terminate the Franchise Agreement because you fail to satisfactorily complete the Quick Start training program. Initial franchise fees may not be the same for all franchisees but are determined uniformly. No refunds are available under any other circumstances.

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Item 6

OTHER FEES
THE DECOR GROUP FRANCHISE

Type Of Fee	Amount	Due Date	Remarks
Holiday and Permanent Lighting Services Royalty Fee	<p><u>First Franchise Year</u> – 5% of annual Gross Sales attributable to Holiday and Permanent Lighting Services</p> <p><u>Franchise Years 2 through 5</u> Minimum based on previous Franchise Year's Gross Sales attributable to Holiday and Permanent Lighting Services</p> <p><u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$0-\$200,000:</u> Greater of \$3,500 annually (\$250/month February – September; \$500/month October - December) or 5% of annual Gross Sales from Holiday and Permanent Lighting Services</p> <p><u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$200,001-\$300,000:</u> Greater of \$5,000 annually (\$250/month February – September; \$1,000/month October - December) or 5% of annual Gross Sales from Holiday and Permanent Lighting Services</p> <p><u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$300,001-\$500,000:</u> Greater of \$6,500 annually (\$250/month February – September; \$1,500/month October - December) or 5% of annual Gross Sales from Holiday and Permanent Lighting Services .</p>	<p><u>First Franchise Year</u> By January 20 of the year following the First Franchise Year.</p> <p><u>Franchise Years 2 through 5</u> Each February 1 through December 1, 11 monthly remittances based on the Minimum Royalty, with an annual reconciliation in January of the year following the close of the applicable Franchise Year.</p>	See Note 1.A.

Type Of Fee	Amount	Due Date	Remarks
	<p><u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$500,001-\$750,000:</u> Greater of \$8,000 annually (\$250/month February – September; \$2,000/month October - December) or 5% of annual Gross Sales from Holiday and Permanent Lighting Services .</p> <p><u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$750,001-\$1,000,000:</u> Greater of \$9,500 annually (\$250/month February – September; \$2,500/month October - December) or 5% of annual Gross Sales from Holiday and Permanent Lighting Services .</p> <p><u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>greater than \$1,000,001:</u> Greater of \$11,000 annually (\$250/month February – September; \$3,000/month October - December) or 5% of annual Gross Sales from Holiday and Permanent Lighting Services</p>		
Landscape Lighting Services Royalty Fee	<p>First Franchise Year – 5% of annual Gross Sales</p> <p>Franchise Years 2 through 3 - Greater of \$2,000 annually (\$500/quarterly payments) or 5% of annual Gross Sales</p> <p>Franchise Years 4 through 5 - Greater of \$5,000 annually (\$1,250/quarterly payments) or 5% of annual Gross Sales</p>	<p>First Franchise Year – By January 20 of the year following the First Franchise Year.</p> <p>Franchise Years 2 through 5– Quarterly remittances on the first day of each Quarter January 1, April 1, July 1 and October 1 on the Minimum Royalty, with a quarterly reconciliation each Franchise Year</p>	See Note 1.B.

Type Of Fee	Amount	Due Date	Remarks
On-Going Inventory and Equipment for Holiday and Permanent Lighting Services	Then current pricing. Estimates range from 10% - 20 % of gross sales attributable to Holiday and Permanent Lighting Services for each franchise year.	When invoiced	During the term of the franchise, you will purchase the inventory and equipment needed to provide Holiday and Permanent Lighting Services from us, our affiliate ACLS, or from another approved supplier on payment terms specified by the supplier. See Note 1.A.
On-Going Inventory and Equipment for Landscape Lighting Services	Then current pricing Estimates range from 5% to 20% of gross sales attributable to Landscape Lighting Services for each franchise year.	When invoiced	You will purchase the inventory and equipment needed to provide Landscape Lighting Services from us, our affiliate ACLS, or from another approved supplier on payment terms specified by the supplier. See Note 1.A..
Marketing Development Fund (MDF) Contribution Holiday and Permanent Lighting Services	<u>First Franchise Year</u> – 1% of annual Gross Sales attributable to Holiday and Permanent Lighting Services <u>Franchise Years 2 through 5</u> Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday and Permanent Lighting Services <u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$0-200,000:</u> Greater of \$700 annually (\$50/month February – September; \$100/month October - December) or 1% of annual Gross Sales from Holiday and Permanent Lighting Services	<u>First Franchise Year</u> By January 20 of the year following the First Franchise Year. <u>Franchise Years 2 through 5</u> Each February 1 through December 1, 11 monthly payments based on the Minimum MDF Contribution, with an annual reconciliation in January of the year following close of the applicable Franchise Year.	The Marketing Development Fund is used to market, advertise and promote Holiday and Permanent Lighting Services See Note 1.B. If we recommend and 51% of franchisees in good standing approve an increase, we may raise your MDF Contribution.

Type Of Fee	Amount	Due Date	Remarks
	<u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$200,001-\$300,000:</u> Greater of \$1,000 annually (\$50/month February – September; \$200/month October - December) or 1% of annual Gross Sales from Holiday and Permanent Lighting Services <u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$300,001-\$500,000:</u> Greater of \$1,600 annually (\$50/month February – September; \$400/month October - December) or 1% of annual Gross Sales from Holiday and Permanent Lighting Services <u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$500,001-\$750,000:</u> Greater of \$2,500 annually (\$50/month February – September; \$700/month October - December) or 1% of annual Gross Sales from Holiday and Permanent Lighting Services <u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>\$750,001-\$1,000,000:</u> Greater of \$3,400 annually (\$50/month February – September; \$1,000/month October - December) or 1% of annual Gross Sales from Holiday and Permanent Lighting Services <u>Gross Sales from Holiday and Permanent Lighting Services</u> <u>greater than \$1,000,000:</u> Greater of \$1,300 annually (\$50/month February – September; \$1,300/month October - December) or 1% of annual Gross Sales from Holiday and Permanent Lighting Services		

Type Of Fee	Amount	Due Date	Remarks
Marketing Development Fund (MDF) Contribution Landscape Lighting Services	<p>First Franchise Year – 1% of annual Gross Sales attributable to Landscape Lighting Services</p> <p>Franchise Years 2 through 3 - Greater of \$400 annually (\$100/quarterly payments) or 1% of annual Gross Sales attributable to Landscape Lighting Services</p> <p>Franchise Years 4 through 5 - Greater of \$1,000 annually (\$500/quarterly payments) or 5% of annual Gross Sales attributable to Landscape Lighting Services.</p>	<p>First Franchise Year – By January 20 of the year following the First Franchise Year.</p> <p>Franchise Years 2 through 5– Quarterly remittances on the first day of each Quarter January 1, April 1, July 1 and October 1 on the Minimum MDF, with a quarterly reconciliation each Franchise Year</p>	<p>The Marketing Development Fund is used to market, advertise and promote Landscape Lighting Services</p> <p>See Note 1.B.</p> <p>If we recommend and 51% of franchisees in good standing approve an increase, we may raise your MDF Contribution.</p>
Promotional Programs	Currently, none	As required	If a majority of franchisees approve a national, regional or local advertising or promotional program, you must participate and pay the associated costs
Local or Regional Advertising Materials	<p>Reasonable charge</p> <p>Estimates range from 2% - 8% of gross sales for each franchise year</p>	When invoiced	We may create or develop creative materials for local or regional advertising and provide them to you for a reasonable charge.
Transfer Fee	\$2,500	On transfer	Your buyer must also pay our then-current start up fee (now, \$2,500) for Quick Start training, literature and marketing materials. See Item 17
Additional or Refresher Training, Conferences and Seminars	<p>Additional or Refresher Training – our then-current fee (currently \$399), plus reimbursement of our costs. Note 2.</p> <p>Conferences and Seminars – reasonable fee plus your out-of-pocket costs. Note 3.</p>	When attending	You must attend 1 regional training and 2 conferences during the 5 year term of your Agreement, 1 of which must be in year 2. If you do not, you must review conference / continuing education materials in an online training program and may be charged a cost to access (currently \$850).

Type Of Fee	Amount	Due Date	Remarks
			As part of your initial franchise fee, you will receive credit for 1 conference registration in your first franchise year. See Note 3.
Renewal Fee	\$2,000	On renewal	See Item 17
Software License Annual Renewal Fee	Light Right Cloud \$1,897 – Essentials program \$2,395 – Plus program \$4,389 – Enterprise program	By August 1st	See Note 4.
Termination Fee	Lump sum payment of up to 24 months' minimum Holiday and Permanent Lighting Services Royalty Fees	Upon termination	When we terminate you for cause or you terminate without cause. Note 5.
Annual Royalty Late Payment/ Reporting Fee	\$500 per occurrence plus \$50 late fee for each month reporting and/or payment or remittance is delinquent	When required	Payable when annual Gross Sales are not reported or royalties are not remitted when due. We may also charge interest or terminate the Franchise Agreement if you fail to remit payment. This is in lieu of the general late fee described below.
Interest on past due amounts	Lesser of 1.5% per month or the maximum legal rate from the due date of the invoice	When required	Payable if payments or remittances are made after the due date
Late Fee	\$50 for each month payment or remittance is delinquent	When required	Payable only when payments or remittances are late. This general late fee does not apply when the Annual Reporting Late Payment / Reporting Fee applies.
Audit Administration Fee and Costs	\$3,000, plus our actual audit costs	When invoiced	Payable if an audit shows you have understated Gross Sales. If you have understated Gross Sales you must remit any additional fees owed, plus interest. If the understatement is 2% or more, or if you fail to provide access to the required books, records, accounts and inventory, you must also pay our audit costs, any associated costs, and an audit administration fee of \$3,000.

Type Of Fee	Amount	Due Date	Remarks
Product Testing Costs	Reasonable charge Estimates range from \$100 - \$1,000 for each test required	As required	When you wish to purchase product from an unapproved supplier, you or the supplier must pay the cost of any required testing by us. See Item 8
Enforcement costs	Actual Costs	On demand	The prevailing party in a legal action may recover attorney's fees and court costs. If we seek and secure an injunction or specific performance for your violation of the Agreement, you must pay our costs.
Indemnification costs	Actual Costs	On demand	You must indemnify us if we incur losses based on your actions.

Notes to Item 6

* You pay all fees to us and all fees are uniformly imposed, unless otherwise noted. All fees are non-refundable.

Note 1

Royalty Fee

Note 1.A.

The Decor Group Franchise Royalty Fee

The First Franchise Year begins on the Effective Date of the Franchise Agreement and ends December 31 of that calendar year. Subsequent Franchise Years begin on the first day of January and end on the last day of December of each calendar year.

Holiday and Permanent Lighting Services

Except for the First Franchise Year, when Holiday and Permanent Lighting Services Royalty Fee remittances are made annually, the Minimum Holiday and Permanent Lighting Services Royalty Fee is remitted in monthly payments throughout each Franchise Year. Minimum Holiday and Permanent Lighting Services Royalties are calculated, following the close of each Franchise Year based on actual annual Gross Sales attributable to Holiday and Permanent Lighting Services and any excess Holiday and Permanent Lighting Services Royalty Fee due must be reported and remitted by January 20. The Minimum Holiday and Permanent Lighting Services Royalty Fee for each Franchise Year is based on the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services. Monthly Minimum Holiday and Permanent Lighting Services Royalty Fee remittances are determined as follows: If the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services are from \$1 to \$200,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$500. If the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services are from \$200,001 to \$300,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and

remit 3 final payments on October 1, November 1 and December 1, each equal to \$1,000. If the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services are from \$300,001 to \$500,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$1,500. If the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services are from \$500,001 to \$750,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$2,000. If the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services are from \$750,001 to \$1,000,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$2,500. If the previous Franchise Year's annual Gross Sales attributable to Holiday and Permanent Lighting Services are greater than \$1,000,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$3,000. All Holiday and Permanent Lighting Services Royalty Fee remittances must be made by automatic bank draft or credit card.

Landscape Lighting Services

Except for the First Franchise Year, when Landscape Lighting Services Royalty Fee remittances are made annually and sales are reported annually, the Minimum Landscape Lighting Services Royalty Fee is remitted in quarterly payments each Franchise Year. Minimum Landscape Lighting Services Royalty Fees are a flat fee for each Franchise Year. Any excess Landscape Lighting Services Royalty Fee due must be calculated when sales are reported on a quarterly basis. Minimum Landscape Lighting Royalty Fees are determined as follows: For the 2nd and 3rd Franchise Years, you must remit 4 payments of \$500 each quarter on January 1, April 1, July 1 and September 1. For the 4th and 5th Franchise Years, you must remit 4 payments of \$1,250 each quarter on January 1, April 1, July 1 and September 1. All Landscape Lighting Services Royalty Fee remittances must be made by automatic bank draft or credit card.

Ongoing inventory and equipment costs are estimates. The actual dollar amount purchased is at the sole discretion of the franchisee based on the amount of gross sales goals each owner has for a given Franchise Year.

Note 1.B.

The Decor Group Franchise MDF Contribution

Holiday and Permanent Lighting Services

MDF Contributions are used to market, advertise and promote Holiday and Permanent Lighting Services. Except for the First Franchise Year when MDF Contributions are made annually, Minimum MDF Contributions are paid monthly throughout each Franchise Year, February through December. MDF Contributions are calculated following the close of the Franchise Year based on actual annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business, and any excess MDF Contribution due must be reported and paid by January 20. The MDF Contribution for each Franchise Year is based on the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business. Monthly Minimum MDF Contributions are determined as follows: If the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business are from \$1 to \$200,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$100. If the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business are from \$200,001 to \$300,000 you must remit 8

payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$200. If the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business are from \$300,001 to \$500,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$400. If the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business are from \$500,001 to \$750,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$700. If the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business are from \$750,001 to \$1,000,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$1,000. If the previous Franchise Year's annual Gross Sales attributable to the Holiday and Permanent Lighting Services Business are greater than \$1,000,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$1,300. All MDF Contributions must be made by automatic bank draft or credit card.

“Gross Sales” means all revenues from the sale of Christmas, holiday, special event, celebration and permanent lighting and decoration services and products of any nature or kind relating to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit; provided however that “Gross Sales” shall not include any sales tax or other taxes collected by the Franchised Business and paid to the appropriate taxing authority. "Gross Sales attributable to Holiday and Permanent Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Holiday and Permanent Lighting Services.

Landscape Lighting Services

Except for the First Franchise Year, when Landscape Lighting Services MDF Contributions are made annually and sales are reported annually, the Minimum Landscape Lighting Services MDF Contributions are remitted in quarterly payments each Franchise Year. Minimum Landscape Lighting Services MDF Contributions are a flat fee for each Franchise Year. Any excess Landscape Lighting Services MDF Contributions due must be calculated when sales are reported on a quarterly basis. Minimum Landscape Lighting MDF Contributions are determined as follows: For the 2nd and 3rd Franchise Years, you must remit 4 payments of \$100 each quarter on January 1, April 1, July 1 and September 1. For the 4th and 5th Franchise Years, you must remit 4 payments of \$500 each quarter on January 1, April 1, July 1 and September 1. All Landscape Lighting Services MDF Contributions must be made by automatic bank draft or credit card.

“Gross Sales” means all revenues from the sale of landscape, building, and security lighting and products of any nature or kind relating to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit; provided however that “Gross Sales” shall not include any sales tax or other taxes collected by the Franchised Business and paid to the appropriate taxing authority. "Gross Sales attributable to Landscape Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Landscape Lighting Services.

Note 2

Additional or Refresher Training Fees

If you reasonably request training in addition to the standard training we provide or we require you to attend a refresher training seminar, we will, at our option, provide additional training to you for our then-

current training fee (currently \$399), plus reimbursement of all expenses, including training fees, travel, lodging, meals and other related costs.

If you have a The Decor Group Business, we will make 1 introductory training program available for up to 3 attendees at no charge during the first 24 months of the Franchise Agreement.

Note 3

Continuing Training, Conferences and Seminars

The conference and continuing education fees are based upon estimates of what will be required to offset our actual costs. You must also pay your transportation, lodging and related costs. Your initial franchise fee includes a credit for 1 complimentary conference registration for 1 person at an annual conference held during the first 18 months of the initial term of the Franchise Agreement. This conference must be attended prior to your 2nd decorating season.

You must attend 1 regional continuing education class and 2 annual conferences during the 5 year initial term and any renewal term of this Agreement, 1 of which must be attended during your 2nd franchise year. If you attend the annual conference in your 2nd franchise year you must also attend the designated refresher course, for 2nd-year franchisees, in conjunction with the conference. We recommend attending all new training available to further broaden your knowledge to better serve your customers. If you do not attend as required, you must review conference/continuing education materials in an online program provided by us and may be charged a cost to access (currently \$850). If you have missed more than 1 continuing education class or annual conference during the term of your Franchise Agreement, you must attend an additional continuing education “refresher course”, at your expense, as a condition to renewal.

Note 4

Software License Fee

We have developed proprietary software for The Decor Group which will aid you in the operation of your business. The initial franchise fee includes the cost to license the software Essentials program and the technical support for the First Franchise Year. After the First Franchise Year, you must purchase a license each year on or before August 1. The annual fees currently range from \$1,897 to \$4,389 depending on the plan you choose.

Note 5

Termination Fee

If we terminate the Franchise Agreement based on your default or if you terminate the Franchise Agreement without cause you must pay to us, as liquidated damages, a termination fee in a lump sum payment in the amount of the minimum Royalty Fees due for the 24 month period following termination or the remaining term of the Franchise Agreement, whichever is less.

Note 6

Method of Payment of Fees

You must agree to sign an “Automatic Draft Agreement” or “Credit Card Agreement” which allows us to arrange with your financial institution or credit card company to honor drafts we submit for payment or remittance. When payments or remittances are due a draft will be submitted for an amount equal to your royalty fee and MDF contribution.

Except as noted in the preceding chart, all fees and expenses described in this Item 6 are non-refundable, are imposed by, and are payable to us. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. Currently, we have no plans to increase payments or remittances over which we have control.

OTHER FEES
CHRISTMAS DECOR FRANCHISE

Type Of Fee	Amount	Due Date	Remarks
Holiday Lighting Services Royalty Fee Standard Market Territory	<p><u>All Franchise Years</u> – 5% of annual Gross Sales attributable to Holiday Lighting Services</p> <p><u>Franchise Years 2 through 5</u> Minimum based on previous Franchise Year’s Gross Sales attributable to Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>\$0-\$100,000:</u> Greater of \$3,050 annually (\$250/month February – September; \$350/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>\$100,001-\$150,000:</u> Greater of \$3,950 annually (\$250/month February – September; \$650/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>\$150,001-\$200,000:</u> Greater of \$5,000 annually (\$250/month February – September; \$1,000/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services</p>	<p><u>First Franchise Year</u> By January 20 of the year following the First Franchise Year.</p> <p><u>Franchise Years 2 through 5</u> Each February 1 through December 1, 11 monthly remittances based on the Minimum Royalty, with an annual reconciliation in January of the year following the close of the applicable Franchise Year.</p>	See Note 1.A.

Type Of Fee	Amount	Due Date	Remarks
	<u>Gross Sales from Holiday Lighting Services</u> <u>greater than \$200,000:</u> Greater of \$6,950 annually (\$250/month February – September; \$1,650/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services		
Holiday Lighting Services Royalty Fee Community Market Territory	<u>All Franchise Years – 5% of annual Gross Sales attributable to Holiday Lighting Services</u> <u>Franchise Years 2 through 5</u> Minimum based on previous Franchise Year's Gross Sales attributable to Holiday Lighting Services <u>Gross Sales from Holiday Lighting Services</u> <u>\$0-\$100,000:</u> Greater of \$2,750 annually (\$250/month February – September; \$250/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services <u>Gross Sales from Holiday Lighting Services</u> <u>\$100,001-\$150,000:</u> Greater of \$3,050 annually (\$250/month February – September; \$350/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services <u>Gross Sales from Holiday Lighting Services</u> <u>\$150,001-\$200,000:</u> Greater of \$3,500 annually (\$250/month February – September; \$500/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services	<u>First Franchise Year</u> By January 20 of the year following the First Franchise Year. <u>Franchise Years 2 through 5</u> Each February 1 through December 1, 11 monthly remittances based on the Minimum Royalty, with an annual reconciliation in January of the year following the close of the applicable Franchise Year.	See Note 1.B.

Type Of Fee	Amount	Due Date	Remarks
	<u>Gross Sales from Holiday Lighting Services</u> <u>greater than \$200,000:</u> Greater of \$4,250 annually (\$250/month February – September; \$750/month October - December) or 5% of annual Gross Sales from Holiday Lighting Services		
On-Going Inventory and Equipment for Holiday Lighting Services	Then current pricing. Estimates range from 10% - 20 % of gross sales attributable to Holiday Lighting Services for each franchise year.	When invoiced	During the term of the franchise, you will purchase the inventory and equipment needed to provide Holiday Lighting Services from us, our affiliate ACLS, or from another approved supplier on payment terms specified by the supplier. See Note 1.A.
Marketing Development Fund (MDF) Contribution – Standard Market Territory	<u>First Franchise Year</u> – 1% of annual Gross Sales attributable to Holiday Lighting Services <u>Franchise Years 2 through 5</u> Minimum contributions are based on Franchisee’s previous Franchise Year’s Gross Sales attributable to Holiday Lighting Services <u>Gross Sales from Holiday Lighting Services</u> <u>\$0-\$100,000:</u> Greater of \$640 annually (\$50/month February – September; \$80/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services	<u>First Franchise Year</u> By January 20 of the year following the First Franchise Year. <u>Franchise Years 2 through 5</u> Each February 1 through December 1, 11 monthly payments based on the Minimum MDF Contribution, with an annual reconciliation in January of the year following close of the applicable Franchise Year.	The Marketing Development Fund is used to market, advertise and promote Holiday Lighting Services See Note 1.C. If we recommend and 51% of franchisees in good standing approve an increase, we may raise your MDF Contribution.

Type Of Fee	Amount	Due Date	Remarks
	<p><u>Gross Sales from Holiday Lighting Services</u> <u>\$100,001-\$150,000:</u> Greater of \$850 annually (\$50/month February – September; \$150/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>\$150,001-\$200,000:</u> Greater of \$1,000 annually (\$50/month February – September; \$200/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>greater than \$200,000:</u> Greater of \$1,150 annually (\$50/month February – September; \$250/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p>		
Marketing Development Fund (MDF) Contribution – Community Market Territory	<p><u>First Franchise Year</u> – 1% of annual Gross Sales attributable to Holiday Lighting Services</p> <p><u>Franchise Years 2 through 5</u> Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>\$0-\$100,000:</u> Greater of \$550 annually (\$50/month February – September; \$50/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p>	<p><u>First Franchise Year</u> By January 20 of the year following the First Franchise Year.</p> <p><u>Franchise Years 2 through 5</u> Each February 1 through December 1, 11 monthly payments based on the Minimum MDF Contribution, with an annual reconciliation in January of the year following close of the applicable Franchise Year.</p>	<p>The Marketing Development Fund is used to market, advertise and promote Holiday Lighting Services</p> <p>See Note 1.D.</p> <p>If we recommend and 51% of franchisees in good standing approve an increase, we may raise your MDF Contribution</p>

Type Of Fee	Amount	Due Date	Remarks
	<p><u>Gross Sales from Holiday Lighting Services</u> <u>\$100,001-\$150,000:</u> Greater of \$640 annually (\$50/month February – September; \$80/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>\$150,001-\$200,000:</u> Greater of \$700 annually (\$50/month February – September; \$100/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p> <p><u>Gross Sales from Holiday Lighting Services</u> <u>greater than \$200,000:</u> Greater of \$850 annually (\$50/month February – September; \$150/month October - December) or 1% of annual Gross Sales from Holiday Lighting Services</p>		
Promotional Programs	Currently, none	As required	If a majority of franchisees approve a national, regional or local advertising or promotional program, you must participate and pay the associated costs
Local or Regional Advertising Materials	<p>Reasonable charge</p> <p>Estimates range from 2% - 8% of gross sales for each franchise year</p>	When invoiced	We may create or develop creative materials for local or regional advertising and provide them to you for a reasonable charge.
Transfer Fee	\$2,500	On transfer	Your buyer must also pay our then-current start up fee (now, \$2,500) for Quick Start training, literature and marketing materials. See Item 17

Type Of Fee	Amount	Due Date	Remarks
Additional or Refresher Training, Conferences and Seminars	<p>Additional or Refresher Training – our then-current fee (currently \$399), plus reimbursement of our costs. Note 2.</p> <p>Conferences and Seminars – reasonable fee plus your out-of-pocket costs. Note 3.</p>	When attending	<p>You must attend 1 regional training and 2 conferences during the 5 year term of your Agreement, 1 of which must be in year 2. If you do not, you must review conference / continuing education materials in an online training program and may be charged a cost to access (currently \$850).</p> <p>As part of your initial franchise fee, you will receive credit for 1 conference registration in your first franchise year. See Note 3.</p>
Renewal Fee	\$2,000	On renewal	See Item 17
Software License Annual Renewal Fee	<p>Light Right Cloud</p> <p>\$1,897 – Essentials program</p> <p>\$2,395 – Plus program</p> <p>\$4,389 – Enterprise program</p>	By August 1st	See Note 4
Termination Fee	Lump sum payment of up to 24 months' minimum Holiday Lighting Services Royalty Fees	Upon termination	When we terminate you for cause or you terminate without cause. Note 5.
Annual Royalty Late Payment/ Reporting Fee	\$500 per occurrence plus \$50 late fee for each month reporting and/or payment or remittance is delinquent	When required	Payable when annual Gross Sales are not reported or year-end royalties are not remitted by January 20. We may also charge interest or terminate the Franchise Agreement if you fail to remit payment. This is in lieu of the general late fee described below.
Interest on past due amounts	Lesser of 1.5% per month or the maximum legal rate from the due date of the invoice	When required	Payable if payments or remittances are made after the due date

Type of Fee	Amount	Due Date	Remarks
Late Fee	\$50 for each month payment or remittance is delinquent	When required	Payable only when payments or remittances are late. This general late fee does not apply when the Annual Reporting Late Payment / Reporting Fee applies.
Audit Administration Fee and Costs	\$3,000, plus our actual audit costs	When invoiced	Payable if an audit shows you have understated Gross Sales. If you have understated Gross Sales you must remit any additional fees owed, plus interest. If the understatement is 2% or more, or if you fail to provide access to the required books, records, accounts and inventory, you must also pay our audit costs, any associated costs, and an audit administration fee of \$3,000.
Product Testing Costs	Reasonable charge Estimates range from \$100 - \$1,000 for each test required	As required	When you wish to purchase product from an unapproved supplier, you or the supplier must pay the cost of any required testing by us. See Item 8
Enforcement costs	Actual Costs	On demand	The prevailing party in a legal action may recover attorney's fees and court costs. If we seek and secure an injunction or specific performance for your violation of the Agreement, you must pay our costs.
Indemnification costs	Actual Costs	On demand	You must indemnify us if we incur losses based on your actions.

Notes to Item 6

* You pay all fees to us and all fees are uniformly imposed, unless otherwise noted. All fees are non-refundable.

Note 1
Royalty Fee

Note 1.A.
Holiday Lighting Services Royalty Fee – Standard Market

All statements in Note 1.A. apply to a Standard Market Territory.

The First Franchise Year begins on the Effective Date of the Franchise Agreement and ends December 31 of that calendar year. Subsequent Franchise Years begin on the first day of January and end on the last day of December of each calendar year.

Except for the First Franchise Year, when Holiday Lighting Services Royalty Fee remittances are made annually, the Minimum Holiday Lighting Services Royalty Fee is remitted in monthly payments throughout each Franchise Year. Minimum Holiday Lighting Services Royalties are calculated, following the close of each Franchise Year based on actual annual Gross Sales attributable to Holiday Lighting Services and any excess Holiday Lighting Services Royalty Fee due must be reported and remitted by January 20. The Minimum Holiday Lighting Services Royalty Fee for each Franchise Year is based on the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services. Monthly Minimum Holiday Lighting Services Royalty Fee remittances are determined as follows: If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are from \$1 to \$100,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$350. If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are from \$100,001 to \$150,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$650. If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are from \$150,001 to \$200,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$1,000. If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are greater than \$200,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$1,650. All Holiday Lighting Services Royalty Fee remittances must be made by automatic bank draft or credit card.

“Gross Sales” means all revenues from the sale of Christmas, holiday, special event and celebration lighting and decoration services and products of any nature or kind relating to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit; provided however that “Gross Sales” shall not include any sales tax or other taxes collected by the Franchised Business and paid to the appropriate taxing authority. "Gross Sales attributable to Holiday Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Holiday Services.

Ongoing inventory and equipment costs are estimates. The actual dollar amount purchased is at the sole discretion of the franchisee based on the amount of gross sales goals each owner has for a given Franchise Year.

Note 1.B**Holiday Lighting Services Royalty Fee – Community Market**

All statements in Note 1.B. apply to a Community Market Territory.

The First Franchise Year begins on the Effective Date of the Franchise Agreement and ends December 31 of that calendar year. Subsequent Franchise Years begin on the first day of January and end on the last day of December of each calendar year.

Except for the First Franchise Year, when Holiday Lighting Services Royalty Fee remittances are made annually, the Minimum Holiday Lighting Services Royalty Fee is remitted in monthly payments throughout each Franchise Year. Minimum Holiday Lighting Services Royalties are calculated; following the close of each Franchise Year based on actual annual Gross Sales attributable to Holiday Lighting Services and any excess Holiday Lighting Services Royalty Fee due must be reported and remitted by January 20. The Minimum Holiday Lighting Services Royalty Fee for each Franchise Year is based on the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services. Monthly Minimum Holiday Lighting Services Royalty Fee remittances are determined as follows: If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are from \$1 to \$100,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$250. If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are from \$100,001 to \$150,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$350. If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are from \$150,001 to \$200,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$500. If the previous Franchise Year's annual Gross Sales attributable to Holiday Lighting Services are greater than \$200,000 you must remit 8 payments of \$250 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$750. All Holiday Lighting Services Royalty Fee remittances must be made by automatic bank draft or credit card.

“Gross Sales” means all revenues from the sale of Christmas, holiday, special event and celebration lighting and decoration services and products of any nature or kind relating to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit; provided however that “Gross Sales” shall not include any sales tax or other taxes collected by the Franchised Business and paid to the appropriate taxing authority. "Gross Sales attributable to Holiday Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Holiday Services.

Note 1.C.**MDF Contribution – Standard Market Territory**

All statements in Note 1.C. apply to a Standard Market Territory.

MDF Contributions are used to market, advertise and promote Holiday Lighting Services. Except for the First Franchise Year when MDF Contributions are made annually, Minimum MDF Contributions are paid monthly throughout each Franchise Year, February through December. MDF Contributions are calculated following the close of the Franchise Year based on actual annual Gross Sales attributable to the Holiday Lighting Business, and any excess MDF Contribution due must be reported and paid by January 20. The MDF Contribution for each Franchise Year is based on the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business. Monthly Minimum MDF Contributions are determined as follows: If the previous Franchise Year's annual Gross Sales attributable to the Holiday

Lighting Business are from \$1 to \$100,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$80. If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are from \$100,001 to \$150,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$150. If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are from \$150,001 to \$200,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$200. If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are greater than \$200,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$250. All MDF Contributions must be made by automatic bank draft or credit card.

Note 1.D.

MDF Contribution – Community Market Territory

All statements in Note 1.D. apply to a Community Market Territory.

MDF Contributions are used to market, advertise and promote Holiday Lighting Services. Except for the First Franchise Year when MDF Contributions are made annually, Minimum MDF Contributions are paid monthly throughout each Franchise Year, February through December. MDF Contributions are calculated following the close of the Franchise Year based on actual annual Gross Sales attributable to the Holiday Lighting Business, and any excess MDF Contribution due must be reported and paid by January 20. The MDF Contribution for each Franchise Year is based on the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business. Monthly Minimum MDF Contributions are determined as follows: If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are from \$1 to \$100,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$50. If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are from \$100,001 to \$150,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$80. If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are from \$150,001 to \$200,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$100. If the previous Franchise Year's annual Gross Sales attributable to the Holiday Lighting Business are greater than \$200,000 you must remit 8 payments of \$50 each on the first day of each month beginning February 1 through September 1 and remit 3 final payments on October 1, November 1 and December 1, each equal to \$150. All MDF Contributions must be made by automatic bank draft or credit card.

Note 2

Additional or Refresher Training Fees

If you reasonably request training in addition to the standard training we provide or we require you to attend a refresher training seminar, we will, at our option, provide additional training to you for our then-current training fee (currently \$399), plus reimbursement of all expenses, including training fees, travel, lodging, meals and other related costs.

If you have a Christmas Decor Business, we will make 1 introductory training program available for up to 3 attendees at no charge during the first 24 months of the Franchise Agreement.

Note 3**Continuing Training, Conferences and Seminars**

The conference and continuing education fees are based upon estimates of what will be required to offset our actual costs. You must also pay your transportation, lodging and related costs. Your initial franchise fee includes a credit for 1 complimentary conference registration for 1 person at an annual conference held during the first 18 months of the initial term of the Franchise Agreement. This conference must be attended prior to your 2nd decorating season.

You must attend 1 regional continuing education class and 2 annual conferences during the 5 year initial term and any renewal term of this Agreement, 1 of which must be attended during your 2nd franchise year. If you attend the annual conference in your 2nd franchise year you must also attend the designated refresher course, for 2nd-year franchisees, in conjunction with the conference. We recommend attending all new training available to further broaden your knowledge to better serve your customers. If you do not attend as required, you must review conference/continuing education materials in an online program provided by us and may be charged a cost to access (currently \$850). If you have missed more than 1 continuing education class or annual conference during the term of your Franchise Agreement, you must attend an additional continuing education “refresher course”, at your expense, as a condition to renewal.

Note 4**Software License Fee**

We have developed proprietary software for The Decor Group which will aid you in the operation of your business. The initial franchise fee includes the cost to license the software Essentials program and the technical support for the First Franchise Year. After the First Franchise Year, you must purchase a license each year on or before August 1. The annual fees currently range from \$1,897 to \$4,389 depending on the plan you choose.

Note 5**Termination Fee**

If we terminate the Franchise Agreement based on your default or if you terminate the Franchise Agreement without cause you must pay to us, as liquidated damages, a termination fee in a lump sum payment in the amount of the minimum Royalty Fees due for the 24 month period following termination or the remaining term of the Franchise Agreement, whichever is less.

Note 6**Method of Payment of Fees**

You must agree to sign an “Automatic Draft Agreement” or “Credit Card Agreement” which allows us to arrange with your financial institution or credit card company to honor drafts we submit for payment or remittance. When payments or remittances are due a draft will be submitted for an amount equal to your royalty fee and MDF contribution.

Except as noted in the preceding chart, all fees and expenses described in this Item 6 are non-refundable, are imposed by, and are payable to us. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. Currently, we have no plans to increase payments or remittances over which we have control.

Item 7

ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT
THE DECOR GROUP FRANCHISE**

(Column 1) Type of expenditure	(Column 2) Amount		(Column 3) Method of payment	(Column 4) When due	(Column 5) To whom payment is to be made
	Low	High			
Initial Franchise Fee Base Fee – including any applicable option fees (Note 1)	\$18,900	\$18,900	Lump Sum	On signing Franchise Agreement	TDG
Initial Franchise Fee - territory fee (Note 1)	\$1,500	\$60,000	Lump Sum	On signing Franchise Agreement	TDG
Initial Rent & Deposit (Note 2)	\$0	\$1,000	As Incurred	As Arranged	Lessor
Leasehold Improvements (Note 3)	\$0	\$1,000	As Incurred	As Arranged	Contractor/ Landlord
Vehicle (Note 4)	\$0	\$350	As Incurred	As Arranged	Vendor
Business Licenses and Permits (Note 5)	\$0	\$500	As Incurred	When Required	State and Local Agencies
Insurance (Note 6)	\$200	\$3,000	Varies	As Arranged	Broker or Insurance Company
Initial Printing Supply Package (Note 7)	\$1,500	\$5,000	As Incurred	As Arranged	Approved Suppliers
Legal and Accounting Fees (Note 8)	\$250	\$1,500	As Incurred	As Arranged	Attorneys & Accountants
Initial Inventory and Equipment (Note 9)	\$13,000	\$30,000	As Incurred	As Arranged	ACLS or Approved Suppliers
Computer System (Note 10)	\$0	\$500	As Incurred	As Arranged	Vendor
Quick Start Training – travel & living expenses (Note 11)	\$2,400	\$3,000	As Incurred	As Arranged	Vendor
Additional Funds for initial 6 month period (Note 12)	\$1,000	\$6,000	As Required	As Needed	Suppliers, Employees, Etc.
TOTALS	\$38,750	\$130,750			

Notes To Item 7 – The Decor Group Franchised Business

Note 1

The preceding chart assumes that you are a new Franchisee and will pay an initial franchise fee. See Item 5 for a description of the initial franchise fee. The initial franchise fee includes a base fee and applicable territory fee. We will refund the Initial Franchise Fee (less our expenses) if we terminate the Franchise Agreement because you fail to satisfactorily complete the Quick Start Training program. All other fees are non-refundable. Your initial franchise fee also entitles you to attend 1 conference in your first franchise year at no additional charge. We may, in our sole discretion, make limited financing available for a portion of the initial franchise fee. See Item 10 for details and financing options available. If you pay an option fee to reserve a territory, we will credit the option fee against your initial franchise fee if you purchase a franchise before the Option Agreement expires.

Note 2

The Franchised Business can be run as a home based business or as a division of an existing business. If you have a convenient area in your home, such as a garage or basement or other similar space, you can convert that space into work area, or if you have an existing service business you may already have sufficient space. The space needed for the office is estimated to be approximately 500-900 square feet, and it will be located in an area offering convenient access to your employees. If you must lease additional space, the rent for the leased premises will vary substantially per location. The estimate is based on the first month's rent and a security deposit equal to another month's rent, both paid in advance. Rent will vary by location. We will provide guidance for converting a location for use as the Franchised Business. For your first 6 months, the fee will range from \$0 to \$7,000 including the security deposit.

Note 3

We estimate that leasehold improvements will range from \$0 to \$1000 to convert a space in a building or your home into the office for your Franchised Business. The cost of the improvements will vary from location to location. If you lease office space, the landlord may make all necessary leasehold improvements, and include the cost of the improvements in your monthly lease payment, so that you do not incur any front-end out-of-pocket expenses; however, there is no guarantee that a landlord would enter into this type of arrangement.

Note 4

If you have a truck or other service vehicle that you use in an Other Business, you can usually convert that vehicle for use in operating your Franchised Business at a cost ranging from \$100 to \$2500. If you do not have a vehicle, you will need to purchase or lease a vehicle to be able to function as a franchisee. The estimate is based on the first month's lease payment.

Note 5

Several local business licenses or permits may be needed to open the Franchised Business or, if you currently operate a similar business, you may already be covered under business licenses you hold now. It is your responsibility to adhere to licensing requirements and renewals. The costs of these business licenses and permits will vary from location to location and are estimated to be from \$0 to \$500.

Note 6

Estimated insurance costs are based on premiums for the insurance coverage required under the Franchise Agreement. (See Section 15 of the Franchise Agreement) All insurance policies must be written by an insurance company satisfactory to us covering both franchisee and us. You also may maintain additional insurance if you consider it advisable.

Note 7

This estimate is for your initial supply of business cards, flyers, contract forms, brochures, sales forms, and invoices.

Note 8

Estimated legal and accounting fees include the cost to create your business entity (e.g., incorporation) and to set up your books and records. (See Section 12 of the Franchise Agreement for our record keeping requirements.)

Note 9

This estimate is for your initial inventory of lights, garland, wreaths, fasteners and other items which should be purchased and on hand upon completion of Quick Start Training for Holiday and Permanent Lighting Services as well as fixtures, wire, transformers, accessories and other items which should be purchased during training for Landscape Lighting Services.

Note 10

You must acquire a printer, cables, peripherals and other computer equipment to place orders electronically over the Internet and to submit sales reports electronically. If you already have this equipment in place with another business you own, you may use them for the Franchised Business and this will result in no additional cost to you.

Note 11

This estimate includes any airfare or other transportation expenses you may incur for 3 people to attend separate Quick Start Training seminars for Holiday Lighting Services, Permanent Lighting Services and Landscape Lighting Services, as well as the cost of hotel rooms and meals not provided during training. You are responsible for any such expenses. This cost of these expenses will vary depending on your location and the transportation required for you to travel to the location of the training at our headquarters in Irving, Texas.

Note 12

This estimate includes other expenditures you may be required to make before operations begin and during the initial phase (6 months) of the franchise. In addition, you must be able to pay your personal living expenses for at least the first 6 months of operation. The exact amount of Additional Funds required will vary considerably. This is only an estimate and will vary for each franchised business. For example, if you purchase the franchise as an “add on” to your existing business operations, you may not require the same amount of additional funds. We have relied on our and our affiliates 26 years of experience in the Franchise business to compile these estimates.

**YOUR ESTIMATED INITIAL INVESTMENT
CHRISTMAS DECOR FRANCHISE**

(Column 1) Type of expenditure	(Column 2) Standard Market Amount		(Column 3) Community Market Amount		(Column 3) Method of payment	(Column 4) When due	(Column 5) To whom payment is to be made
	Low	High	Low	High			
Initial Franchise Fee Base Fee – including any applicable option fees (Note 1)	\$15,900	\$15,900	\$7,900	\$7,900	Lump Sum	On signing Franchise Agreement	TDG
Initial Franchise Fee - territory fee (Note 1)	\$1,500	\$60,000	\$1,500	\$20,000	Lump Sum	On signing Franchise Agreement	TDG
Initial Rent & Deposit (Note 2)	\$0	\$1,000	\$0	\$1,000	As Incurred	As Arranged	Lessor
Leasehold Improvements (Note 3)	\$0	\$1,000	\$0	\$1,000	As Incurred	As Arranged	Contractor/ Landlord
Vehicle (Note 4)	\$0	\$350	\$0	\$350	As Incurred	As Arranged	Vendor
Business Licenses and Permits (Note 5)	\$0	\$500	\$0	\$500	As Incurred	When Required	State and Local Agencies
Insurance (Note 6)	\$200	\$3,000	\$200	\$3,000	Varies	As Arranged	Broker or Insurance Company
Initial Printing Supply Package (Note 7)	\$1,500	\$5,000	\$1,500	\$5,000	As Incurred	As Arranged	Approved Suppliers
Legal and Accounting Fees (Note 8)	\$250	\$1,500	\$250	\$1,500	As Incurred	As Arranged	Attorneys & Accountants
Initial Inventory and Equipment (Note 9)	\$8,000	\$20,000	\$8,000	\$20,000	As Incurred	As Arranged	ACLS or Approved Suppliers
Computer System (Note 10)	\$0	\$500	\$0	\$500	As Incurred	As Arranged	Vendor
Quick Start Training – travel & living expenses (Note 11)	\$1,200	\$1,500	\$1,200	\$1,500	As Incurred	As Arranged	Vendor
Additional Funds for initial 6 month period (Note 12)	\$1,000	\$6,000	\$1,000	\$6,000	As Required	As Needed	Suppliers, Employees, Etc.
TOTALS	\$29,550	\$116,250	\$21,550	\$68,250			

Notes To Item 7 – Christmas Decor Franchised Business

Note 1

The preceding chart assumes that you are a new Franchisee and will pay an initial franchise fee. See Item 5 for a description of the initial franchise fee. The initial franchise fee includes a base fee and applicable territory fee. We will refund the Initial Franchise Fee (less our expenses) if we terminate the Franchise Agreement because you fail to satisfactorily complete the Quick Start Training program. All other fees are non-refundable. Your initial franchise fee also entitles you to attend 1 conference in your first franchise year at no additional charge. We may, in our sole discretion, make limited financing available for a portion of the initial franchise fee. See Item 10 for details and financing options available. If you pay an option fee to reserve a territory, we will credit the option fee against your initial franchise fee if you purchase a franchise before the Option Agreement expires.

Note 2

The Franchised Business can be run as a home based business or as a division of an existing business. If you have a convenient area in your home, such as a garage or basement or other similar space, you can convert that space into work area, or if you have an existing service business you may already have sufficient space. The space needed for the office is estimated to be approximately 500-900 square feet, and it will be located in an area offering convenient access to your employees. If you must lease additional space, the rent for the leased premises will vary substantially per location. The estimate is based on the first month's rent and a security deposit equal to another month's rent, both paid in advance. Rent will vary by location. We will provide guidance for converting a location for use as the Franchised Business. For your first 6 months, the fee will range from \$0 to \$7,000 including the security deposit.

Note 3

We estimate that leasehold improvements will range from \$0 to \$1000 to convert a space in a building or your home into the office for your Franchised Business. The cost of the improvements will vary from location to location. If you lease office space, the landlord may make all necessary leasehold improvements, and include the cost of the improvements in your monthly lease payment, so that you do not incur any front-end out-of-pocket expenses; however, there is no guarantee that a landlord would enter into this type of arrangement.

Note 4

If you have a truck or other service vehicle that you use in an Other Business, you can usually convert that vehicle for use in operating your Franchised Business at a cost ranging from \$100 to \$2500. If you do not have a vehicle, you will need to purchase or lease a vehicle to be able to function as a franchisee. The estimate is based on the first month's lease payment.

Note 5

Several local business licenses or permits may be needed to open the Franchised Business or, if you currently operate a similar business, you may already be covered under business licenses you hold now. It is your responsibility to adhere to licensing requirements and renewals. The costs of these business licenses and permits will vary from location to location and are estimated to be from \$0 to \$500.

Note 6

Estimated insurance costs are based on premiums for the insurance coverage required under the Franchise Agreement. (See Section 15 of the Franchise Agreement) All insurance policies must be written by an insurance company satisfactory to us covering both franchisee and us. You also may maintain additional insurance if you consider it advisable.

Note 7

This estimate is for your initial supply of business cards, flyers, contract forms, brochures, sales forms, and invoices.

Note 8

Estimated legal and accounting fees include the cost to create your business entity (e.g., incorporation) and to set up your books and records. (See Section 12 of the Franchise Agreement for our record keeping requirements.)

Note 9

This estimate is for your initial inventory of lights, garland, wreaths, fasteners and other items which should be purchased and on hand upon completion of Quick Start Training for Holiday Lighting Services.

Note 10

You must acquire a printer, cables, peripherals and other computer equipment to place orders electronically over the Internet and to submit sales reports electronically. If you already have this equipment in place with another business you own, you may use them for the Franchised Business and this will result in no additional cost to you.

Note 11

This estimate includes any airfare or other transportation expenses you may incur for 3 people to attend separate Quick Start Training seminars for Holiday Lighting Services, as well as the cost of hotel rooms and meals not provided during training. You are responsible for any such expenses. This cost of these expenses will vary depending on your location and the transportation required for you to travel to the location of the training at our headquarters in Irving, Texas.

Note 12

This estimate includes other expenditures you may be required to make before operations begin and during the initial phase (6 months) of the franchise. In addition, you must be able to pay your personal living expenses for at least the first 6 months of operation. The exact amount of Additional Funds required will vary considerably. This is only an estimate and will vary for each franchised business. For example, if you purchase the franchise as an “add on” to your existing business operations, you may not require the same amount of additional funds. We have relied on our and our affiliates 26 years of experience in the Franchise business to compile these estimates.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase all applicable lighting, decorative garlands, hardware, clips, lighting fixtures, wire, transformers, hardware, accessories and install and use equipment, printing and other supplies and fixtures in accordance with the standards and specifications in the Manual. You must purchase all required lighting products, other products and materials for the operation of the Franchised Business solely from suppliers (including manufacturers and distributors) we approve.

All forms of permanent perimeter lighting for both Residential and Commercial Properties are considered direct competition to the product used for Permanent Lighting Services. Any products other than those approved by TDG is strictly prohibited without prior written approval from TDG. All approved products and Permanent Lighting services offered by such products shall be subject to applicable royalty fees.

Our affiliate, ACLS, is an approved supplier (but not the only approved supplier) of inventory, equipment and supplies for the Franchised Business, including certain branded lighting products. These products include the Barcana line of outdoor lighted Christmas themed ornaments, PermaLites[®] on-site or cloud-based LED lighting and the related DecorSmart technology, and Nite Time Decor[®] low voltage outdoor lighting fixtures. We and ACLS are also the exclusive North American distributor for FDS Illuminations which provides custom-made large holiday decor and displays. For its fiscal year ending December 31, 2023, ACLS received revenue from the sale of product to Christmas Decor franchisees of \$9,079,958. This information is based on the books and records of ACLS. ACLS is owned by Blake Smith who is an officer of TDG. There were no The Decor Group Franchisees during the previous fiscal year.

Although historically we have not supplied lighting or other products to our franchisees, we may do so in the future. We and ACLS may sell some or all of these lighting products to businesses that do not operate a THE DECOR GROUP franchise or a CHRISTMAS DECOR franchise, but these products are made available to franchisees at franchise-only pricing.

We may receive a commission from certain approved third party suppliers of 5% to 10% of the dollar volume of orders by franchisees which we may apply to the cost of maintaining our approved supplier program.

You must obtain the insurance coverage required under the Franchise Agreement from an insurance company satisfactory to us. The coverage shall include, at minimum (except as additional coverage and higher policy limits may reasonably be specified from time to time by TDG) limits at least equal to those shown below for the categories of required insurance.

- Comprehensive general liability insurance; One Million Dollars (\$1,000,000.00) per occurrence with a Two Million Dollars (\$2,000,000.00) annual aggregate;
- Liability for owned, hired, and non-owned automobiles or other vehicles; One Million Dollars (\$1,000,000.00) per occurrence;
- Property damage liability insurance covering at a minimum the perils of fire and extended coverage and vandalism;
- Worker's Compensation Employer Liability as prescribed by state law with limits no less than Five Hundred Thousand Dollars (\$500,000.00); and
- Such other insurance that may be required by us or by the statutes or other laws of the state in which the Franchised Business is located and operated.

The proportion of required purchases from approved suppliers of all lighting products, other products and materials required to establish and operate the Franchised Business is 100%. As of the date of this disclosure document, there are no purchasing or distribution cooperatives.

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items with suppliers for the benefit of franchisees. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor.

We do not provide material benefits to franchisees based upon their use of designated or approved suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

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

OA = Option Agreement
FA = Franchise Agreement
SLA = Software License Agreement

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	OA: Not Applicable FA: Section 3 SLA: Not Applicable	Item 11
b. Pre-opening purchases/leases	OA: Not Applicable FA: Sections 13.A. and C. SLA: Not Applicable	Items 5 and 7
c. Site development and other pre-opening requirements	OA: Not Applicable FA: Sections 3, 5.A. and 13.A. SLA: Not Applicable	Items 6, 7 and 11
d. Initial and on-going training	OA: Not Applicable FA: Sections 5, 14.A. and 14.G. SLA: Not Applicable	Item 11
e. Opening	OA: Not Applicable FA: Section 3.C. SLA: Not Applicable	Item 11
f. Fees	OA: First paragraph; Sections 2 and 5 FA: Sections 1.B., 2.B.6, 11, 17.C., and 19.B.(4) SLA: Sections 1.3 and 8.1	Items 5, 6, 7 and 11
g. Compliance with standards and policies/Operating Manual	OA: Not Applicable FA: Sections 7, 12 and 13 SLA: Not Applicable	Item 11
h. Trademarks and Proprietary Information	OA: Not Applicable FA: Sections 6, 7 and 8 SLA: Sections 4 and 5	Items 13 and 14
i. Restrictions on products/services offered	OA: Not Applicable FA: Sections 13 and 14 SLA: Sections 2, 3 and 4	Item 16

Obligation	Section in Agreement	Disclosure Document Item
j. Warranty and Customer Service Requirements	OA: Not Applicable FA: Manual (Proprietary) SLA: Section 6	Item 11
k. Territorial development and sales quotas	OA: Not Applicable FA: Section 10.A.(1) SLA: Not Applicable	Item 12
l. Ongoing product/service purchases	OA: Not Applicable FA: Sections 13 and 14 SLA: Not Applicable	Item 8 and 12
m. Maintenance, appearance and remodeling requirements	OA: Not Applicable FA: Section 13.B. SLA: Not Applicable	Item 11
n. Insurance	OA: Not Applicable FA: Section 15 SLA: Not Applicable	Item 7
o. Advertising	OA: Not Applicable FA: Sections 10, 13.J. and 14.D. SLA: Not Applicable	Items 6 and 11
p. Indemnification	OA: Not Applicable FA: Section 27 SLA: Not Applicable	Item 6
q. Owners participation/management/staffing	OA: Not Applicable FA: Section 13.H. SLA: Not Applicable	Item 15
r. Records and Reports	OA: Not Applicable FA: Sections 11.B. and 12 SLA: Not Applicable	Item 6 and 7
s. Inspections and Audits	OA: Not Applicable FA: Sections 12 and 13.E. SLA: Not Applicable	Item 6 and 8
t. Transfer	OA: Section 7 FA: Section 19 SLA: Section 7	Item 17
u. Renewal	OA: Section 2 FA: Section 2.B. SLA: Section 8	Item 17
v. Post-termination obligations	OA: Not Applicable FA: Sections 17 and 18 SLA: Section 8	Item 17
w. Non-competition covenants	OA: Not Applicable FA: Sections 18.C. and 18.D. SLA: Not Applicable	Item 17
x. Dispute Resolution	OA: Not Applicable FA: Sections 22, 23, 24, 25, and 26 SLA: Not Applicable	Item 17
y. Other: Guarantee of franchise obligations	OA: Not Applicable FA: Sections 19.B. and 32.A. SLA: Not Applicable	Item 15

Item 10

FINANCING

Depending upon the territory, your credit rating and other factors, we may, in our sole discretion, make limited financing available for a portion of the initial franchise fee. In these cases, the amount financed will be the lesser of 50% of the territory fee or \$7,500. The maximum financing term will be 18 months and the interest will be calculated at an 10% annual percentage rate. Payments must be made under a mandatory automatic bank draft or credit card.

SUMMARY OF FINANCING OFFERED

The following are examples of financing for the Initial Franchise Fee. The amount financed (if any) and the term of the loan will vary based on the factors listed above.

Item Financed	Total Amount	Source of Financing	Down Payment	Amount Financed	Term (Yrs)	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Initial Franchise Fee	\$15,900 Base	TDG	\$23,500	\$7,500	1.5	10%	\$450.43	None	Personal Guaranty and Security Agreement Franchise	Judgment Attorney's Fees Costs	Acceleration of debt Loss of Franchise
	\$16,000 Territory										

A copy of the Promissory Note, Security Agreement and Guaranty Agreement are attached as Exhibit E to this Disclosure Document. We require that the Franchise Agreement be pledged as collateral for payment of the note as well as a personal guaranty of the note signed by you and your spouse (if any, and even if your spouse is not a party to the Franchise Agreement) or by all of your owners (if you are a corporation, limited liability company, partnership or other entity). If you do not make payments in a timely manner, we can raise the interest rate to the maximum allowed by law or call the loan and demand immediate payment of the full outstanding balance as well as any and all court costs and attorney's fees. We have the right to terminate your franchise if you do not make your payments on time. We may assign the note to a third party. We do not require you to waive defenses.

Except as disclosed above, we do not provide or arrange any financing for you. We do not receive direct or indirect payments for placing financing. We do not guarantee your obligations to third parties.

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Item 11

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

Except as listed below, TDG is not required to provide you with any assistance.

Pre-Opening Obligations (Sections 1, 3.C., 14.A. and 14.B. Franchise Agreement): Before you open your business, we will provide you with the following assistance. We will:

1. (Section 3.B., Franchise Agreement) You have sole responsibility to select a site for the Franchised Business in the Territory and for negotiating any lease, if applicable. We will review and approve your site based on an analysis of demographics, visibility and accessibility, and suitability of the premises to be leased. We are not required to approve or disapprove your site within any specific time period, but we will use our reasonable best efforts to notify you of our decision within 30 days from the date you submit your request. If we do not approve the site, you must locate your Franchised Business at another site within the Territory. Typically, our franchisees operate their businesses from their homes or from another pre-existing business location within the Territory, which we approve before the Franchise Agreement is signed. Your failure to present an acceptable site may result in a default under the Franchise Agreement, for which the Franchise Agreement may be terminated.

Under the Franchise Agreement, you must open for business within 30 days following the effective date of the Franchise Agreement. The factors that affect these dates are: the ability to obtain a lease; time for leasehold improvements; your ability to obtain delivery of equipment from suppliers; local ordinances and weather conditions. Any delay must be approved by us in writing;

2. Assist you with suggestions for the layout and design of the Franchised Business (if applicable; however, the costs of leasehold improvements, signs, printing, furniture and fixtures for finishing out a franchised location are your responsibility);

3. Provide you with specifications for the equipment, inventory, forms and materials needed to operate the Franchised Business, provide you with specifications for approved apparel, and give you a list of approved suppliers;

4. Provide you access to an operations/training manual. You do not own this manual;

5. Provide you the initial software license including 1 year of technical support; and

6. Provide you with a Quick Start Training program which includes administrative and inventory control assistance and a 1 day software training program.

Post-Opening Obligations (Section 14.C. Franchise Agreement): During the operation of the Franchised Business, we will provide continuing consultation and advice regarding business, financial, operational, technical, sales and advertising matters, fair pricing structures for advertisers, software upgrades, selection of proper equipment, fixtures and supplies, operation of the Franchised Business and development of personnel policies. There are no minimum or maximum price at which you must sell products and services. We will provide guidance based on historical data of other franchisees in your area. We will provide the assistance by intranet, telephone, or if the situation warrants, through on-site assistance by appropriate personnel at your expense. We will use our intranet system as a primary information and communication tool which means that you must maintain the capability to access the Internet. We require the utilization of high speed internet connections where available. We are not obligated to spend any specific amount on advertising in your territory other than the administration of the Marketing Development Fund described below

Advertising and Promotion (Article 10 and Section 14.D. Franchise Agreement) We may develop and provide creative materials for local or regional advertising and make the advertising materials available to you for publication or distribution in your market area at your expense. Our advertising programs may cover joint advertising or marketing programs with third parties and the development of marketing brochures, forms, letterhead, envelopes, business cards, etc., for your use. In addition, we may provide specific guidelines for advertising and advertising programs you initiate and have the right to disapprove any advertising which, in our opinion, is not in accordance with these guidelines. You must discontinue any advertising and/or promotions that would, in our opinion, be detrimental. We do not have any advertising cooperatives.

We administer Marketing Development Fund to market, advertise and promote THE DECOR GROUP system and CHRISTMAS DECOR system (in either case, a “MDF”). If you are a The Decor Group franchisee, you must contribute to the MDF: 1) a minimum ranging from \$700 to \$3,500 annually (based on the prior year's annual gross sales from Holiday Lighting Services and Permanent Lighting Services) or 1% of annual gross sales, whichever is greater and 2) a minimum ranging from \$400 to \$1,000 annually or 1% of annual gross sales from Landscape Lighting Services, whichever is greater. If you are a Christmas Decor franchisee, you must contribute to the MDF a minimum ranging from \$550 to \$1,150 annually (based on the prior year's annual gross sales from Holiday Lighting Services and market size) or 1% of annual gross sales from Holiday Lighting Services, whichever is greater. For each THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business we own (if any), we will make contributions to the MDF on the same basis as the assessment required of you. MDF contributions are not used to market, advertise or promote franchise sales.

We will administer the MDF as follows:

We will oversee all advertising and advertising programs and will have the sole discretion to approve or disapprove the creative concept, materials, methods, and media (which includes electronic media and the internet) used in the programs, and their placement and allocation. We have no advertising council composed of franchisees. You must agree and acknowledge that the MDF is intended to maximize public recognition and acceptance of the Marks for the benefit of the System, and we undertake no obligation in administering the MDF to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro-rata from advertising or promotion conducted under the MDF.

All MDF contributions and earnings will be used exclusively to meet any and all costs of maintaining, administering, directing and preparing advertising and promotion activities (including the costs of preparing and conducting advertising campaigns in various media; sponsorship, marketing surveys and other public relations activities; employing advertising agencies; and providing advertising brochures and other marketing materials to you). If we elect to establish a national toll-free number for end-user customer service, we may pay for the related costs from the MDF. We have established a Franchise Locator through The Decor Group webpage on the internet. The MDF pays for continuing development and maintenance of these sites.

We do not segregate the MDF funds for THE DECOR GROUP system from the MDF funds for the CHRISTMAS DECOR system or from our general operating funds. However, we do separately account for each System's MDF funds. The MDF funds do not inure to our benefit and no MDF contributions will be used to defray any of our expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the MDFs and advertising programs for the System and its franchisees.

All MDF contributions and earnings must be expended for the purposes described above during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the MDF at the end of the taxable year, all expenditures in the following taxable year(s) shall be made first out of the accumulated earnings from previous years, next out of earnings in the current year and finally from current contributions.

The MDF is not our asset. A statement of the operations of the System's MDF will be prepared annually by our accounting department. We will make those statements available to the System's franchisees (including you) upon written request. All MDF transactions are subject to an internal annual review but are not subject to a separate annual audit.

Although the MDF is intended to be of perpetual duration, we have the right to terminate the MDF at any time. The MDF will not be terminated, however, until all monies in the MDF have been expended for the purposes described in the Franchise Agreement. Your required contributions to the MDF can be increased upon our recommendation and ratification of the recommended increase by 51% of the franchisees in good standing.

The following is a breakdown of the expenditures of the MDF for Holiday Lighting Services for our 2023 fiscal year ending December 31, 2023:

Production ⁽¹⁾	70%
Media Placement ⁽²⁾	20%
Administrative Expenses ⁽³⁾	8%
Other ⁽⁴⁾	<u>2%</u>
Total	100%

Notes:

(1) Production expenditures include: website design, printing and photo layouts; subscriptions; marketing analysis software; customer profiling and tests; and video expenses.

(2) Media Placement expenditures include: website development and optimization; public relations programs – local, regional, and national press releases, online publications, national media attention; trade shows; and philanthropic efforts – Ronald McDonald House, Decorated Families Program.

(3) Administrative Expenses include: any office expenditures related to marketing and advertising.

(4) Other expenditures include: product samples; sales portfolios; and focus groups.

None of the funds of the MDF were used to advertise or solicit for the sale of franchises.

Technology Requirements (Sections 12.D., 13.C. and 14.C. Franchise Agreement) Currently, we do not specify the type of computer system you must maintain, although you must have a PC or compatible computer, as well as a printer, scanner, facsimile transmission equipment, cables, peripherals and other computer equipment needed to run the proprietary software program (described below). We also require you to maintain internet service through a reputable internet service provider with an associated email address which must be approved by us to receive communications from us, to place orders electronically over the Internet, utilize online support, and to submit sales reports and customer lists electronically

For no additional charge during the first year, we provide to you a proprietary software program at the essential level and first year of technical support. This program enables you to complete a variety of

functions, including proposals, scheduling, invoicing, costing and tracking accounts receivable. This program is available for your choice of 3 levels and must be purchased every year. (See Item 6)

In the future, we may require you to update the Computer System (defined in the Franchise Agreement to include computer hardware and software and a DSL line or other dedicated network connection) or install any other Computer System that we designate, and may also require you to purchase and use any other proprietary software developed by or for us.

You must transmit to us, or permit us to collect electronically, information stored on our proprietary programs. You must install and maintain high speed internet access that will allow us to remotely access sales information and other data from our proprietary system. We will have independent access to the information generated and stored in the systems

Each transaction of THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business must be processed using our proprietary software in the manner we prescribe. We will have the right to access and retrieve from our software all sales and other information relating to the THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business, and you agree to take any reasonable action necessary to give us that access. There are no contractual limitations on our right to access this information or to request upgrades of our proprietary software.

You must provide a link from any Other Business website (as defined in the Franchise Agreement) which we approve. When this link is provided, TDG will create a link to your Other Business from your The Decor Group or Christmas Decor front door webpage. You must provide a URL and any necessary artwork, all of which we must approve.

We estimate that the additional cost of your computer system will be approximately \$500. Neither we, nor our affiliates, nor any third parties are required to provide ongoing maintenance repairs, upgrades, or updates to your computer system. Currently, there are no optional or required maintenance/upgrade contracts for the computer system.

Manual (Article 7 and Section 14.B. Franchise Agreement) We will provide you access to our Manuals (currently 1,335 total pages for Holiday Lighting Services and 196 total pages for Landscape Lighting Services) either in electronic form or a hard copy. The Manuals are our confidential property and may not be loaned out, duplicated or copied in any manner. We may add to and otherwise modify the Manuals periodically, as we think necessary, but no addition or modification will alter your fundamental status and rights under the Franchise Agreement. You must always follow the directives of the Manuals throughout the term of the Franchise Agreement. A copy of the Table of Contents of the Manuals are attached as Exhibit B to this disclosure document. The Manuals will be provided and updated through our intranet system or in any other medium we deem best. We may revise the contents of the Manuals and you must comply with each new or changed standard. You must also ensure that the Manuals are always kept current. If there is a dispute as to the contents of the Manuals, the terms of the master copy(s) maintained at our corporate office will be controlling.

Training (Article 5 and Section 14.A. and 14.G. Franchise Agreement.):

Holiday Lighting Services – The Decor Group Franchises and Christmas Decor Franchises

We will make our Quick Start training program available to you (or 1 of your principal investors) and up to 2 additional employees. For your first Territory, Quick Start training attendees must include 1 principal investor. Unless we approve a different training schedule, you must attend and successfully complete to our satisfaction within 30 days after the Franchise Agreement is signed and before you begin offering Holiday Lighting Services, one of our regularly scheduled training and familiarization courses of up to 5 days in duration conducted at our headquarters. The training program covers the material aspects

of the operation of the Franchised Business, including introduction and orientation to the System, financial controls, promotion and sales methods, other marketing techniques, service and operational techniques, systems and methods, deployment of sales people and other personnel, and maintenance of quality standards. The materials used in training include the manuals as well as other presentation materials including Power Point presentations and handouts. All expenses you and your employees incur in attending training, including travel, room and board expense and other similar expenses, are your responsibility.

We conduct training classes throughout the year as needed. Training is administered under the supervision of Blake Smith, with 27 years experience in the lighting industry and Brandon Stephens, with 20 years experience in the lighting industry. We also draw upon the experience of our other management personnel, employees, and training professionals who each have at least 5 years experience in fields related to the training being conducted.

QUICK START TRAINING PROGRAM ⁽¹⁾

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
DAY 1			
Company History & Operating Philosophy	1.5	0	TDG Office Irving, TX
Design Basics	1.5	0	TDG Office Irving, TX
ACLS Product & Ordering Procedures	1.5	0	TDG Office Irving, TX
DAY 2			
Product Orientation & Design Theory	1.5	0	TDG Office Irving, TX
Marketing & Public Relations	1.5	0	TDG Office Irving, TX
Mapping & Measuring	1.5	0	TDG Office Irving, TX
Creating Proposals	1.0	0	TDG Office Irving, TX
Sales	3.0	0	TDG Office Irving, TX
DAY 3			
Sales / Role Play	1.0	0	TDG Office Irving, TX
Scheduling & Paper Flow	1.0	0	TDG Office Irving, TX
Shop & Crew Organization	1.5	0	TDG Office Irving, TX
Power, Electrical, & Trouble-shooting	2.0	0	TDG Office Irving, TX
Installation / Classroom	2.0	0	TDG Office Irving, TX
Takedown & Storage	1.0	0	TDG Office Irving, TX

DAY 4			
Field Training	4.0	0	Field Training Site Irving, TX
Franchise Requirements & Operating Standards	1.0	0	TDG Office Irving, TX
Communication Systems & Online Ordering	1.0	0	TDG Office Irving, TX
Approved Vendors	1.0	0	TDG Office Irving, TX
Business Planning Tools	2.0	0	TDG Office Irving, TX
DAY 5			
Proprietary Software Training	8.0	0	TDG Office Irving, TX

⁽¹⁾ Time periods are approximate.

The training materials are all contained in the Christmas Decor Training Work Book which is supported by a digital library or online.

We may conduct additional seminars or other training programs for your benefit, and you may attend any seminar or program. Upon request and our approval, some of your employees may attend certain seminars and programs. We reserve the right to disapprove the attendance of any of your employees. We may charge a reasonable fee for a seminar or program if it is deemed appropriate. You must pay for all traveling, living, and other expenses incurred by anyone attending training other than so stated. You may make reasonable requests for training in addition to that specified above, and we shall provide the training at your expense, including our travel, lodging, meals and other training fees.

You must attend 1 regional continuing education class and 2 annual conferences during the 5 year initial term and any renewal term of this Agreement, 1 of which must be attended during your 2nd franchise year. If you attend the annual conference in your 2nd franchise year you must also attend the designated refresher course, for 2nd-year franchisees, in conjunction with the conference. We recommend attending all new training available to further broaden your knowledge to better serve your customers. If you do not attend as required, you must review conference/continuing education materials in an online program provided by us and may be charged a cost to access (currently \$850). If you have missed more than 1 continuing education class or annual conference during the term of your Franchise Agreement, you must attend an additional continuing education “refresher course”, at your expense, as a condition to renewal. Your initial franchise fee includes a credit for 1 complimentary Christmas Decor conference registration for 1 person at an annual Christmas Decor conference held during the first 18 months of the initial term of the Franchise Agreement.

If you have a THE DECOR GROUP Franchised Business, you must separately comply with the training obligations discussed in this Item 11 for the separate lighting services, including the requirements regarding attending continuing education programs, annual conferences, and refresher courses (as applicable), discussed above.

Landscape Lighting and Permanent Lighting Services – The Decor Group Franchises

If you have a Franchise Agreement for aTHE DECOR GROUP Franchised Business, we will make 1 introductory training program available to you at no charge. Upon request and our approval, up to 2 of your employees may attend this introductory training program during the first 24 months following execution of the Franchise Agreement. We reserve the right to disapprove the attendance of any of your employees.. The landscape lighting training program covers product lines, design techniques and technical system training and support. The permanent lighting training program covers product lines, on-site and cloud-based control technologies, design, installation and technical support. These programs are more fully described below. You must complete training to our satisfaction before beginning to offer the applicable Lighting Services.

Landscape Lighting Services

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
DAY 1			
Introduction to Nite Time Decor	0.5	0	TDG Office Irving, TX
Nite Time Decor products	1.5	0	TDG Office Irving, TX
Art of Design	1.0	0	TDG Office Irving, TX
Design Pro Software	1.0	0	TDG Office Irving, TX
Nite Time Decor Installation Practices	1.0	0.5	TDG Office Irving, TX
Demo Kit – Benefits & Features	1.0	3.0	TDG Office Irving, TX
DAY 2			
Review demonstration	0.5	0	TDG Office Irving, TX
Design System	0.5	0	TDG Office Irving, TX
Proposal Builder	1.0	0	TDG Office Irving, TX
Advanced Installation Methods	2.0	0	TDG Office Irving, TX
Installation	1.0	5.0	TDG Office Irving, TX
DAY 3			
Sales practices	1.5	0	TDG Office Irving, TX
Marketing	1.5	0	TDG Office Irving, TX
Business Planning	1.5	0	TDG Office Irving, TX

Permanent Lighting Services

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
DAY 1			
Introduction to Decor Smart and PermaLites®	0.5	0	TDG Office Irving, TX
Decor Smart products	0.5	0	TDG Office Irving, TX
Decor Smart Home Automation	0.5	0	TDG Office Irving, TX
RGB Landscape Lights	1.0	0	TDG Office Irving, TX
RGB PermaLites®	1.0	0	TDG Office Irving, TX
RGB allied products	1.0	0	TDG Office Irving, TX
App Download Exercise	1.0	0	TDG Office Irving, TX
Pairing Lamps Exercise	1.0	0	TDG Office Irving, TX
Gateway / Repeater usage	1.0	0	TDG Office Irving, TX
Networks /Groups / Individuals	1.0	0	TDG Office Irving, TX
DAY 2			
Install Decor Smart	1.0	3.0	TDG Office Irving, TX
Decor Smart Design & Application Rules	2.0	0	TDG Office Irving, TX
Decor Smart Troubleshooting	2.0	0	TDG Office Irving, TX
DAY 3			
Sales practices	1.5	0	TDG Office Irving, TX
Marketing	1.5	0	TDG Office Irving, TX
Business Planning	1.5	0	TDG Office Irving, TX

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Item 12

TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The Decor Group Franchised Business: You will receive exclusive rights to offer and sell Holiday Lighting Services and Permanent Lighting Services to Residential Properties within your Territory. Residential Properties are defined as properties which serve as a residence or living quarters for one or more persons, regardless of ownership and regardless of whether a business is being conducted on the property. You will not receive an exclusive Territory for Commercial Properties. Commercial Properties are defined as any property other than a Residential Property. An exclusive territory means we will not operate or give anyone else the right to operate a THE DECOR GROUP Franchised Business offering Holiday Lighting Services or Permanent Lighting Services to Residential Properties within your Territory. As for sales of Holiday Lighting Services and Permanent Lighting Services to Commercial Properties in your Territory and sales of Landscape Lighting Services to both Residential Properties and Commercial Properties in your Territory, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You and we will determine the Territory and a description of the Territory will be inserted in Exhibit A to the Franchise Agreement before the Franchise Agreement is signed. We determine Territories based on (among other relevant factors) the number of residential households in the area and other demographic data, advertising markets, natural and man-made boundaries and resulting traffic patterns. The size of the Territory may range from a portion of a city or an unincorporated area to a single or multi-county area and will be described in Exhibit A of each Franchise Agreement by county lines or a description of municipal boundaries.

If you fully comply with the Franchise Agreement (including satisfaction of the Annual Performance benchmarks set out in paragraph 3 of Exhibit A to the Franchise Agreement), we will not operate or give anyone else the right to operate a THE DECOR GROUP Franchised Business offering Holiday Lighting Services or Permanent Lighting Services to Residential Properties within your Territory. However, we may service or may authorize other franchisees to service national accounts in your Territory if you fail to service the national account in conformity with the applicable protocols and within any required time period. We also may establish or authorize others to establish businesses under different trademarks offering similar or dissimilar products and services, whether in alternative channels of distribution or in any location, including within the Territory.

Your protection is only for sales of Holiday Lighting Services and Permanent Lighting Services, as applicable, to Residential Properties within your Territory. We and any other THE DECOR GROUP franchisee may sell Holiday Lighting Services and Permanent Lighting Services under the Marks to and service Commercial Properties in your Territory and may sell Landscape Lighting Services under the Marks to Residential Properties and Commercial Properties in your Territory, including through other channels of distribution like the internet, catalog sales, telemarketing and direct marketing.

As a The Decor Group franchisee, you may sell Holiday Lighting Services and Permanent Lighting Services to and service Commercial Properties outside your Territory. You may also sell Holiday Lighting Services and Permanent Lighting Services to and service Residential Properties outside your Territory but only in areas that are currently unassigned to any The Decor Group or Christmas Decor franchisee and only as long as you obtain written approval from us and (i) the area is not awarded to another The Decor Group or Christmas Decor franchisee, (ii) these accounts are acquired by referrals or other incidental contact and not through active solicitation activities which are prohibited, and (iii) you

relinquish Residential Property accounts outside your Territory to a new The Decor Group or Christmas Decor franchisee when the area is awarded. You also may sell tLandscape Lighting Services to Residential Properties and Commercial Properties outside your Territory. You have the right to use other channels of distribution (including the Internet) to make sales outside your Territory.

Your territorial protection depends on your compliance with the Franchise Agreement, including your achievement of the Annual Performance Benchmarks set out in an exhibit to the Franchise Agreement. The amount of the Annual Performance Benchmarks is determined by the size of the Territory, number of households in the Territory and other demographic data. If you do not achieve an Annual Performance Benchmark we may elect to reduce the size of your Territory, and you must continue to operate the THE DECOR GROUP Franchised Business under the Franchise Agreement, as modified.

We may excuse or defer compliance with the Annual Performance Benchmarks if, in our reasonable judgment, (a) you are precluded from operating by an event of force majeure (war, civil disturbance, natural disaster, labor dispute, terrorist act or other similar event outside your control), or (b) (i) you have been adversely impacted by a significant negative change in the local economy in our sole opinion, or (ii) you have experienced extraordinary unforeseeable business circumstances in our sole opinion. In addition, if we determine, in our sole opinion, that you have experienced inclement weather days in excess of 10% more than normal for the local area during the peak decorating season (October 1st through December 25th), we will reduce the Annual Performance Benchmarks for that year by a percent equal to the percent of inclement days above and beyond this 10% allowance.

We will not unreasonably withhold our approval for you to relocate your THE DECOR GROUP Franchised Business as long as you relocate to a site within your Territory.

Christmas Decor Franchised Business: You will receive exclusive rights to offer and sell Holiday Lighting Services to Residential Properties within your Territory. Residential Properties are defined as properties which serve as a residence or living quarters for one or more persons, regardless of ownership and regardless of whether a business is being conducted on the property. You will not receive an exclusive Territory for Commercial Properties. Commercial Properties are defined as any property other than a Residential Property. An exclusive territory means we will not operate or give anyone else the right to operate a CHRISTMAS DECOR Franchised Business offering Holiday Lighting Services to Residential Properties within your Territory. As for sales of Holiday Lighting Services to Commercial Properties in your Territory, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. TDG has the right to allow other THE DECOR GROUP Franchisees to offer Permanent Lighting Services and Landscape Lighting Services within your Territory.

You and we will determine the Territory and a description of the Territory will be inserted in Exhibit A to the Franchise Agreement before the Franchise Agreement is signed. We determine Territories based on (among other relevant factors) the number of residential households in the area and other demographic data, advertising markets, natural and man-made boundaries and resulting traffic patterns. The size of the Territory may range from a portion of a city or an unincorporated area to a single or multi-county area and will be described in Exhibit A of each Franchise Agreement by county lines or a description of municipal boundaries.

If you fully comply with the Franchise Agreement (including satisfaction of the Annual Performance benchmarks set out in paragraph 3 of Exhibit A to the Franchise Agreement), we will not operate or give anyone else the right to operate a CHRISTMAS DECOR Franchised Business offering Holiday Lighting Services to Residential Properties within your Territory. However, we may service or may authorize other franchisees to service national accounts in your Territory if you fail to service the national account in

conformity with the applicable protocols and within any required time period. We also may establish or authorize others to establish businesses under different trademarks offering similar or dissimilar products and services, whether in alternative channels of distribution or in any location, including within the Territory.

Your protection is only for sales of Holiday Lighting Services to Residential Properties within your Territory. We and any other CHRISTMAS DECOR franchisee may sell Holiday Lighting Services under the Marks to and service Commercial Properties in your Territory and may sell Permanent Lighting Services and Landscape Lighting Services under the Marks to Residential Properties and Commercial Properties in your Territory, including through other channels of distribution like the internet, catalog sales, telemarketing and direct marketing.

As a Christmas Decor franchisee, you may sell Holiday Lighting Services to and service Commercial Properties outside your Territory. You may also sell Holiday Lighting Services to and service Residential Properties outside your Territory but only in areas that are currently unassigned to any The Decor Group or Christmas Decor franchisee and only as long as you obtain written approval from us and (i) the area is not awarded to another The Decor Group or Christmas Decor franchisee, (ii) these accounts are acquired by referrals or other incidental contact and not through active solicitation activities which are prohibited, and (iii) you relinquish Residential Property accounts outside your Territory to a new The Decor Group or Christmas Decor franchisee when the area is awarded.

Your territorial protection depends on your compliance with the Franchise Agreement, including your achievement of the Annual Performance Benchmarks set out in an exhibit to the Franchise Agreement. The amount of the Annual Performance Benchmarks is determined by the size of the Territory, number of households in the Territory and other demographic data. If you do not achieve an Annual Performance Benchmark we may elect to reduce the size of your Territory, and you must continue to operate the CHRISTMAS DECOR Franchised Business under the Franchise Agreement, as modified.

We may excuse or defer compliance with the Annual Performance Benchmarks if, in our reasonable judgment, (a) you are precluded from operating by an event of force majeure (war, civil disturbance, natural disaster, labor dispute, terrorist act or other similar event outside your control), or (b) (i) you have been adversely impacted by a significant negative change in the local economy in our sole opinion, or (ii) you have experienced extraordinary unforeseeable business circumstances in our sole opinion. In addition, if we determine, in our sole opinion, that you have experienced inclement weather days in excess of 10% more than normal for the local area during the peak decorating season (October 1st through December 25th), we will reduce the Annual Performance Benchmarks for that year by a percent equal to the percent of inclement days above and beyond this 10% allowance.

We will not unreasonably withhold our approval for you to relocate your CHRISTMAS DECOR Franchised Business as long as you relocate to a site within your Territory.

The Decor Group and Christmas Decor Franchises

We will not compensate you for soliciting or accepting orders from inside the Territory.

If you sign an Option Agreement and pay the option fee, you may reserve a Territory for the option period specified in the Option Agreement. Except for the Option Agreement, we do not grant options, rights of first refusal or similar rights to acquire additional franchises.

Item 13

TRADEMARKS

You will operate the Franchised Business under certain trademarks, service marks, trade names, logo types and emblems we authorize including “CHRISTMAS DECOR”, “NITE TIME DECOR” and “PERMALITES”. The Manual contains specifics on how our names and Marks must be used.

The following primary service marks are registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”) and are licensed to franchisees:

Marks	Registration No.	Registration Date
CHRISTMAS DECOR	4,304,700	March 19, 2013
CHRISTMAS DECOR HOLIDAY AND EVENT DECORATORS ¹	3,116,209	July 18, 2006
NITE TIME DECOR LIGHTING FOR ALL OUTDOORS	4,048,360	November 11, 2011
PERMALITES	5,979,022	February 4, 2020

We have filed or will file all required affidavits when appropriate.

¹This Mark was the subject of a previous federal registration dated February 10, 1998, Registration No. 2,135,684.

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court, no pending infringement, opposition or cancellation proceeding, and no pending material litigation involving our Marks. There are no agreements currently in effect which significantly limit our rights to use or license the use of our Marks in a manner material to you. We have no actual knowledge of any superior prior rights or infringing uses of our Marks that could materially affect your use of the Marks.

You must follow our rules when you use our Marks. You cannot use a Mark as part of your legal name or with modifying words, designs or symbols except for those which we may authorize in writing. You must submit your proposed assumed name (as distinguished from your corporate or other legal name) to us for approval. Your assumed name must follow a naming convention that includes either a description of the geographic region being serviced (for example “Christmas Decor of SW Lubbock”) or incorporated with the name of your current business (for example “The Decor Group by Bob’s Landscaping”). The geographic description must not already be in use and must reasonably depict your service area. We will assist you in determining a naming convention that fits your business based on market size and brand recognition of your Other Business in your specific geographic area. If we require you to modify or discontinue using the trademark, you must do so at your own expense.

You may not use our name or Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us.

You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark proceeding or other administrative proceeding arising out of any infringement,

challenge or claim or otherwise relating to the Marks. We are not required to defend you and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights. We do not own any patents nor are there any pending patent applications that are material to the franchise. However, we claim copyright protection for the Manuals, videos, certain marketing, sales and operations literature, our proprietary software programs and any computer software programs and other materials we may develop in the future.

There are no presently effective determinations of the Copyright Office, any pending interference, opposition or cancellation proceedings or any pending material litigation involving the copyrights which is relevant to their use. There are no agreements currently in effect which significantly limit our rights to use or license the use of the copyrights in any manner material to the franchise. There are no superior rights or infringing uses known to us which could materially affect your use of these rights.

We are not obligated by the Agreement or otherwise to protect any or all of these rights or to protect you against claims of infringement. We are not required by the Agreement to defend you against any claim of copyright infringement.

You are authorized by the Agreement to use our copyrighted materials in the performance of your activities under the Agreement. Ownership of all of these rights will remain in us and our assigns. These materials are provided in confidence, must be kept confidential and must be returned on termination or expiration of the Franchise Agreement or transfer of the franchised business.

Trade Secrets and Confidential/Proprietary Information. Under the Franchise Agreement, you acknowledge that you will obtain knowledge of our confidential/proprietary matters, techniques and business procedures and that they are necessary and essential to the operation of the franchised business. You also agree that the confidential/proprietary information was not known to you before signing the Franchise Agreement and that our methods are distinctive to the System. As used in the Franchise Agreement, “Confidential/Proprietary Information” means confidential and proprietary matters, information, techniques and business procedures regarding The Decor Group System and Christmas Decor System including marketing techniques, financial controls, training, and the Manuals. We also consider The Decor Group customer lists and Christmas Decor customer lists of the franchised business to be our Confidential/Proprietary Information. You must agree to make customer lists available to us upon request. Information from these lists is used to, among other things, enhance marketing techniques, conduct periodic surveys, improve market penetration and strengthen brand protection. Upon request, we will provide a non-solicitation agreement stating that any customers related to any Other Business you own will not be solicited for any services except those offered by us through our franchisees.

Manuals. During the term of the Franchise Agreement, we will give you access to the appropriate Manuals for your Franchised Business in either electronic form or a hard copy, which may cover such topics as Pre-Opening Procedures, Daily Operations, Marketing and any related topics as may be incorporated in the Manuals periodically. The Manuals will remain our Confidential/Proprietary Information. You must always follow the directives of the Manuals, as we may modify them. We may revise the contents of the Manuals and you must comply with each new or changed standard. You must also ensure that the Manuals are always kept current. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained at our corporate office will be controlling.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

This is a full-time business during the holiday decorating season, usually September through the following February each year. Although we do not require you to personally supervise THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business on-premises, we recommend that you do so. If you do not, one of your employees whom we approve must devote full-time and on-premises attention to the management and operation of THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business during the holiday decorating season. This employee must sign a confidentiality and non-compete agreement that we and our counsel approve and satisfactorily complete our Training programs but is not required to have any equity investment in the franchise. Even if THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business is operated under the supervision of an approved manager, you (or your owner/operator) must devote a sufficient amount of time, energy and best efforts to ensure the efficient and successful operations of the Franchised Business, including compliance with all terms of the Franchise Agreement and the Manual. You must submit to TDG a business plan for your THE DECOR GROUP Franchised Business or CHRISTMAS DECOR Franchised Business, by September 1 or 10 business days after completion of appropriate Training classes, whichever is later. We also recommend that you prepare business plans annually by each September 1 during the term of the Franchise Agreement.

If you form a corporation, partnership or limited liability company, you must be the controlling shareholder, partner or member. Except for shareholders of publicly-held corporations and, in our discretion, limited partners of a limited partnership franchisee, all of your shareholders, partners or members must jointly and severally guarantee the performance under the Franchise Agreement and bind themselves to the terms of the Agreement, including non-compete covenants and the covenants against the use or disclosure of our confidential/proprietary information. We also require you to obtain from your employees and send to us confidentiality and non-compete agreements that we and our counsel approve as appropriate for your service area.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those products and services we authorize, but are not required to sell all products or services we authorize. We have the right to change the type of products or services we authorize. There are no contractual limitations on our right to make any changes.

For your THE DECOR GROUP Franchised Business, you may sell Holiday Lighting Services and Permanent Lighting Services to Residential Properties in your Territory and to any Commercial Property wherever located. You may also sell Holiday Lighting Services and Permanent Lighting Services to, and service, Residential Properties located in unassigned territories under the conditions described in Item 12 of this disclosure document. You may sell Landscape Lighting Services to Residential Properties and Commercial Properties inside and outside your Territory.

For your CHRISTMAS DECOR Franchised Business, you may sell Holiday Lighting Services to Residential Properties in your Territory and to any Commercial Property wherever located. You may also sell Holiday Lighting Services to, and service, Residential Properties located in unassigned territories under the conditions described in Item 12 of this disclosure document.

You may not conduct advertising which is not in good taste or is of questionable moral character. All marketing materials and initial marketing investments must be approved by our Marketing Director and comply with all standards as laid out in the TDG Marketing and Brand Guidelines.

If we establish a national accounts system, we may provide you referrals according to the protocols for national accounts that will be described in the Manuals. If you do not agree to service a national account, then we may either service it directly or assign it to another franchisee. We reserve the right to change any national accounts program that we may establish at our sole discretion.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

FRANCHISE AGREEMENT (FA)

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
a. Length of franchise term	Section 2	5 years.
b. Renewal of the term	Section 2	Your renewal rights permit you to renew the Franchise Agreement if you satisfy the required conditions to renewal at the time of renewal. You may renew the Franchise Agreement for additional successive 5-year periods. You must sign our then-current franchise agreement which may include terms that differ from the terms in the initial contract.
c. Requirements for renewal and extension	Section 2	Pay fee, sign general release (See Exhibit F), comply with then-current training requirements, satisfy outstanding monetary obligations, comply with then-current specifications and standards, achieve Annual Performance Benchmarks, and ensure compliance with Franchise Agreement for duration of original terms. One of the conditions to renewal requires you to sign our then-current franchise agreement for the renewal term and this new agreement may have materially different terms and conditions (including, e.g., higher royalty and/or marketing development fees) from the agreement that covered your initial term or prior renewal term.
d. Termination by franchisee	None.	None.

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
e. Termination by franchisor without cause	None.	None.
f. Termination by franchisor with cause	Section 16.	We can terminate only if you default.
g. “Cause” defined – curable defaults	Section 16.B.	You have 30 days (15 days for a monetary default) to cure all curable defaults.
h. “Cause” defined – non-curable defaults	Section 16.C. and 16.D.	Abandonment, overdue fees, illegal operation of the Franchised Business, material misrepresentation on application, unauthorized transfer, unauthorized disclosure of confidential or proprietary information, repeated territorial infringement, failure to provide access to conduct audits within 3 days of written notice, repeated defaults under the Agreement, activity that disparages us, THE DECOR GROUP or CHRISTMAS DECOR brand or the Marks, failure to cure a curable default within 30 days, conviction of a felony (or plea of nolo contendere to felony charge), and bankruptcy.
i. Franchisee’s obligations on termination/non-renewal	Section 17	Pay amounts due, pay liquidated damages (if applicable), return Manuals and related materials, return all The Decor Group and Christmas Decor customer files, cease using the Marks, cease operating the Franchised Business, no confusing use of the Marks.
j. Assignment of contract by franchisor	Section 19	No restrictions.
k. “Transfer” by franchisee – defined	Section 19	You may not convey, give away, pledge, exchange, lease, mortgage, or encumber the Agreement or any of your rights or privileges under the Agreement without our written consent.
l. Franchisor approval of transfer by franchisee	Section 19	We must approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 19	Transferee must qualify, must not operate a similar or competing business, sign the then current Franchise Agreement, pay the transfer fee, complete any required training and sign a general release (see Exhibit F).

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19	We have the right to match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Section 17	On termination or expiration of the Franchise Agreement, we have the right to purchase your inventory and equipment at fair market value.
p. Death or disability of franchisee	Section 19	A person's interest must be transferred to an approved third party within 3 months of that person's death or mental incapacity. Where interest is transferred by devise or inheritance, and the heir does not meet our qualifications, the heir will have up to 180 days to dispose of the deceased's interest.
q. Non-competition covenants during the term of the franchise	Section 18	You may not offer products or services which are the same or substantially similar to the Holiday Lighting Services or, for The Decor Group franchises, the Permanent Lighting Services and Landscape Lighting Services in your Territory, the service territory of another The Decor Group franchise or Christmas Decor franchise or an area within a 50-mile radius of your Territory or the service territory of another The Decor Group franchise or Christmas Decor franchise (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	Section 18	For 2 years you may not offer products or services substantially similar to the Holiday Lighting Services or, for The Decor Group franchises, the Permanent Lighting Services or Landscape Lighting Services in your Territory, the service territory of another The Decor Group franchise or Christmas Decor franchise or an area within a 50-mile radius of your Territory or the service territory of another The Decor Group franchise or Christmas Decor franchise (subject to state law).
s. Modification of the agreement	Section 33	Agreement may only be modified in writing and signed by both us and you.
t. Integration/merger clause	Section 33	Only the terms of the franchise agreement and other related agreements are binding (subject to state law). No other promises or representations will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
		disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Section 22	Non-binding mediation (subject to state law)
v. Choice of forum	Section 23, 24, 25, and 26	State and Federal courts in Lubbock, Texas (subject to state law) The Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of punitive or exemplary damages, a waiver of jury trial and a contractual limitations period. We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.
w. Choice of law	Section 23	Texas (subject to state law).

California residents, see the California Addendum to this Disclosure Document for additional disclosures required by California law.

Item 18

PUBLIC FIGURES

We do not use any public figure to promote the franchise.

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Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The Decor Group Franchised Business:

There were no The Decor Group franchises during the fiscal year ending December 31, 2023.

Christmas Decor Franchised Business:

This financial performance representation is based on historical data of the franchise system's outlets and includes Average Gross Sales in Table No. 1, and Estimated Net Profit as a Percentage of Sales, Average New Sale, Average Closing Rate, Average Customer Retention, and Average Daily Production for a 3-Man Crew in Table No. 2. Average Gross Sales are further categorized by market size and number of years in operations.

All information in the following tables reflect the sale of Holiday Lighting Services only and none of the information relates to the sale of any Ancillary Lighting Services.

Table No. 1

The average sales information was derived from system-wide sales reporting data from 155 Christmas Decor franchisees representing 192 franchises (or 80% of all 240 active Christmas Decor franchises at the sales reporting deadline of January 22, 2024). 10 franchises that either failed to provide sales reports or had de minimis activity because their owners are in the process of selling their Christmas Decor franchise were not included in our system-wide sales data for royalties. 38 of these 240 franchises had been in operation for fewer than the 5+ year operational periods used to determine inclusion for purposes of the Average Gross Sales category, so their Average Gross Sales were not included. (See notes (1) and (2)).

		Franchises Above Average	Franchises Below Average	Highest	Lowest	Median⁽⁵⁾
AVERAGE GROSS SALES ⁽¹⁾						
Top 10% in sales ⁽²⁾	\$2,412,637	25%	75%	\$7,253,083	\$1,238,833	\$1,610,768
5+ years in operation ⁽³⁾	\$418,607	37%	63%	\$7,253,083	\$13,291	\$226,039

Notes to Table No. 1

- (1) In the first franchise year of this seasonal business, franchisees start at different times during the year (often in the last quarter) and are trained on the system at various times so their gross sales for each outlet are not a true representation of the system. In the second year, much of the gross sales are dependent on renewal of customers from the previous year. Since the total number of customers for each new outlet in its first year is disproportionately low, the renewals are also disproportionately low for the second year. We consider mature franchises to be those with at least a 3 year operating history. Accordingly, we did not include the Gross Sales of any Christmas Decor franchise operating for less than 2 years in determining Average Gross Sales. The Average Gross Sales for franchises that had 3+ years in operations compared to 5+ years in operation were less than 5%. Therefore we did not include the 3+ years numbers in determining Gross Sales.

Average Gross Sales data includes both residential and commercial customers. Gross Sales is defined as the sale of Holiday Lighting Services less sales tax, discounts, allowances, and returns.

- (2) Our system-wide average sales information for royalty purposes in calculating the top 10% of total sales, is based on the collective sales data received from 8 franchisee owners representing 23 Christmas Decor franchises (10% of all 240 active Christmas Decor franchises).
- (3) Our system-wide average sales information for royalty purposes is based on the collective sales data received from 155 franchisee owners representing 192 Christmas Decor franchises. 38 franchises have been in operation for less than 5 years and are not included in the system-wide averages for this financial performance representation.
- (4) The definition of Median is the gross sales amount that is the midpoint in the range of gross sales amounts used in Table 1.

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Further details regarding those Christmas Decor franchises represented in Table No. 1 of this financial performance representation are listed below:

Geographic Distribution. The following is a breakdown of the Christmas Decor franchises included in Table No. 1 of this financial performance representation by state:

Alabama – 3	Louisiana – 4	Ohio – 5
Alaska – 2	Maryland – 6	Oklahoma – 2
Arizona – 2	Massachusetts – 7	Oregon – 3
Arkansas – 4	Michigan – 6	Pennsylvania – 9
California – 2	Minnesota – 5	Rhode Island – 1
Colorado – 6	Mississippi – 2	South Carolina – 2
Connecticut – 1	Missouri – 1	Tennessee – 3
Delaware – 1	Montana – 5	Texas – 19
Florida – 6	Nebraska – 2	Utah – 5
Georgia – 10	New Hampshire – 1	Vermont – 1
Idaho – 4	New Jersey – 16	Virginia – 5
Illinois – 7	New Mexico – 1	Washington – 3
Indiana – 4	New York – 7	West Virginia – 2
Iowa – 6	North Carolina – 1	Wisconsin – 4
Kansas – 2	North Dakota – 1	Wyoming – 1
Kentucky – 2		

Number of Years in Operation. The following is a breakdown of the Christmas Decor franchises included in Table No. 1 of this financial performance representation by years in operation:

Years in Operation	# of Franchises
1 – 4	0
5 +	192

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Table No. 2

Information for the following 5 categories was derived from a survey sent to all Christmas Decor franchisees to elicit information about their 2023 operating year. Of the franchisees surveyed, 186 Christmas Decor franchisees representing 225 franchises (or 94% of all 240 active Christmas Decor franchises at the sales reporting deadline of January 22, 2024) responded to our questions and were included in the other 5 categories listed below. Data concerning the remaining 15 franchises whose owners did not respond to the survey or who failed to respond thoroughly were not included in this financial performance representation. It is unknown to us whether the inclusion of such data, if it were available, would have a material effect on the figures contained in the following chart:

		Franchises Above Average	Franchises Below Average	Median⁽⁶⁾
Average Estimated Net Profit as a Percentage of Sales⁽¹⁾	41%	71%	29%	50%
Average New Sale⁽²⁾	\$2,253	37%	63%	\$1,819
Average Closing Rate⁽³⁾	51%	48%	52%	50%
Average Customer Retention⁽⁴⁾	79%	57%	43%	82%
Average Daily Production (3-man crew)⁽⁵⁾	\$3,361	35%	64%	\$2,667

Notes to Table No. 2

- (1) The definition of Estimated Net Profits is total sales less product costs, cost of labor, sales and marketing related costs, equipment rental, and any other variable costs related specifically to the Christmas Decor business. Royalty Fees paid to the Franchisor, owner salary/draws or allocations of fixed assets unchanged by the Christmas Decor business were not included.
- (2) Average New Sale data is for sales to first-time residential customers.
- (3) Average Closing Rate is the number of sales made to first-time residential customers vs. the number of appointments to those same customers.
- (4) Average Customer Retention is the number of renewals made to residential customers (at least 2 years old) vs. the number of residential customers from the previous year.
- (5) Average Daily Production is based on the sales installed by a 3-man crew operation during the holiday season (typically, the last 2 weeks of October, all of November and the first 2 weeks of December).
- (6) The definition of Median is the midpoint in the range of figures used for each of the averages in Table 2.

Further details regarding those Christmas Decor franchises represented in Table No. 2 of this financial performance representation are listed below:

Geographic Distribution. The following is a breakdown of the Christmas Decor franchises included in Table No. 2 of this financial performance representation by state:

Alabama – 3	Louisiana – 5	Ohio – 5
Alaska – 2	Maryland – 9	Oklahoma – 3
Arizona – 2	Massachusetts – 7	Oregon – 5
Arkansas – 4	Michigan – 7	Pennsylvania – 13
California – 2	Minnesota – 5	Rhode Island – 1
Colorado – 6	Mississippi – 3	South Carolina – 3
Connecticut – 1	Missouri – 2	Tennessee – 5
Delaware – 1	Montana – 5	Texas – 26
Florida – 9	Nebraska – 2	Utah – 5
Georgia – 10	New Hampshire – 2	Vermont – 1
Idaho – 4	New Jersey – 17	Virginia – 6
Illinois – 7	New Mexico – 1	Washington – 3
Indiana – 4	New York – 7	West Virginia – 2
Iowa – 6	North Carolina – 2	Wisconsin – 4
Kansas – 3	North Dakota – 1	Wyoming – 2
Kentucky – 2		

Number of Years in Operation. The following is a breakdown of the Christmas Decor franchises included in Table No. 2 of this financial performance representation by years in operation:

Years in Operation	# of Franchises
1 – 2	14
3 – 4	20
5 +	191

Written substantiation for the financial performance representation will be made available to you upon reasonable request.

This analysis does not include any estimates of the federal income tax that would be payable on the net income from a CHRISTMAS DECOR Franchised Business or state or local net income or gross profits taxes that may be applicable to the particular jurisdiction in which any such business is located.

Some outlets have sold and/or earned this amount. Your individual financial results may differ from these results. There is no assurance you'll sell and/or earn this much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brandon Stephens, 301 SE Loop 289, Lubbock, Texas 79404, (806) 722-1225, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

The Decor Group Franchise program and opportunity began as of the effective date of this FDD so there are no outlets and Franchisee information to be reported in the following tables 1 – 4 in this Item 20. Table 5 Projected Openings does include information for The Decor Group franchisees.

Table No. 1

Systemwide Outlet Summary For Years 2022, 2022-S⁽¹⁾ and 2023

CHRISTMAS DECOR FRANCHISE PROGRAM

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2022	235	235	0
	2022-S	235	240	+5
	2023	240	240	0
Company-Owned	2022	0	0	0
	2022-S	0	0	0
	2023	0	0	0
Total Outlets	2022	235	235 ⁽²⁾	0
	2022-S	235	240	+5
	2023	240	240	0

Notes:

- (1) All numbers for 2022 are as of fiscal year end, March 31. 2022-S is for the shortened fiscal year from April 1, 2022 through December 31, 2022. The fiscal year end date was changed during the 2022 calendar year. The numbers for 2023 are as of December 31, 2023
- (2) Three existing franchises (1-California, 1-Connecticut, 1-Missouri) terminated after the fiscal year ending March 31, 2022. They are included in this table and Exhibit D-2 List of Franchises Who Have Left.

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2022, 2022-S⁽¹⁾ and 2023**

CHRISTMAS DECOR FRANCHISE PROGRAM

STATE	YEAR	NUMBER OF TRANSFERS
Georgia	2022	0
	2022-S	0
	2023	1
Louisiana	2022	1
	2022-S	0
	2023	0
Maryland	2022	0
	2022-S	1
	2023	0
Minnesota	2022	0
	2022-S	1
	2023	0
Montana	2022	1
	2022-S	0
	2023	0
New Jersey	2022	0
	2022-S	0
	2023	2
North Carolina	2022	1
	2022-S	0
	2023	0
Oregon	2022	1
	2022-S	0
	2023	0
Pennsylvania	2022	0
	2022-S	1
	2023	0

STATE	YEAR	NUMBER OF TRANSFERS
Texas	2022	2 ⁽⁴⁾
	2022-S	0
	2023	0
Total	2022	6
	2022-S	3
	2023	3

Notes:

- (1) All numbers for 2022 are as of fiscal year end, March 31. 2022-S is for the shortened fiscal year from April 1, 2022 through December 31, 2022. The fiscal year end date was changed during the 2022 calendar year. The numbers for 2023 are as of December 31, 2023
- (2) During the fiscal year ending March 31, 2021, one existing franchise in New Jersey (with a portion of their territory in Pennsylvania) was transferred to a new franchise with the entire territory in Pennsylvania.
- (3) During the fiscal year ending March 31, 2022, one existing franchise in Texas was transferred to another existing franchise in Texas and consolidated with their existing franchise under a single franchise agreement with a common owner.

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Table No. 3

**Status of Franchised Outlets
For Years 2022, 2022-S⁽¹⁾ and 2023**

CHRISTMAS DECOR FRANCHISE PROGRAM

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF THE YEAR
Alabama	2022	3	0	0	0	0	0	3
	2022-S	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Alaska	2022	2	0	0	0	0	0	2
	2022-S	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Arizona	2022	3	0	0	0	0	0	3
	2022-S	3	0	0	0	0	0	3
	2023	3	0	0	1	0	0	2
Arkansas	2022	4	0	0	0	0	0	4
	2022-S	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
California	2022	3	0	0	0	0	0	3 ⁽⁵⁾
	2022-S	3	0	0	1	0	0	2
	2023	2	0	0	0	0	0	2
Colorado	2022	6	0	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Connecticut	2022	3	0	0	1	0	0	2 ⁽⁵⁾
	2022-S	2	0	0	1	0	0	1
	2023	1	0	0	0	0	0	1
Delaware	2022	1	0	0	0	0	0	1
	2022-S	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2022	9	0	0	1	0	0	8
	2022-S	8	1	0	0	0	0	9
	2023	9	1	0	0	0	0	10

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF THE YEAR
Georgia	2022	10	0	0	0	0	0	10
	2022-S	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
Idaho	2022	5	0	0	0	0	0	5
	2022-S	5	0	0	0	0	0	5
	2023	4	0	0	1	0	0	4
Illinois	2022	8	0	0	1	0	0	7
	2022-S	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Indiana	2022	4	0	0	0	0	0	4
	2022-S	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Iowa	2022	6	0	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Kansas	2022	4	0	0	0	0	0	4
	2022-S	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Kentucky	2022	2	0	0	0	0	0	2
	2022-S	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Louisiana	2022	5	0	0	0	0	0	5
	2022-S	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Maine	2022	0	0	0	0	0	0	0
	2022-S	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Maryland	2022	9	1	0	0	0	0	10
	2022-S	10	0	0	0	0	0	10
	2023	10	0	1	0	0	0	9

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF THE YEAR
Massachusetts	2022	7	1	0	1	0	0	7
	2022-S	7	1	0	0	0	0	8
	2023	8	0	0	1	0	0	7
Michigan	2022	6	0	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	1	0	0	0	0	7
Minnesota	2022	6	0	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	1	0	1	0	0	6
Mississippi	2022	2	0	0	0	0	0	2
	2022-S	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Missouri	2022	2	0	0	0	0	0	2 ⁽⁵⁾
	2022-S	2	0	0	1	0	0	1
	2023	1	1	0	0	0	0	2
Montana	2022	5	0	0	0	0	0	5
	2022-S	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Nebraska	2022	2	0	0	0	0	0	2
	2022-S	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Nevada	2022	1	0	0	0	0	0	1
	2022-S	1	0	0	0	0	0	1
	2023	1	1	0	1	0	0	1
New Hampshire	2022	1	1	0	0	0	0	2
	2022-S	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Jersey	2022	19	0	0	0	0	0	19
	2022-S	19	0	0	0	0	0	19
	2023	19	0	0	0	0	0	19

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF THE YEAR
New Mexico	2022	1	0	0	0	0	0	1
	2022-S	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2022	5	2	0	1	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	1	0	0	0	0	7
North Carolina	2022	3	0	0	0	0	0	3
	2022-S	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
North Dakota	2022	1	0	0	0	0	0	1
	2022-S	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2022	6	0	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Oklahoma	2022	4	0	0	0	0	0	4
	2022-S	4	0	0	0	0	0	4
	2023	4	0	0	1	0	0	3
Oregon	2022	3	0	0	0	0	0	3
	2022-S	3	1	0	0	0	0	4
	2023	4	1	0	0	0	0	5
Pennsylvania	2022	13	1	1	0	0	0	13
	2022-S	13	0	0	0	0	0	13
	2023	13	1	0	0	0	0	14
Puerto Rico	2022	0	0	0	0	0	0	0
	2022-S	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Rhode Island	2022	1	0	0	0	0	0	1
	2022-S	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2022	2	0	0	0	0	0	2
	2022-S	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF THE YEAR
South Dakota	2022	1	0	0	1	0	0	0
	2022-S	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Tennessee	2022	5	0	0	0	0	0	5
	2022-S	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Texas	2022	28	4	3	0	0	1 ⁽⁴⁾	28
	2022-S	28	5	1	1	0	0	31
	2023	31	0	2	1	0	0	28
Utah	2022	6	0	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Vermont	2022	1	0	0	0	0	0	1
	2022-S	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2022	5	1	0	0	0	0	6
	2022-S	6	0	0	0	0	0	6
	2023	6	1	0	0	0	0	7
Washington	2022	4	0	0	0	0	0	4
	2022-S	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
West Virginia	2022	2	0	0	0	0	0	2
	2022-S	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Wisconsin	2022	4	0	0	0	0	0	4
	2022-S	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Wyoming	2022	2	0	0	0	0	0	2
	2022-S	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Totals	2022	235	11	4	6	0	1	235
	2022-S	235	10	1	4	0	0	240
	2023	240	10	3	7	0	0	240

Notes:

- (1) All numbers for 2022 are as of fiscal year end, March 31. 2022-S is for the shortened fiscal year from April 1, 2022 through December 31, 2022. The fiscal year end date was changed during the 2022 calendar year. The numbers for 2023 are as of December 31, 2023
- (2) During the fiscal year ending March 31, 2020, one existing franchise in Maine was transferred to an existing franchise in New Hampshire and consolidated with their existing franchise under a single franchise agreement with a common owner. The transfer is reflected in the transfers in Table 2 of this Item 20.
- (3) During the fiscal year ending March 31, 2021, one existing franchise in New Jersey (with a portion of their territory in Pennsylvania) was transferred to a new franchise with the entire territory in Pennsylvania. The transfer is reflected in the transfers in Table 2 of this Item 20.
- (4) During the fiscal year ending March 31, 2022, one existing franchise in Texas was transferred to another existing franchise in Texas and consolidated with their existing franchise under a single franchise agreement with a common owner. The transfer is reflected in the transfers in Table 2 of this Item 20.
- (5) Three existing franchises (1-California, 1-Connecticut, 1-Missouri) terminated after the fiscal year ending March 31, 2022. They are included in this table and Exhibit D-2 List of Franchises Who Have Left.

Table No. 4

**Status of Company-Owned Outlets
For Years 2022, 2022-S⁽¹⁾ and 2023**

CHRISTMAS DECOR FRANCHISE PROGRAM

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
All States	2022	0	0	0	0	0	0
	2022-S	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0
	2022-S	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Notes:

- (1) All numbers for 2022 are as of fiscal year end, March 31. 2022-S is for the shortened fiscal year from April 1, 2022 through December 31, 2022. The fiscal year end date was changed during the 2022 calendar year. The numbers for 2023 are as of December 31, 2023

Table No. 5

Projected Openings as of December 31, 2023

THE DECOR GROUP FRANCHISE PROGRAM

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
Arkansas	0	1	0
Colorado	0	1	0
Florida	0	1	0
Illinois	0	2	0
Massachusetts	0	2	0
New Jersey	0	2	0
Pennsylvania	0	2	0
Tennessee	0	2	0
Texas	0	5	0
Virginia	0	1	0
Wyoming	0	1	0
Totals	0	20	0

Projected Openings as of December 31, 2023

CHRISTMAS DECOR FRANCHISE PROGRAM

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
Colorado	0	1	0
Georgia	0	1	0
Illinois	0	1	0
Indiana	0	1	0
New Jersey	0	2	0
New York	0	1	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
North Carolina	0	1	0
Texas	0	2	0
Washington	0	1	0
Wisconsin	0	1	0
Totals	0	13	0

The names, business addresses and business telephone numbers of our franchisees and their outlets as of December 31, 2023 are attached as Exhibit D-1.

Attached as Exhibit D-2 is a list of the name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had an outlet terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement as of December 31, 2023, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document.

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

As of December 31, 2023, we are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document.

As of December 31, 2023, we have no current or former franchisees who have signed provisions in the last 3 years restricting their ability to speak openly to you about their experience with the Christmas Decor franchise system.

As of December 31, 2023, there are no trademark-specific franchisee organizations associated with the Christmas Decor franchise system.

Item 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit C are the audited financial statements of TDG as of its fiscal year ended December 31, 2023, prepared by our current auditor. Also attached are audited financial statements prepared by our predecessor auditor for fiscal years ending December 31, 2022, March 31, 2022 and 2021. Also attached are our unaudited financial statements for the period July 30, 2024.

Item 22

CONTRACTS

Attached to this Disclosure Document as an exhibit are copies of the following contracts:

1. Option Agreement;
2. Franchise Agreement and State Addenda;
3. End User Software License Agreement for our proprietary software;
4. Form of General Release;
5. ACH Authorization Agreement;
6. Credit Card Authorization Agreement; and
7. Promissory Note, Security Agreement, Guaranty Agreement

Item 23

RECEIPT

Attached as the last 2 pages of this Disclosure Document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G

**ADDENDUM TO THE DECOR GROUP, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Disclosure Document and/or Franchise Agreement contain provisions that are inconsistent with the following, these provisions are hereby amended:

A. Item 3 of the Disclosure is supplemented by the following language

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

B. Item 6 of the Disclosure Document is supplemented by the following language

The maximum legal interest rate allowed in California is 10% annually.

C. Item 17 of the Disclosure Document is supplemented by the following language.

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.
- e. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- f. The franchise agreement requires binding arbitration. The arbitration will occur at the American Arbitration Association office located nearest to Lubbock, Texas with the costs being borne equally by the parties.
- g. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section

1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

- h. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
- i. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

D. Item 19 of the Disclosure Document is supplemented by the following language.

The financial performance representation figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue of gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

2. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

3. OUR WEBSITE www.christmasdecor.net HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

5. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

6. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

**ADDENDUM TO THE DECOR GROUP, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

If the franchise agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial Decisions interpreting the Act), Illinois law will govern.

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

Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

“NATIONAL ACCOUNTS” EXIST IN THIS FRANCHISE SYSTEM. FRANCHISOR HAS DISCRETION TO SERVICE “NATIONAL ACCOUNTS” OR ALLOW ANOTHER FRANCHISEE TO SERVICE ACCOUNTS WITHIN YOUR TERRITORY WITH NO COMPENSATION PAID TO YOU.

**ADDENDUM TO THE DECOR GROUP, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Item 17

(a) The Summary column for Items 17.v., "Choice of Forum" is amended as follows:

"Except for any rights a franchisee has under the Maryland Franchise Registration and Disclosure Law to bring suit in Maryland for claims arising under the Law, mediation of disputes which are subject to mediation will be held at our corporate headquarters. Except as otherwise required by the Maryland Franchise Registration and Disclosure Law, venue for all proceedings arising under the Franchise Agreement is the state, county or judicial district where our principal place of business is located, unless otherwise brought by us."

(b) Item 17.c., "Requirements for you to renew or extend" and Item 17.m. "Conditions for our approval of transfer" are amended by the addition of the following:

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

(c) Item 17 is amended to add the following note at the end of that Item:

"A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims that Franchisee may have under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

(d) The addition of the following as the last paragraph of Item 17:

"A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101."

**ADDENDUM TO THE DECOR GROUP, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN**

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTling ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE 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 DISCLOSURE ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT AND DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and The Decor Group, Inc. (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement and/or Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s proprietary marks infringes trademark rights of the third party.
- b. Minn. Stat. Sec. 80C.14, Subds. 3, 4., and 5 requires, except in certain specified cases, that a franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.
- d. Minn. Stat. Sec. 80C17, Subd. 5 requires that no action may be commenced pursuant to this section more than three (3) years after the cause of action accrues. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- e. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement and/or Disclosure Document is hereby amended to delete all references to liquidated damages (which includes the termination fee) in violation of Minnesota law; provided, that no such deletion shall excuse the franchisee from liability for actual or other damages and the formula for liquidated damages in the Agreement and/or Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement and/or Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement and/or Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain.

6. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment on _____, 20__.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**ADDENDUM TO THE DECOR GROUP, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.

REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 38 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or material civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the 10 year period immediately preceding application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices comparable allegations.
- D. No such party is subject to any currently effective injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities

exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.”

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of this Disclosure Document (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of Christmas Decor held this position with the company or partnership.”

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchises”**:

You may terminate the agreement on any grounds available by law.

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

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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

The foregoing choice of law should not be considered a waiver of any right conferred upon you or upon the franchisee by Article 33 of the General Business Law of the State of New York.”

**ADDENDUM TO THE DECOR GROUP, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA**

1. Item 5 “Initial Fees,” is amended by:

(a) Deleting the first sentence of the second paragraph under the subheading “Initial Franchise Fee” and replacing them with the following:

“The initial franchise fee is payable when you have completed the Quick Start Training program and opened for business.”

(b) Adding the following subsection at the end of Item 5:

“Deferral of Other Initial Payments Payable to Us

Any other initial payment payable to us before the business opens will be deferred until after you have completed the Quick Start Training program and opened for business.”

2. Item 7 “Estimated Initial Investment,” each table is amended by deleting the phrase “On signing Franchise Agreement” from the “When Due” columns of the Initial Franchise Fee line items and replacing it with the following:

Upon completion of the Quick Start Training program and the opening of the business.”

**ADDENDUM TO THE DECOR GROUP, INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for The Decor Group, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE DECOR GROUP, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

1) 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 mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

2) In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

3) A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

5) Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

FRANCHISE AGREEMENT

EXHIBIT A

“EXHIBIT A”

FRANCHISE AGREEMENT

**THE DECOR GROUP, INC.
FRANCHISE AGREEMENT**

between

**THE DECOR GROUP, INC.
(A Texas Corporation)**

and

Name_____

Address_____

City, State, Zip_____

Phone Number (_____) _____ - _____

Fax Number (_____) _____ - _____

E-Mail Address:_____

Date:_____

Form dated: October 3, 2024
FDD dated: October 3, 2024

THE DECOR GROUP, INC.

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ATTACHMENT A – OWNERS' GUARANTY AND ASSUMPTION AGREEMENT

EXHIBIT A – SELECTED TERMS

THE DECOR GROUP, INC.
FRANCHISE AGREEMENT

Franchisee(s) Name _____

d/b/a THE DECOR GROUP of / by _____

d/b/a CHRISTMAS DECOR of / by _____

Mailing Address _____

City _____ State _____ Zip _____

Street Address _____

City _____ State _____ Zip _____

Effective Date (the date on which TDG signs this Agreement): _____

THIS AGREEMENT is made by and between THE DECOR GROUP, INC., a Texas corporation with headquarters located at 2301 Crown Court, Irving, Texas 75038, hereinafter known as “Franchisor” or “TDG”, and the persons listed above and referenced herein individually or collectively as “Franchisee,” to evidence the agreement and understandings between the parties as follows:

RECITALS

WHEREAS, TDG has acquired or developed expertise and comprehensive business systems (“THE DECOR GROUP” System “CHRISTMAS DECOR System” or “System” as further defined below) for businesses that sell Christmas, holiday and special event lighting and decoration products and services (“Holiday Lighting Services”) and landscape lighting products and services (“Landscape Lighting Services”) and permanent lighting products and services (“Permanent Lighting Services”) (the “THE DECOR GROUP Business”, “CHRISTMAS DECOR Business” or the “Franchised Business”); and

WHEREAS, Franchised Businesses operate under the marks “CHRISTMAS DECOR®”, “NITE TIME DECOR®”, “PermaLites®” and other trade names, trademarks, logos and service marks authorized for use by TDG (the “THE DECOR GROUP Marks”, “CHRISTMAS DECOR Marks” or “Marks”); and

WHEREAS, THE DECOR GROUP System and CHRISTMAS DECOR System include sales development programs, sales techniques, materials for preparation, special training techniques, design information, and Confidential/Proprietary Information, as defined below; and

WHEREAS, there is substantial goodwill and business value in the Marks and System; and

WHEREAS, TDG grants franchises (a “Franchise”) for THE DECOR GROUP Businesses and CHRISTMAS DECOR Businesses to qualified franchisees and Franchisee recognizes the benefits to be derived from being identified with and receiving a Franchise from TDG; and

WHEREAS, Franchisee desires to obtain a Franchise for a THE DECOR GROUP Business offering Holiday Lighting Services, Permanent Lighting Services and Landscape Lighting Services or a

CHRISTMAS DECOR Business offering Holiday Lighting Services from TDG in accordance with the terms and conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein and subject to the terms and conditions hereof, the parties agree as follows:

1. GRANT OF FRANCHISE AND INITIAL FRANCHISE FEE

A. Grant of Franchise and Territorial Rights

(1) Grant of Franchise

(a) **The Decor Group Business** - TDG hereby grants to Franchisee the right and Franchisee hereby accepts the obligation to operate a Franchise for a THE DECOR GROUP Business under the terms and conditions set forth in this Agreement. TDG also hereby grants and the Franchisee hereby accepts a limited license to use the CHRISTMAS DECOR Marks and the CHRISTMAS DECOR System and the NITE TIME DECOR Marks and the NITE TIME DECOR System solely in connection with the operation of THE DECOR GROUP Business in accordance with the terms and conditions of this Agreement. THE DECOR GROUP Business includes Holiday Lighting Services, Landscape Lighting Services and Permanent Lighting Services.

(b) **Christmas Decor Business** - TDG hereby grants to Franchisee the right and Franchisee hereby accepts the obligation to operate a Franchise for a CHRISTMAS DECOR Business under the terms and conditions set forth in this Agreement. TDG also hereby grants and the Franchisee hereby accepts a limited license to use the CHRISTMAS DECOR Marks and the CHRISTMAS DECOR System solely in connection with the operation of the CHRISTMAS DECOR Business in accordance with the terms and conditions of this Agreement. The CHRISTMAS DECOR Business includes only Holiday Lighting Services.

(2) Territorial Rights

(a) **The Decor Group Business**. Prior to the execution of this Agreement, TDG will designate on Exhibit A to this Agreement a geographically contiguous area to be agreed upon by TDG and Franchisee (the "Service Territory"). Franchisee shall have the right and obligation to operate a THE DECOR GROUP Business in the Service Territory in accordance with this Agreement. Except as expressly set forth below and in Section 13.K. of this Agreement (regarding national accounts) and provided that the Franchisee is in full compliance with this Agreement, TDG agrees that during the term of this Agreement, it will not offer or sell, or grant to any other person or entity the right to offer or sell, Holiday Lighting Services or Permanent Lighting Services to Residential Properties within the Service Territory of Franchisee. Residential Properties are defined as properties which serve as a residence or living quarters for one or more persons, regardless of ownership and regardless of whether a business is being conducted on the property. Notwithstanding the foregoing, if in any Franchise Year Franchisee fails to satisfy the Annual Performance Benchmarks

in Exhibit A to this Agreement, TDG may reduce the size of the Service Territory. In that event, TDG will modify the description of the Service Territory on Exhibit A and forward a copy of the revised Exhibit to Franchisee. Franchisee agrees to continue to operate THE DECOR GROUP Business under this Agreement, as modified. TDG may excuse or defer compliance with the Annual Performance Benchmarks if, in TDG's sole opinion, (a) Franchisee is precluded from operating by an event of force majeure (war, civil disturbance, natural disaster, labor dispute, terrorist act or other similar event outside Franchisee's control), or (b) (i) Franchisee has been adversely impacted by a significant negative change in the local economy, or (ii) Franchisee has experienced extraordinary unforeseeable business circumstances. In addition, if TDG determines, in TDG's sole opinion that Franchisee has experienced inclement weather days in excess of ten percent (10%) more than normal for the local area during the peak decorating season (October 1st through December 25th), TDG will reduce the Annual Performance Benchmarks for that year by a percent equal to the percent of inclement days above and beyond this ten percent (10%) allowance.

(i) Franchisee agrees that its rights and protections shall relate solely, and be limited, to the offer and sale of Holiday Lighting Services and Permanent Lighting Services to Residential Properties within the Service Territory. Commercial Properties are defined as any property other than a Residential Property. Commercial Properties are non-exclusive and any THE DECOR GROUP franchisee or TDG may offer and sell Holiday Lighting Services and Permanent Lighting Services to, and may service, Commercial Properties within the Service Territory. Franchisee also may (a) sell Holiday Lighting Services and Permanent Lighting Services to, and may service, Commercial Properties located outside the Service Territory and (b) may sell Holiday Lighting Services and Permanent Lighting Services to, and may service, Residential Properties located outside the Service Territory in any area not assigned to another THE DECOR GROUP Franchisee or CHRISTMAS DECOR franchisee; so long as Franchisee obtains written approval from TDG and (I.) the area is not awarded to another franchisee, (II.) accounts are acquired by referrals or other incidental contact and not by active solicitation activities which are prohibited, and (III.) Residential Properties outside the Service Territory are relinquished to the new franchisee when the area is awarded. Any properties serviced outside the Service Territory shall be included in the Annual Gross Sales reported by Franchisee to TDG.

(ii) Franchisee further agrees that its rights and protections in the Service Territory do not extend to any Landscape Lighting Services, or to any other types of businesses that TDG or its affiliates may operate or sell franchises to others to operate. Franchisee acknowledges that TDG, its affiliates, other THE DECOR GROUP franchisees offering Landscape Lighting Services, and others, may solicit, accept orders for, and sell landscape lighting products and services to any property (whether Commercial Properties or Residential Properties) within or outside the Service Territory.

(b) Christmas Decor Business. Prior to the execution of this Agreement, TDG will designate on Exhibit A to this Agreement a geographically contiguous area to be agreed upon by TDG and Franchisee (the "Service Territory"). Franchisee shall have the right and obligation to operate a CHRISTMAS DECOR Business in the Service Territory in accordance with this Agreement. Except as expressly set forth below and in Section 13.K. of this Agreement (regarding national accounts) and provided that the Franchisee is in full compliance with this Agreement, TDG agrees that during the term of this Agreement, it will not offer or sell, or grant to any other person or entity the right to offer or sell, Holiday Lighting Services to Residential Properties within the Service Territory of Franchisee. Residential Properties are defined as properties which serve as a residence or living quarters for one or more persons, regardless of ownership and regardless of whether a business is being conducted on the property. Notwithstanding the foregoing, if in any Franchise Year Franchisee fails to satisfy the Annual Performance Benchmarks in Exhibit A to this Agreement, TDG may reduce the size of the Service Territory. In that event, TDG will modify the description of the Service Territory on Exhibit A and forward a copy of the revised Exhibit to Franchisee. Franchisee agrees to continue to operate the CHRISTMAS DECOR Business under this Agreement, as modified. TDG may excuse or defer compliance with the Annual Performance Benchmarks if, in TDG's sole opinion, (a) Franchisee is precluded from operating by an event of force majeure (war, civil disturbance, natural disaster, labor dispute, terrorist act or other similar event outside Franchisee's control), or (b) (I.) Franchisee has been adversely impacted by a significant negative change in the local economy, or (II.) Franchisee has experienced extraordinary unforeseeable business circumstances. In addition, if TDG determines, in TDG's sole opinion that Franchisee has experienced inclement weather days in excess of ten percent (10%) more than normal for the local area during the peak decorating season (October 1st through December 25th), TDG will reduce the Annual Performance Benchmarks for that year by a percent equal to the percent of inclement days above and beyond this ten percent (10%) allowance.

(i) Franchisee agrees that its rights and protections shall relate solely, and be limited, to the offer and sale of Holiday Lighting Services to Residential Properties within the Service Territory. Commercial Properties are defined as any property other than a Residential Property. Commercial Properties are non-exclusive and any CHRISTMAS DECOR franchisee or TDG may offer and sell Holiday Lighting Services to, and may service, Commercial Properties within the Service Territory. Franchisee also may (a) sell Holiday Lighting Services to, and may service, Commercial Properties located outside the Service Territory and (b) may sell Holiday Lighting Services to, and may service, Residential Properties located outside the Service Territory in any area not assigned to another THE DECOR GROUP franchisee or CHRISTMAS DECOR franchisee; so long as Franchisee obtains written approval from TDG and (I.) the area is not awarded to another franchisee, (II.) accounts are acquired by referrals or other incidental contact and not by active solicitation activities which are prohibited, and (III.) Residential Properties outside the Service Territory are relinquished to the new

franchisee when the area is awarded. Any properties serviced outside the Service Territory shall be included in the Annual Gross Sales reported by Franchisee to TDG.

(ii) Franchisee further agrees that its rights and protections in the Service Territory do not extend to any other types of businesses that TDG or its affiliates may operate or sell franchises to others to operate. Franchisee acknowledges that TDG, its affiliates, other THE DECOR GROUP offering Permanent Lighting Services and Landscape Lighting Services, and others, may solicit, accept orders for, and sell permanent lighting products and services and landscape lighting products and services to any property (whether Commercial Properties or Residential Properties) within or outside the Service Territory.

(3) **TDG's Reservation of Rights**

TDG and its affiliates retain all rights not otherwise expressly granted herein, including, without limitation, the right to offer and sell similar or dissimilar products and services, and to conduct any other activities they deem appropriate whenever and wherever they desire, including, but not limited to, the right to establish and operate, and to grant to others the right to establish and operate, on any terms and conditions they deem appropriate (a) any number of THE DECOR GROUP Businesses and CHRISTMAS DECOR Businesses outside the Service Territory, and (b) any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations within or outside the Service Territory under different trademarks or service marks.

B. Franchisee's Initial Franchise Fee

(1) **Calculation of Initial Franchise Fee**

By executing this Agreement, Franchisee agrees to become a Franchisee and pay an Initial Franchise Fee to TDG as follows:

(a) **The Decor Group franchisee.** Base Fee of Eighteen Thousand Nine Hundred Dollars (\$18,900.00) plus a Territory Fee ranging from One Thousand Five Hundred Dollars (\$1,500.00) up to Sixty Thousand Dollars (\$60,000.00).

(b) **Christmas Decor franchisee – Standard Market Territory.** Base Fee of Fifteen Thousand Nine Hundred Dollars (\$15,900.00) plus a Territory Fee ranging from One Thousand Five Hundred Dollars (\$1,500.00) up to Sixty Thousand Dollars (\$60,000.00).

Christmas Decor franchisee – Community Market Territory.

Base Fee of Seven Thousand Nine Hundred Dollars (\$7,900.00) plus a Territory Fee ranging from One Thousand Five Hundred Dollars (\$1,500.00) up to Twenty Thousand Dollars (\$20,000.00).

The amount of the Initial Franchise Fee will vary depending upon a number of factors including the size of Service Territory granted, the number of Residential Properties located in the Service Territory, and other demographic data. The amount of the Territory Fee for the Franchised Business subject to this Agreement will be listed in Exhibit A to this Agreement before this Agreement is signed.

(2) Payment of Initial Franchise Fee

Payment of the Initial Franchise Fee is due upon execution of this Agreement by Franchisee and is made by tendering a company check, credit card, automatic bank draft or cashier's check, in the amount of the Initial Franchise Fee (including the applicable Base Fee plus the Territory Fee specified in Exhibit A). The Initial Franchise Fee is fully earned by TDG at the time this Agreement is executed by TDG and, except as provided in Section 5.B., is non-refundable.

2. TERM AND RENEWAL

A. Term

This Agreement shall be effective and binding for an initial term of five (5) years from the Effective Date.

B. Renewal

Franchisee shall have the right to renew the Franchise(s) granted pursuant to this Agreement for additional successive terms of five (5) years each, provided that all of the following conditions have been fulfilled:

(1) Franchisee has given TDG notice of its intention to renew and has satisfied all conditions to renewal set forth herein on or before the earlier of: May 1 in the fifth (5th) year following the Effective Date of this Agreement or the date which is the fifth (5th) anniversary of the Effective Date.

(2) Franchisee has, during the initial term and any prior renewal term of this Agreement, substantially complied with all its provisions;

(3) Franchisee continues to operate the Franchised Business and, by the expiration date of the initial term and any prior renewal term, has brought the Franchised Business into full compliance with the then-current specifications and standards of TDG;

(4) Franchisee has satisfied all monetary obligations owed by Franchisee to TDG and any of its subsidiaries, affiliates and approved suppliers and has timely met these obligations throughout the initial term and any prior renewal term of this Agreement;

(5) Franchisee has executed TDG's then-current form of Franchise Agreement (with appropriate modifications to reflect the fact that the said agreement relates to the grant of a renewal license), which agreement shall supersede in all respects this Agreement and the terms of which may differ from the terms of this Agreement, including, without limitation, higher continuing fees; provided, that the percentage royalty rate for the first Franchise Year of the renewal term will be at least the same as the percentage royalty rate of the last Franchise Year of the initial or previous renewal term, as applicable. The

Service Territory shall remain the same, provided that Franchisee has met all the requirements for each Franchise Year during the initial term or previous renewal term;

(6) Franchisee pays to TDG a Renewal Fee of Two Thousand Dollars (\$2,000.00);

(7) Franchisee has complied with TDG's then-current qualification and training requirements;

(8) Franchisee has executed a general release, in a form prescribed by TDG, of any and all claims against TDG and its subsidiaries and affiliates, if any, and their respective officers, directors, agents and employees; and

(9) Franchisee has satisfied the Annual Performance Benchmarks for each Franchise Year during the initial term or previous renewal term, as applicable.

3. FRANCHISED BUSINESS LOCATION

A. Operation of Franchised Business

Franchisee understands the importance of complying with all of Franchisor's standards, specifications, policies and procedures relating to the operation of the Franchised Business.

B. Selection of Location by Franchisee

Franchisee will be responsible for securing a suitable location for the Franchised Business; however, TDG must approve such location in writing prior to any purchase or lease. This approval will not be unreasonably withheld.

C. Opening of Franchised Business

Within thirty (30) days from the Effective Date, Franchisee must have selected a business location suitable to him/her and agreeable to TDG, secured all necessary occupational licenses and/or zoning approvals for the location, opened the Franchised Business, and commenced operations. Time is of the essence. In the event Franchisee does not meet each of the obligations described above within the time period allowed, then this Agreement may be terminated by TDG. Prior to opening, Franchisee shall complete to TDG's satisfaction all preparations of the System in accordance with specifications set forth in the Manuals (as defined in Section 7 of this Agreement), including the acquisition of supplies and, inventory as required by TDG, the completion of the required Quick Start training program and a one (1) day software training program. Franchisee must submit a business plan for the CHRISTMAS DECOR franchise by the later of September 1 or ten (10) business days after completing the Christmas Decor Quick Start Training program. Franchisee must submit a business plan for THE DECOR GROUP franchise within sixty (60) days after completing the Landscape Lighting Training program or PermaLites Training Program or by the later of September 1 or ten (10) business days after completing the Christmas Decor Quick Start Training program, whichever is earlier.

4. EQUIPMENT AND MATERIALS

A. Use of Proper Equipment and Materials

TDG will provide Franchisee with specifications for brands and types of any equipment, printed forms and promotional materials, required for the Franchised Business, all of which may be modified from time to time.

B. Specification Standards For Equipment

Franchisee shall comply with all specifications for types of equipment, inventory, printed forms and promotional materials and for TDG's approved apparel used in the Franchised Business and shall purchase all equipment, printed forms, promotional materials, apparel and other items and supplies only from vendors who have been designated "Approved Suppliers" by TDG as provided in Section 13 of this Agreement.

5. TRAINING REQUIREMENTS AND ASSISTANCE BY TDG

A. Training

Unless otherwise approved by TDG, Franchisee shall attend and successfully complete, to TDG's satisfaction, within thirty (30) days following the Effective Date, and prior to offering Holiday Lighting Services, TDG's regularly scheduled training and familiarization course ("Quick Start Training") for the Franchised Business which includes, in addition to other training, a one (1) day software training course to be conducted at TDG's headquarters. Franchisee (or an owner/operator of Franchisee if Franchisee is a legal entity) **must** attend and successfully complete the Quick Start Training program. The Quick Start Training sessions will cover all material aspects of the operation of the Franchised Business, including introduction and orientation to the System, financial controls, promotion and sales methods, other marketing techniques, service and operational techniques, systems and methods, deployment of salespeople and other personnel, and maintenance of quality standards. TDG shall make training available to Franchisee's owner/operator and up to two (2) additional employees.

For a THE DECOR GROUP Franchised Business, you must separately comply with the training obligations for landscape lighting services and permanent lighting services, including the requirements regarding attending continuing education programs, annual conferences, and refresher courses.

B. Non-Completion of Quick Start Training by Franchisee

If TDG determines, in its sole discretion, that Franchisee (including Franchisee's owner/operator if Franchisee is a legal entity) is unable to satisfactorily complete the Quick Start Training program described above, TDG shall have the right to terminate this Agreement as set forth in Section 16.B. of this Agreement. If this Agreement is terminated pursuant to this subsection, TDG shall return to Franchisee the Initial Franchise Fee (or the applicable portion thereof) paid by Franchisee to TDG minus the expenses incurred by TDG as of such date for providing training to Franchisee and other expenses incurred by TDG. Upon the return of said amount, TDG, its affiliates, and their respective officers, directors, and owners (the "Released Parties") shall be fully and forever released from any and all claims or causes of action the Franchisee may have against the Released Parties, including, without limitation, claims under, arising out of, or pursuant to the Franchise Agreement, including its offer and sale and the relationship created by

the Franchise Agreement. Following termination, Franchisee shall have no further right, title or interest in the Franchise and Franchisee shall comply with all post-termination obligations, including the return of all Manuals (including videos and CD Roms), computer software (if applicable), and start-up kit items.

C. Additional or Refresher Training; Seminars and Conferences

Franchisee shall complete, and/or shall cause those of its employees required by TDG to complete, to TDG's satisfaction and at such times as TDG may require, such other additional training as TDG may reasonably require from time to time, including, without limitation, training with respect to Ancillary Lighting Services. Additionally, from time to time, TDG may require previously trained and experienced franchisees, their managers, contractors or employees to attend and successfully complete refresher training programs, seminars or conferences. All additional or refresher training programs, seminars, or conferences shall be conducted at the place and in the manner designated by TDG, including, without limitation, online or at TDG's headquarters or such other location as may be determined by TDG. TDG reserves the right to charge a reasonable fee for any additional or refresher training course, seminar or conference; however, payment of the Initial Franchise Fee for each Franchised Business includes the fee (but not the related attendance costs) for one conference for such Franchised Business in the First Franchisee Year.

As further provided in Section 14.G., for each Franchised Business which is the subject of this Agreement, TDG requires, and Franchisee acknowledges and agrees that Franchisee or an employee of Franchisee satisfactory to TDG, must attend at least one (1) regional continuing education program and two (2) annual National Conferences during the five (5) year initial term, and any renewal term, of this Agreement, one (1) of which must be attended during the second (2nd) franchise year. Franchisees attending the annual National Conference in their second (2nd) franchise year must also attend the designated refresher course in conjunction with the conference. In the event Franchisee or its employee fails to do so, for each program or conference missed, Franchisee shall, within a reasonable period of time specified by TDG, review conference/continuing education materials in an online program provided by TDG at the then-current access charge as a substitute for each program or conference missed. If Franchisee or its approved employee fails to complete the approved online training program within the time specified by TDG, Franchisee may be required by TDG to pay an additional sum equal to the current access charge. Further, if Franchisee or its employee has missed more than one (1) continuing education class or annual National Conference during the term of the Franchise Agreement, Franchisee will be required to attend a "refresher course" as a condition to renewal. Persons attending training will be required to sign a non-disclosure agreement (satisfactory in form and substance to TDG and its counsel) acknowledging that they will be receiving Confidential/Proprietary information during all training sessions and that they must keep such information confidential at all times and use such Confidential/Proprietary Information only in the operation of the Franchised Business.

For a THE DECOR GROUP Franchised Business, you must separately comply with the training obligations for landscape lighting services and permanent lighting services, including the requirements regarding attending continuing education programs, annual conferences, and refresher courses. Franchisee or an employee of Franchisee acceptable to TDG must attend the programs and conferences for each Franchised Business subject to this Agreement.

D. Training Costs

Franchisee shall pay all costs incurred by it and its employees in attending any Quick Start Training or additional or refresher training programs, seminars or conferences, including, without limitation, the attendees' travel, room, meals and wages together with any applicable fee then currently charged by TDG.

6. PROPRIETARY NAMES AND MARKS

A. TDG's Ownership of Names and Marks

Franchisee acknowledges and agrees that TDG is the owner of, or has the right to use and sublicense the use of, the Marks and Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by TDG from time to time during the term of this Agreement. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of TDG in and to the Marks. Franchisee acknowledges and agrees that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of TDG and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement, or after its termination or expiration, contest the validity or ownership of any of the Marks or assist another person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional trademarks, service marks, and commercial symbols TDG authorizes for use by Franchisee after the date of this Agreement.

B. Franchisee's Use of Names and Marks

Franchisee shall not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, symbols, or in any modified form, nor may Franchisee use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in the Manuals or otherwise in writing by TDG. Franchisee agrees to give such notices of trademark and service mark registrations as TDG specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. Franchisee shall not use any of the Marks in any manner which has not been specified or approved by TDG. Franchisee agrees that this Agreement does not convey any right or property interest in the Marks licensed hereunder.

On or before the Effective Date, Franchisee must submit to TDG for its approval a proposed assumed name under which the Franchised Business will be operated. The assumed name must follow a naming convention that describes either (i) the geographic area served by the Franchised Business; e.g., "THE DECOR GROUP of _____" - description of geographic region being serviced (for example, "THE DECOR GROUP of SW Lubbock") or (ii) combines the name of the Franchisee's Other Business with the Franchised Business name; e.g., "CHRISTMAS DECOR by _____" (for example "CHRISTMAS DECOR by Bob's Landscaping"). The geographic description must not already be in use and must reasonably describe Franchisee's Service Territory.

Franchisee shall not use the Marks or any abbreviation or other name associated with TDG or the System as part of any e-mail address, domain name, or other identification of Franchisee in any

electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining TDG's written consent as to the content of such e-mail advertisements or solicitations as well as Franchisee's plan for transmitting such advertisements. In addition, Franchisee shall be solely responsible for compliance with any laws pertaining to sending e-mails including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act of 2003").

C. Unauthorized Use of Names and Marks

Franchisee shall immediately notify TDG in writing of any apparent infringement of or challenge to Franchisee's use of the Marks and of any claim by any person of any right in the Marks or any similar trade name, trademark, or service mark of which Franchisee becomes aware. Franchisee shall not directly or indirectly communicate with any person other than TDG and its counsel in connection with any such infringement, challenge, or claim. TDG shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Marks. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of TDG's counsel, be necessary or advisable to protect and maintain the interests of TDG in any such litigation, U.S. Patent and Trademark proceeding, or other administrative proceeding or to otherwise protect and maintain the interests of TDG in the Marks.

D. TDG's Right to Modify

If it becomes advisable at any time in TDG's sole discretion, for TDG and/or Franchisee to modify or discontinue use of the Marks (or any of them), and/or use one or more additional or substitute trade name, trademark, service mark, or other commercial symbol, Franchisee agrees to comply with TDG's directions within a reasonable time after notice to Franchisee by TDG. TDG shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of the Marks.

7. CONFIDENTIAL OPERATIONS/TRAINING MANUAL

TDG shall give to Franchisee access to one (1) copy of the operations manual(s), either in electronic form or a hard copy, and any associated videotapes, audiotapes, CD Roms, and ancillary media which may cover such topics as Pre-Opening Procedures, Daily Operations, Marketing, and additional topics as may be incorporated in such manual from time to time, as TDG deems necessary (collectively the "Manual"). The Manual will remain confidential and the property of TDG and may not be duplicated, loaned out, or copied in whole or in part in any manner. TDG will have the right to add to and otherwise modify the Manual from time to time, as it deems necessary, provided that no such addition or modification will alter the Franchisee's fundamental status and rights under this Agreement. Franchisee agrees to comply with all terms and conditions of the Manual, as may be amended by TDG from time to time. Alterations to the Manual may be made available to franchisees by any reasonable means used by TDG, including via the internet.

8. CONFIDENTIAL/PROPRIETARY INFORMATION

A. Franchisee Will Learn Confidential/Proprietary Information

Franchisee acknowledges that, in the course of operating the Franchised Business, Franchisee will obtain knowledge of certain confidential and/or proprietary matters, techniques and business procedures of TDG (“Confidential/Proprietary Information”) including, without limitation, knowledge regarding the System, marketing techniques, financial controls, training, and the Manual. Franchisee further acknowledges that such Confidential/Proprietary Information was not known to Franchisee prior to the Effective Date of this Agreement, that the methods of TDG are distinctive to the System, are necessary and essential to the operation of the Franchised Business and offer Franchisee a competitive advantage, and that without such Confidential/Proprietary Information Franchisee could not effectively and efficiently operate the Franchised Business. During the term of this Agreement and after the termination or expiration (without renewal) of this Agreement, Franchisee agrees that, except as expressly provided in Section 8.C. of this Agreement, Franchisee will not disclose to anyone, directly or indirectly, any Confidential/Proprietary Information, without the prior written consent of TDG. Franchisee further agrees that, at all times during the term of this Agreement, Franchisee will use such Confidential/Proprietary Information solely in connection with the operation of the Franchised Business and not otherwise, and Franchisee will immediately cease use of such Confidential/Proprietary Information upon the termination or expiration (without renewal) of this Agreement.

B. New Developments

If Franchisee or its employees develop any new concept, process or improvement in the operation or promotion of the Franchised Business, Franchisee agrees to promptly notify TDG and provide TDG with all necessary related information, without compensation. Franchisee acknowledges that any such concept, process or improvement will become the property of TDG, and TDG may use or disclose such information to other franchisees as it determines to be appropriate. Franchisee agrees to execute, and cause its employees to execute, any and all documentation required by TDG to implement this provision.

C. Franchisee’s Employees Will Not Disclose Confidential/Proprietary Information

Franchisee may disclose the Confidential/Proprietary Information only to such of its employees, agents and representatives as must have access to it in order to operate the Franchised Business. Before disclosing any such Confidential/Proprietary Information to an employee, agent, or representative of Franchisee, Franchisee shall obtain from each such person, a non-disclosure agreement (adapted by Franchisee to conform to relevant state law requirements and satisfactory in form and substance to TDG and TDG’s counsel) that such person shall not, during the course of his or her employment, representation, or agency with Franchisee and thereafter, use, (except in the conduct of the Franchised Business during the term of this Agreement) divulge, disclose, copy or communicate, directly or indirectly, any of the Confidential/Proprietary Information of TDG in any form or manner, to any person or legal entity.

D. TDG’s Copyrights

TDG claims copyright protection in and to the Manual, certain marketing, sales, and operations literature, and any computer software programs and other materials TDG may develop in the

future. All such materials shall be considered part of TDG's Confidential/Proprietary Information.

E. Customer Lists

Franchisee agrees that the lists all customer names; service, billing and shipping addresses; service, billing and shipping phone numbers; customer sales dollars and other information regarding the customers of the Franchised Business (the "Customer Lists") shall be TDG's sole property and will constitute a part of the Confidential/Proprietary Information. Franchisee agrees that, during the term of this Agreement, it will not disclose the Customer Lists, or any portion thereof, to any person other than TDG and those of Franchisee's employees who must have access to the Customer Lists to perform their duties, and that after the term and expiration (without renewal) of this Agreement, Franchisee shall make available to TDG, the Customer Lists and the entire customer file, including job-site maps, and shall not use the Customer Lists or disclose the Customer Lists to anyone. Franchisee further agrees that TDG has the right to request, and upon such request Franchisee shall provide to TDG, the Customer Lists at any time during the term of this Agreement and in any format determined by TDG. Franchisee acknowledges that TDG also has the right to contact all customers of the Franchised Business from time to time to conduct customer satisfaction, marketing, or other surveys deemed by TDG to be necessary or advisable to promote THE DECOR GROUP Business and CHRISTMAS DECOR Business and brand.

Anything in this Section 8.E. to the contrary notwithstanding, TDG and Franchisee agree that, to the extent the Customer Lists include names, billing and service addresses, and other information for persons who are customers of both the Franchised Business and any Other Business (as defined below) operated by Franchisee, Franchisee shall jointly own and may continue to use the information relevant to the operation of such Other Business, solely in connection therewith, and provided that, in no event shall any such information be used in connection with the sale, installation or servicing of Holiday Lighting Services. For the avoidance of doubt, if Franchisee owns an Other Business which is a landscape business and elects to provide Landscape Lighting Services under this Agreement, all customers to which such services are provided shall be deemed to be customers of both such Other Business and the Franchised Business. An "Other Business" is any business operated by Franchisee at the Effective Date of this Agreement, including any landscape business, which provides any necessary resources to the Franchised Business, which does not violate the restrictive covenants set forth in Article 18 of this Agreement, and which has been disclosed to and acknowledged by TDG as an "Other Business". A description of any such Other Business shall be entered on Exhibit A to this Agreement.

Upon the termination or expiration (without renewal) of this Agreement, Franchisee acknowledges and agrees that TDG may assign the Customer Lists to another franchisee for the sole purpose of providing Holiday Lighting Services. TDG will use commercially reasonable efforts to obtain from such other franchisee an agreement not to solicit customers listed on the Customer Lists for any purpose other than the provision of said services.

F. Injunctive Relief Available to TDG

Franchisee's obligations under this Section 8 shall survive the expiration (without renewal) termination or transfer of this Agreement and any interest therein. Franchisee acknowledges that any failure to comply with the requirements of this Article 8 will cause TDG irreparable injury and TDG shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements. Franchisee agrees to pay all court costs and reasonable attorneys' fees and costs incurred by TDG in obtaining specific performance of, or an injunction against, violation of

requirements of this Article 8. The foregoing remedies shall be in addition to any other legal or equitable remedies which TDG may possess.

9. MODIFICATION OF THE SYSTEM

Franchisee recognizes and agrees that from time to time hereafter TDG may change or modify the System as presently described in the Manuals, and the Marks, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new computer programs, computer hardware and systems, new equipment or new techniques. Franchisee will accept and use for the purpose of this Agreement any such changes in the System, as if they were part of this Agreement as of the Effective Date. Franchisee will make such expenditures as such changes or modifications in the System may reasonably require. Franchisee shall not change, modify or alter in any way the System, without the prior written consent of TDG.

10. ADVERTISING AND PROMOTION

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Franchised Business and all businesses operating under the System, Franchisee agrees to actively advertise the Franchised Business at Franchisee's expense.

Franchisee shall place local advertising in any media it desires, provided that all such advertising (whether for Holiday Lighting Services, Permanent Lighting Services or Landscape Lighting Services) conforms to the standards and requirements of TDG as set forth in the Manual or as otherwise designated by TDG. All advertising must use the approved naming convention set forth in Section 6.B. Franchisee shall obtain TDG's prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use ten (10) business days before beginning to use any such plans or materials. Franchisee shall submit such unapproved plans and materials to TDG (by personal delivery, e-mail or through the mail, return receipt requested). Franchisee shall promptly discontinue use of any advertising or promotional plans or materials upon the request of TDG. Any plans or materials submitted by Franchisee to TDG which have not been approved or disapproved in writing within ten (10) days of receipt thereof by TDG, shall be deemed approved. TDG may revoke its approval of any previously approved advertising and promotional plans or materials and upon receipt thereof Franchisee shall promptly discontinue its use of such materials.

Franchisee also shall contribute to the Marketing Development Fund, described in Section 11.C. below.

In addition to its expenditures for local advertising described above and to its contributions to the Marketing Development Fund(s) described in Section 11.C., Franchisee agrees to participate in any national, regional or local advertising or promotional programs that have been approved by a majority of TDG's franchisees and to promptly remit the required funds as directed by TDG for such purpose.

11. ON-GOING FEES

When used in this Article 11 and elsewhere in this Agreement, the following initially capitalized terms shall have the meanings given to them below:

A. Certain Definitions

(1) First Franchise Year

The term "First Franchise Year" shall mean the period beginning on the Effective Date of this Agreement and continuing through the final day of December of the year in which the Effective Date occurs.

(2) Franchise Year

Except with respect to the First Franchise Year defined above, the term "Franchise Year" shall mean the period beginning on the first day of January and continuing through the final day of December of each calendar year.

(3) Gross Sales

The term "Gross Sales" shall mean all revenues from the sale of lighting and decorating services and products of any nature or kind relating to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit; provided however that "Gross Sales" shall not include any sales tax or other taxes collected by the Franchised Business and paid to the appropriate taxing authority. "Gross Sales attributable to Holiday Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Holiday Lighting Services. "Gross Sales attributable to Permanent Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Permanent Lighting Services. "Gross Sales attributable to Landscape Lighting Services" shall mean all Gross Sales of the Franchised Business derived from the provision of Landscape Lighting Services. Any properties serviced outside the Service Territory shall be included in the Annual Gross Sales reported by Franchisee to TDG.

B. Royalty Fees

In consideration of the license granted, Franchisee agrees to remit to TDG a Royalty Fee for the First Franchise Year, and each succeeding Franchise Year in an amount equal to five percent (5%) of the actual annual Gross Sales of the Franchised Business or a minimum as described in subsection (2) below, whichever is greater. The Royalty Fee is payable as follows:

(1) THE DECOR GROUP Business – Holiday Lighting Services and Permanent Lighting Services Royalty Fees

A Holiday Lighting Services and Permanent Lighting Services Royalty Fee for the First Franchise Year, and each succeeding Franchise Year in an amount equal to five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services and Permanent Lighting Services or a minimum as described in subsection (2) below, whichever is greater. The Holiday Lighting Services and Permanent Lighting Services Royalty Fee is payable as follows:

(a) First Franchise Year

The Holiday Lighting Services and Permanent Lighting Services Royalty Fee for the First Franchise Year shall be remitted to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) Second and Subsequent Franchise Years

Minimum royalty fees for the Second and each Subsequent Franchise Year shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services as follows:

(i) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$1.00 - \$200,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between One Dollar (\$1.00) and Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall remit to TDG Holiday Lighting Services Royalty Fees in an amount equal to a minimum of Three Thousand Five Hundred Dollars (\$3,500.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Five Hundred Dollars (\$500.00).

(ii) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$200,001.00 - \$300,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Two Hundred Thousand and One Dollar (\$200,001.00) and Three Hundred Thousand Dollars (\$300,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Five Thousand Dollars (\$5,000.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Thousand Dollars (\$1,000.00).

(iii) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$300,001.00 - \$500,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Three

Hundred Thousand and One Dollar (\$300,001.00) and Five Hundred Thousand Dollars (\$500,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Six Thousand Five Hundred Dollars (\$6,500.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Thousand Five Hundred Dollars (\$1,500.00).

(iv) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$500,001.00 - \$750,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Five Hundred Thousand and One Dollar (\$500,001.00) and Seven Hundred Fifty Thousand Dollars (\$750,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Eight Thousand Dollars (\$8,000.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Two Thousand Dollars (\$2,000.00).

(v) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$750,001.00 - \$1,000,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Seven Hundred Fifty Thousand and One Dollar (\$750,001.00) and One Million Dollars (\$1,000,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Nine Thousand Five Hundred Dollars (\$9,500.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Two Thousand Five Hundred Dollars (\$2,500.00).

(vi) **Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services greater than \$1,000,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are greater One Million Dollars (\$1,000,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Eleven Thousand Dollars (\$11,000.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Three Thousand Dollars (\$3,000.00).

(c) **Reconciliation Procedure**

On or before January 20 following each Franchise Year, TDG and Franchisee shall calculate the actual amount of the Holiday Lighting Services Royalty Fees due in accordance with this Section 11.B. Franchisee shall remit to TDG any difference between the Holiday Lighting Services and Permanent Lighting Services Royalty Fees due for such Franchise Year and the Holiday Lighting Services and Permanent Lighting Services Royalty Fees paid during such Franchise Year.

(2) **THE DECOR GROUP Business – Landscape Lighting Services Royalty Fees**

A Landscape Lighting Services Royalty Fee for the First Franchise Year, and each succeeding Franchise Year in an amount equal to five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Landscape Lighting Services or a minimum as described below, whichever is greater. The Landscape Lighting Services Royalty Fee is payable as follows:

(a) **First Franchise Year**

The Landscape Lighting Services Royalty Fee for the First Franchise Year shall be remitted to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) **Second and Third Franchise Years**

Minimum royalty fees for the Second and Third Franchise Year shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Landscape Lighting Services as follows:

(i) Franchisee shall remit to TDG an amount equal to a minimum of Two Thousand Dollars (\$2,000.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Landscape Lighting Services, whichever is greater.

Franchisee shall remit to TDG four (4) payments on the first day of each quarter January 1, April, July 1 and September 1, each equal to Five Hundred Dollars (\$500.00).

(c) **Fourth and Subsequent Franchise Years**

Minimum royalty fees for the Fourth and Subsequent Franchise Years shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Landscape Lighting Services as follows:

(i) Franchisee shall remit to TDG an amount equal to a minimum of Five Thousand Dollars (\$5,000.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Landscape Lighting Services, whichever is greater.

Franchisee shall remit to TDG four (4) payments on the first day of each quarter January 1, April, July 1 and September 1, each equal to One Thousand Two Hundred Fifty Dollars (\$1,250.00).

(d) **Reconciliation Procedure**

On or before the beginning of each quarter January 1, April 1, July 1 and September 1, TDG and Franchisee shall calculate the actual amount of the Landscape Lighting Services Royalty Fees due in accordance with this Section 11.B. Franchisee shall remit to TDG any difference between the Landscape Lighting Services Royalty Fees due for such quarter of each Franchise Year and the Landscape Lighting Services Royalty Fees paid during such quarter of each Franchise Year.

(3) **CHRISTMAS DECOR Business – Holiday Lighting Services Royalty Fees – Standard Market**

A Holiday Lighting Services Royalty Fee for the First Franchise Year, and each succeeding Franchise Year in an amount equal to five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services or a minimum as described in subsection (2) below, whichever is greater. The Holiday Lighting Services Royalty Fee is payable as follows:

(a) **First Franchise Year**

The Holiday Lighting Services Royalty Fee for the First Franchise Year shall be remitted to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) Second and Subsequent Franchise Years

Minimum royalty fees for the Second and each Subsequent Franchise Year shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Holiday Lighting Services as follows:

**(i) Gross Sales attributable to Holiday Lighting Services
\$1.00 - \$100,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Dollar (\$1.00) and One Hundred Thousand Dollars (\$100,000.00), Franchisee shall remit to TDG Holiday Lighting Services Royalty Fees in an amount equal to a minimum of Three Thousand Fifty Dollars (\$3,050.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Three Hundred Fifty Dollars (\$350.00).

**(ii) Gross Sales attributable to Holiday Lighting Services
\$100,001.00 - \$150,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Hundred Thousand and One Dollar (\$100,001.00) and One Hundred Fifty Thousand Dollars (\$150,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Three Thousand Nine Hundred Fifty Dollars (\$3,950.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Six Hundred Fifty Dollars (\$650.00).

**(iii) Gross Sales attributable to Holiday Lighting Services
\$150,001.00 - \$200,000.00**

For each year that Franchisee's gross sales are between One Hundred Fifty Thousand and One Dollar (\$150,001.00) and Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Five Thousand Dollars (\$5,000.00) or

five percent (5%) of the actual annual Gross Sales of the Franchised Business, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Thousand Dollars (\$1,000.00).

(iv) **Gross Sales attributable to Holiday Lighting Services greater than \$200,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services are greater Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Six Thousand Nine Hundred Fifty Dollars (\$6,950.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Thousand Six Hundred Fifty Dollars (\$1,650.00).

(d) **Reconciliation Procedure**

On or before January 20 following each Franchise Year, TDG and Franchisee shall calculate the actual amount of the Holiday Lighting Services Royalty Fees due in accordance with this Section 11.B. Franchisee shall remit to TDG any difference between the Holiday Lighting Services Royalty Fees due for such Franchise Year and the Holiday Lighting Services Royalty Fees paid during such Franchise Year.

(4) **CHRISTMAS DECOR Business – Holiday Lighting Services Royalty Fees – Community Market**

A Holiday Lighting Services Royalty Fee for the First Franchise Year, and each succeeding Franchise Year in an amount equal to five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services or a minimum as described in subsection (2) below, whichever is greater. The Holiday Lighting Services Royalty Fee is payable as follows:

(a) **First Franchise Year**

The Holiday Lighting Services Royalty Fee for the First Franchise Year shall be remitted to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) Second and Subsequent Franchise Years

Minimum royalty fees for the Second and each Subsequent Franchise Year shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Holiday Lighting Services as follows:

**(i) Gross Sales attributable to Holiday Lighting Services
\$1.00 - \$100,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Dollar (\$1.00) and One Hundred Thousand Dollars (\$100,000.00), Franchisee shall remit to TDG Holiday Lighting Services Royalty Fees in an amount equal to a minimum of Two Thousand Seven Hundred Fifty Dollars (\$2,750.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Two Hundred Fifty Dollars (\$250.00).

**(ii) Gross Sales attributable to Holiday Lighting Services
\$100,001.00 - \$150,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Hundred Thousand and One Dollar (\$100,001.00) and One Hundred Fifty Thousand Dollars (\$150,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Three Thousand Fifty Dollars (\$3,050.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Three Hundred Fifty Dollars (\$350.00).

**(iii) Gross Sales attributable to Holiday Lighting Services
\$150,001.00 - \$200,000.00**

For each year that Franchisee's gross sales are between One Hundred Fifty Thousand and One Dollar (\$150,001.00) and Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Three Thousand Five Hundred Dollars

(\$3,500.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Five Hundred Dollars (\$500.00).

(iv) **Gross Sales attributable to Holiday Lighting Services greater than \$200,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services are greater Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall remit to TDG an amount equal to a minimum of Four Thousand Two Hundred Fifty Dollars (\$4,250.00) or five percent (5%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services whichever is greater. Minimum payments as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Seven Hundred Fifty Dollars (\$750.00).

(d) **Reconciliation Procedure**

On or before January 20 following each Franchise Year, TDG and Franchisee shall calculate the actual amount of the Holiday Lighting Services Royalty Fees due in accordance with this Section 11.B. Franchisee shall remit to TDG any difference between the Holiday Lighting Services Royalty Fees due for such Franchise Year and the Holiday Lighting Services Royalty Fees paid during such Franchise Year.

(5) **Late Charges**

Any Franchisee who fails to report any Gross Sales for a Franchise Year and remit any balance due by January 20 will be assessed a fee of Five Hundred Dollars (\$500.00) per occurrence plus a late fee of Fifty Dollars (\$50.00) per month that reporting and/or remittance is delinquent, in addition to any interest fees otherwise due hereunder. This fee is in lieu of the late charge fee provided for in Section 11.D.

C. **Marketing Development Fund**

TDG has established a Marketing Development Fund ("MDF") to market, advertise and promote Holiday Lighting Services. Franchisee agrees to contribute to the MDF for the First Franchise Year, and each succeeding Franchise Year an amount equal to one percent (1%) of the actual annual Gross Sales of the Franchised Business or a minimum as described in subsection (2) below, whichever is greater. The MDF contribution is payable as follows:

(1) **THE DECOR GROUP Business – Holiday Lighting Services and Permanent Lighting Services MDF Contributions**

A Holiday Lighting Services and Permanent Lighting Services MDF Contribution for the First Franchise Year, and each succeeding Franchise Year in an amount equal to one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services and Permanent Lighting Services or a minimum as described in subsection (2) below, whichever is greater. The Holiday Lighting Services and Permanent Lighting Services MDF Contribution is payable as follows:

(a) **First Franchise Year**

The MDF Contribution attributable to Holiday Lighting Services and Permanent Lighting Services for the First Franchise Year shall be paid to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) **Second and Subsequent Franchise Years**

MDF Contributions for the Second and each Subsequent Franchise Year shall be based on Franchisee's annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services as follows:

(i) **Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$1.00 - \$200,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between One Dollar (\$1.00) and Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Seven Hundred Dollars (\$700.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum contributions as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Hundred Dollars (\$100.00).

(ii) **Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$200,001.00 - \$300,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Two Hundred Thousand and One Dollar (\$200,001.00) and Three Hundred Thousand Dollars (\$300,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of One Thousand Dollars (\$1,000.00) or one percent (1%) of the actual annual Gross Sales of the Franchised

Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum contributions as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Two Hundred Dollars (\$200.00).

(iii) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$300,001.00 - \$500,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Three Hundred Thousand and One Dollar (\$300,001.00) and Five Hundred Thousand Dollars (\$500,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of One Thousand Six Hundred Dollars (\$1,600.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum contributions as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Four Hundred Dollars (\$400.00).

(iv) Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$500,001.00 - \$750,000.00

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Five Hundred Thousand and One Dollar (\$500,001.00) and Seven Hundred Fifty Thousand Dollars (\$750,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Two Thousand Five Hundred Dollars (\$2,500.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum contributions as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Seven Hundred Dollars (\$700.00).

(v) **Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services \$750,001.00 - \$1,000,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are between Seven Hundred Fifty Thousand and One Dollar (\$750,001.00) and One Million Dollars (\$1,000,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Three Thousand Four Hundred Dollars (\$3,400.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum contributions as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Thousand Dollars (\$1,000.00).

(vi) **Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services greater than \$1,000,000.00**

For each year that Franchisee's Gross Sales attributable to Holiday Lighting Services and Permanent Lighting Services are greater One Million Dollars (\$1,000,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Four Thousand Three Hundred Dollars (\$4,300.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business, attributable to Holiday Lighting Services and Permanent Lighting Services, whichever is greater. Minimum contributions as described below are based on Franchisee's previous year's gross sales.

Franchisee shall remit to TDG eight (8) payments of Two Hundred Fifty Dollars (\$250.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Thousand Three Hundred Dollars (\$1,300.00).

(c) **Annual Reconciliation**

On or before January 20 following each Franchise Year, TDG and Franchisee shall calculate the actual amount of the MDF contribution due in accordance with this Section 11.C. Franchisee shall remit to TDG any difference between the MDF contribution due for such franchise year and the MDF contribution paid during such franchise year.

(2) **THE DECOR GROUP Business – Landscape Lighting Services MDF Contributions**

A Landscape Lighting Services MDF Contribution for the First Franchise Year, and each succeeding Franchise Year in an amount equal to one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Landscape Lighting Services or a minimum as described below, whichever is greater. The Landscape Lighting Services MDF Contribution is payable as follows:

(a) **First Franchise Year**

MDF Contributions for the First Franchise Year shall be remitted to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) **Second and Third Franchise Years**

MDF Contributions for the Second and Third Franchise Year shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Landscape Lighting Services as follows:

(i) Franchisee shall remit to TDG an amount equal to a minimum of Four Hundred Dollars (\$400.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business, attributable to Landscape Lighting Services, whichever is greater.

Franchisee shall remit to TDG four (4) payments on the first day of each quarter January 1, April, July 1 and September 1, each equal to One Hundred Dollars (\$100.00).

(c) **Fourth and Subsequent Franchise Years**

MDF Contributions for the Fourth and Subsequent Franchise Years shall be based on Franchisee's annual Gross Sales for the Franchised Business, attributable to Landscape Lighting Services as follows:

(i) Franchisee shall remit to TDG an amount equal to a minimum of One Thousand Dollars (\$1,000.00) or one percent (1%) of the actual annual Gross Sales of the Franchised Business, attributable to Landscape Lighting Services, whichever is greater.

Franchisee shall remit to TDG four (4) payments on the first day of each quarter January 1, April, July 1 and September 1, each equal to Five Hundred Dollars (\$500.00).

(d) **Reconciliation Procedure**

On or before the beginning of each quarter January 1, April 1, July 1 and September 1, TDG and Franchisee shall calculate the actual amount of the Landscape Lighting Services MDF Contributions due in accordance with this Section 11.C. Franchisee shall remit to TDG any difference between the

Landscape Lighting Services MDF Contributions due for such quarter of each Franchise Year and the Landscape Lighting Services MDF Contributions paid during such quarter of each Franchise Year.

(3) **CHRISTMAS DECOR Business – Holiday Lighting Services MDF Contributions – Standard Market**

MDF Contributions for the First Franchise Year, and each succeeding Franchise Year in an amount equal to one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services or a minimum as described in subsection (2) below, whichever is greater. The Holiday Lighting Services MDF Contribution is payable as follows:

(a) **First Franchise Year**

The MDF Contribution for the First Franchise Year shall be paid to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) **Second and Subsequent Franchise Years**

MDF Contributions for the Second and each Subsequent Franchise Year shall be based on Franchisee's annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services as follows:

(i) **Gross Sales attributable to Holiday Lighting Services**
\$1.00 - \$100,000.00

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Dollar (\$1.00) and One Hundred Thousand Dollars (\$100,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Six Hundred Forty Dollars (\$640.00) as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Eighty Dollars (\$80.00).

(ii) **Gross Sales attributable to Holiday Lighting Services**
\$100,001.00 - \$150,000.00

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Hundred Thousand and One Dollar (\$100,001.00) and One Hundred Fifty Thousand Dollars (\$150,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Eight Hundred Fifty Dollars (\$850.00) as described

below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Hundred Fifty Dollars (\$150.00).

(iii) **Gross Sales attributable to Holiday Lighting Services**
\$150,001.00 - \$200,000.00

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Hundred Fifty Thousand and One Dollar (\$150,001.00) and Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of One Thousand Dollars (\$1,000.00) as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Two Hundred Dollars (\$200.00).

(iv) **Gross Sales attributable to Holiday Lighting Services**
greater than \$200,000.00

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are greater Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of One Thousand One Hundred Fifty Dollars (\$1,150.00) as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Two Hundred Fifty Dollars (\$250.00).

(c) **Annual Reconciliation**

On or before January 20 following each Franchise Year, TDG and Franchisee shall calculate the actual amount of the MDF contribution due in accordance with this Section 11.C. Franchisee shall remit to TDG any difference between the MDF contribution due for such franchise year and the MDF contribution paid during such franchise year.

(4) **CHRISTMAS DECOR Business – Holiday Lighting Services MDF Contributions – Community Market**

MDF Contributions for the First Franchise Year, and each succeeding Franchise Year in an amount equal to one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services or a minimum as described in subsection (2) below, whichever is greater. The Holiday Lighting Services MDF Contribution is payable as follows:

(a) **First Franchise Year**

The MDF Contribution for the First Franchise Year shall be paid to TDG in a lump sum on or before January 20 of the year following the First Franchise Year.

(b) **Second and Subsequent Franchise Years**

MDF Contributions for the Second and each Subsequent Franchise Year shall be based on Franchisee's annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services as follows:

(i) **Gross Sales attributable to Holiday Lighting Services**
\$1.00 - \$100,000.00

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Dollar (\$1.00) and One Hundred Thousand Dollars (\$100,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Five Hundred Fifty Dollars (\$550.00) as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Fifty Dollars (\$50.00).

**(ii) Gross Sales attributable to Holiday Lighting Services
\$100,001.00 - \$150,000.00**

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Hundred Thousand and One Dollar (\$100,001.00) and One Hundred Fifty Thousand Dollars (\$150,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Six Hundred Forty Dollars (\$640.00) as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to Eighty Dollars (\$80.00).

**(iii) Gross Sales attributable to Holiday Lighting Services
\$150,001.00 - \$200,000.00**

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are between One Hundred Fifty Thousand and One Dollar (\$150,001.00) and Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Seven Hundred Dollars (\$700.00) or as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Hundred Dollars (\$100.00).

**(iv) Gross Sales attributable to Holiday Lighting Services
greater than \$200,000.00**

For each Franchise Year that Franchisee's Gross Sales attributable to Holiday Lighting Services are greater Two Hundred Thousand Dollars (\$200,000.00), Franchisee shall contribute to the MDF an amount equal to a minimum of Eight Hundred Fifty Dollars (\$850.00) as described below or one percent (1%) of the actual annual Gross Sales of the Franchised Business attributable to Holiday Lighting Services, whichever is greater. Minimum contributions are based on Franchisee's

previous Franchise Year's Gross Sales attributable to Holiday Lighting Services.

Franchisee shall remit to TDG eight (8) payments of Fifty Dollars (\$50.00) each on the first day of each month beginning February 1 through September 1 and shall remit to TDG three (3) final payments on October 1, November 1 and December 1, each equal to One Hundred Fifty Dollars (\$150.00).

(c) Annual Reconciliation

On or before January 20 following each Franchise Year, TDG and Franchisee shall calculate the actual amount of the MDF contribution due in accordance with this Section 11.C. Franchisee shall remit to TDG any difference between the MDF contribution due for such franchise year and the MDF contribution paid during such franchise year.

(5) Increase in MDF Contributions

Franchisee's required contributions to the MDF can be increased upon the recommendation of TDG and ratification of the recommended increase by fifty-one percent (51%) of the franchisees in the applicable System then in good standing. As used herein, "good standing" means Franchisee is current on all payments due to TDG, its affiliates and Franchisee's suppliers; Franchisee has passed TDG's most recent inspection and is otherwise in compliance with TDG's standards and procedures set forth in the Manual; and Franchisee is not in default of this Agreement or any other agreement between Franchisee and TDG or its affiliates.

(6) Administration of the Marketing Development Fund

TDG shall oversee all advertising and promotional programs and shall have the sole discretion to approve or disapprove any creative concept, materials, methods, and media used in such programs, and the placement and allocation thereof. Franchisee agrees and acknowledges that the MDF is intended to maximize national public recognition and acceptance of the Marks for the benefit of the System and its franchisees. TDG undertakes no obligation in administering the MDF to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to insure that Franchisee benefits directly or pro-rata from advertising or promotion conducted under the MDF.

The MDF, all contributions thereto, and earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing advertising activities (including the costs of preparing and conducting advertising campaigns in various media); sponsorship, marketing surveys and other public relations activities; employing advertising agencies to assist therein; and providing and developing promotional brochures and other marketing materials to the franchisees operating under the System and any other activities which in the opinion of TDG will continue towards national public recognition including, without limitation, any toll-free telephone number and/or an internet web site and/or franchise locator which may be established by TDG. All funds contributed by the Franchisee to the MDF and any earnings thereon shall be accounted for separately from the other monies of TDG, shall not inure to the benefit of TDG and shall not be used to defray any of TDG's expenses, except for such reasonable administrative costs and overhead, if any, as TDG may incur in activities reasonably

related to the administration or direction of the MDF and advertising programs for the franchisees and the System; however, TDG shall not be obligated to segregate the MDF funds for THE DECOR GROUP System or CHRISTMAS DECOR System from TDG's general operating funds. For each company-owned business operating under the System (if any), TDG shall make contributions to the MDF on the same basis as required of comparable franchisee-owned businesses.

The MDF is not and shall not be an asset of TDG. TDG shall account for the MDF separately, and a statement of the operations of the MDF, as shown on the books of TDG, shall be prepared annually by TDG's accounting department. Annual statements of operation of the MDF related to the Franchised Business subject to this Agreement shall be made available to Franchisee upon Franchisee's request.

Although the MDF is intended to be of perpetual duration, TDG maintains the right to terminate the MDF at any time or suspend collection of dues for a period of time. The MDF shall not be terminated, however, until all monies in the MDF have been expended for the purposes described in this Agreement.

D. Interest for Late Payments; Late Fee

Except as set for the in Section 11.B.(2)(c), if any payment or remittance due pursuant to this Agreement is overdue, Franchisee shall pay to TDG immediately upon demand, the overdue amount plus a Fifty Dollar (\$50.00) late fee. In addition to the late fee, all amounts owed by Franchisee to TDG (including any amount owed pursuant to Section 11.B.) shall bear interest after their due date until paid at a rate of one and one-half percent (1.5%) per month or the maximum rate permitted by law, whichever is less. If TDG is ever deemed to have contracted for, charged, or received interest in an amount that exceeds the amount permitted under applicable law, then the excess amount shall be deemed to be, and shall be treated as, a payment of outstanding fees or other amounts due under this Agreement and, if no such amounts remain outstanding, any remaining excess shall be paid to Franchisee, as applicable. The foregoing shall be in addition to any other remedies TDG may possess. Franchisee acknowledges that this paragraph shall not constitute agreement by TDG to accept such payments after same are due or a commitment by TDG to extend credit to or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that his or her failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in this Agreement.

E. Method of Payment

For all fees due under this Agreement, Franchisee agrees to execute an "Automatic Draft Agreement" or an "Automatic Credit Card Authorization" which instructs its financial institution or credit card company to accept automatic drafts in order to deduct the above-described fees from or charge such fees to Franchisee's account and deposit same to the account of TDG each and every payment date for the duration of this Franchise Agreement. A draft will be submitted for Franchisee's Royalty Fees and MDF contributions which are due. Franchisee further agrees to give TDG a copy of said instructions to its financial institution or credit card company and agrees not to alter said instructions to its financial institution or credit card company without the prior written consent of TDG. TDG must be notified in writing of any changes that will affect the draft agreement or late fees will apply.

F. Other Payment Terms

(1) Acceptance of Payments

TDG's acceptance of any payments or remittances due after the due date will not be deemed to be a waiver by TDG of any preceding breach by Franchisee of any of the terms, provisions, covenants or conditions of this Agreement.

(2) Application of Payments

TDG has the right to apply any payment or remittance it receives from Franchisee to any amounts Franchisee owes TDG or its affiliates under this Agreement or any other agreement, even if Franchisee has designated the payment or remittance for another purpose or account. TDG may accept any payment in any amount from Franchisee without prejudice to TDG's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any payment, remittance or in any letter accompanying any payment or remittance or elsewhere will constitute or be considered as an accord or satisfaction.

(3) No Right to Withhold

Franchisee agrees that Franchisee will not withhold remittances of any Royalty Fees or payments of any other amounts of money owed to TDG for any reason, including on grounds of alleged nonperformance by TDG of any obligation under this Agreement.

(4) TDG's Right to Offset

Upon Franchisee's failure to pay to Franchisor as and when due any amounts provided for herein, Franchisor or its affiliates shall have the right, at their sole option, to deduct any and all such amounts remaining unpaid from any monies or credits held by Franchisor or its affiliates for the account of Franchisee.

(5) Additional Fees

If Franchisor is required to use a collection agency or attorney to collect money that Franchisee owes to Franchisor, Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable collection fees and costs and attorneys' fees, incurred by Franchisor in connection with collecting any amounts due under this Agreement and in obtaining any remedy available to Franchisor for any violation of this Agreement (including, without limitation, in obtaining injunctive or other relief for the enforcement of any post-termination provisions subsequent to the termination or expiration of this Agreement).

12. ACCOUNTING AND BOOKKEEPING RECORDS

A. Bookkeeping, Accounting, Records, and Reports

Franchisee shall maintain, during the term of this Agreement, and shall preserve for a minimum of five (5) years, full, complete, and accurate records of customer inquiries, sales, marketing activities, and accounts payable in accordance with the standard accounting system described by TDG in the Manual or otherwise specified in writing. Franchisee shall submit such reports as TDG may from time to time require, including surveys, reports of labor costs, material costs, gross profits, and net profits (such profit numbers to reflect amounts before any deductions for ownership draws or distributions), in the manner TDG may require, including, without limitation, via electronic means.

B. Submission of Financial Statements

Franchisee shall submit to TDG each calendar quarter during the term of this Agreement all report forms required by TDG as outlined in the Manual or during any training seminars. Each report shall be signed by Franchisee attesting that the report is true and correct. Franchisee shall also submit to TDG other forms, business plans, records, reports, information and data as TDG may reasonably require, in the form, and at the times and the places reasonably required by TDG, upon request, and as specified from time to time in the Manuals or otherwise in writing. Without limitation of the foregoing, TDG, in its discretion, may require Franchisee to submit electronic sales reports on a weekly basis during the holiday lighting season (October through March). In determining whether to require weekly sales reports, TDG will consider the feasibility of implementing such a requirement on a system-wide basis. Franchisee shall send to TDG a copy of its state sales tax reporting form within ten (10) days of the date such report is due in accordance with applicable state law and shall also submit to TDG a separate sales report detailing the sales and installation of any decorating and landscape lighting products billed during the same reporting period.

C. Audits

TDG shall have the right at any time during the term of this Agreement and for a period of two (2) years following the termination or expiration (without renewal) of this Agreement to audit (directly or through its authorized representatives) the books, records, accounts and inventory of Franchisee or any related entity which are, or in TDG's sole judgment may be, applicable to or used in connection with the Franchised Business. Should such an examination reveal that the Franchisee has understated any "Gross Sales" amount in any report then Franchisee shall immediately pay any additional fees owed together with interest thereon at the rate set forth in Section 11.D. above. In the event that such an examination or audit should reveal that reports have understated any "Gross Sales" amount by two percent (2%) or more, or in the event Franchisee fails to provide TDG or its representatives access to these books, records, accounts and inventory, the Franchisee also agrees to pay for all costs of such an examination or audit and any associated costs including but not limited to: travel, lodging, meals, accounting, and legal fees and costs, together with an audit administration fee of Three Thousand Dollars (\$3,000.00).

D. Electronic Communication; Computer System; Software License; Electronic Access; Link with Other Business Website

(1) Electronic Communication

Franchisee shall at all times maintain with an approved internet service provider and shall provide to TDG a current e-mail address for each Franchised Business subject to this Agreement to enable TDG to communicate with Franchisee via e-mail. Franchisee acknowledges electronic medium will be the primary method of communication for the Franchised Business and System.

(2) Computer System; Software License

Without limiting the requirements of Section 13.C., at TDG's request, Franchisee agrees to install and use at the Franchised Business the computer hardware and software (including DSL line or other dedicated network connection, high speed required, where available) that TDG may designate from time to time in the Manual or otherwise in writing for use in the operation of the Franchised Business ("Computer System"). The Internet Service Provider used in the Franchised Business must also be approved by TDG.

Franchisee is required to use and maintain TDG's current proprietary software, and any upgrades to the software, during the term of this Agreement and any renewals of the Agreement. During the first year following the opening of the Franchise Business, TDG shall provide to Franchisee at no charge the initial license and first year of technical support for TDG's proprietary software. Following the first year, Franchisee agrees to pay to TDG or its designee an annual license and software support fee as well as any other proprietary software required by TDG. Franchisee shall purchase and install any computer software which TDG may require for use in the Franchised Business.

(3) Electronic Access

Franchisee shall transmit to TDG or permit TDG to collect electronically information from the Computer System relating to Franchisee's THE DECOR GROUP Business or CHRISTMAS DECOR Business. At TDG's request, Franchisee shall install and maintain at the Franchised Business a dedicated and reliable internet connection that TDG will use to access sales information and other data on the Computer System. Following installation of the Computer System, each transaction of the Franchised Business shall be processed on the Computer System in the manner prescribed by TDG from time to time. TDG will, at all times (including on a daily basis) have the right to access and retrieve all sales and other information relating to the Franchised Business from the Computer System and Franchisee agrees to take such action as may be necessary to provide such access to TDG.

(4) Link with Other Business Website

If Franchisee operates any Other Business in addition to the Franchised Business, then, upon TDG's approval of the Other Business website and at TDG's request, Franchisee shall provide a link to THE DECOR GROUP or CHRISTMAS DECOR website from the Other Business website and, after this link is provided, TDG will create a link to the Other Business website from Franchisee's THE DECOR GROUP or CHRISTMAS DECOR front door webpage. Franchisee must provide a URL and any necessary

artwork. All links, artwork, URLs and related materials must be approved by TDG. TDG may revoke its approval and require that the links contemplated hereby be discontinued at any time that such items (including the Other Business website) fail to continue to meet TDG's reasonable standards.

Without our prior written approval, which we may give or withhold in our sole discretion, you may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, bulletin boards and news groups) in connection with the Franchised Business. If we grant our approval for your use of an Internet website, you acknowledge that the form, content and appearance of any Internet website you use must comply with the System standards and must be approved by us in writing before being used. Accordingly, you agree that you have no authority to, and you will not, establish any website that creates any association with the Marks or the System, or post any advertisements or material on the Internet that depict or display the Marks or suggest an association with the System, without our express prior written consent. Without limitation of the foregoing, if we require, any Internet website created by or for you must contain a hypertext link to our Internet website in the form we require, and no other hypertext links to third party Internet websites unless previously approved in writing by us. Notwithstanding our approval of a website, we reserve the right to revoke our approval at any time that the website fails to continue to meet our standards, and you agree that upon such revocation, you will immediately discontinue use of the website.

13. STANDARDS OF QUALITY AND PERFORMANCE

Franchisee shall comply with the entire THE DECOR GROUP System and CHRISTMAS DECOR System including, without limitation, the following:

A. Open Business in Thirty Days

Franchisee shall commence operation of the Franchised Business and begin to offer Holiday Lighting Services no later than thirty (30) days after the Effective Date, or as otherwise approved in writing by TDG. Prior to such opening, Franchisee shall have scheduled or completed the Quick Start Training course and purchased or leased and installed or cause to be installed all necessary equipment, internet access, telephone service, signage, inventory and other items, as required by TDG. Franchisee shall purchase the required initial inventory upon completion of Quick Start Training. Franchisee shall also submit to TDG a business plan for the CHRISTMAS DECOR Franchised Business, by September 1 or ten (10) business days following completion of Quick Start Training, whichever is later. For Landscape Lighting Services, Franchisee shall submit to TDG an annual marketing plan within sixty (60) days following completion of Quick Start Training. If Franchisee for any reason fails to commence operations as herein provided, unless Franchisee is precluded from doing so by an event of force majeure (defined in Section 1.A.(2)), such failure shall be considered an event of default and TDG may terminate this Agreement.

B. Image of Franchised Business

Franchisee agrees to maintain the condition and appearance of the premises of the Franchised Business consistent with TDG's standards for the image of a business as an attractive, pleasant and comfortable business. Franchisee agrees to affect such reasonable maintenance of the Franchised Business, as is from time to time required to maintain the equipment or improve the appearance and efficient operation of the Franchised Business, including replacement of equipment, fixtures and furniture as may be necessary. If at any time in TDG's judgment the

general state of repair or the appearance of the premises of the Franchised Business or its equipment, fixtures, furniture, signs, uniforms of service personnel or decor does not meet TDG's standards for such items, TDG shall notify Franchisee and shall specify the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate action to correct the deficiency within thirty (30) days after receipt of such notice, and thereafter continue a bona fide program to complete any required maintenance, TDG shall have the right (but not the obligation), in addition to all other remedies available to it, to enter upon the premises of the Franchised Business and effect such repairs, equipment, fixtures, furniture or signs on behalf of Franchisee, and Franchisee shall pay the entire costs thereof on demand. Franchisee's obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impractical due to an event of force majeure (defined in Section 1.A.(2)(a)).

C. Required Purchases; Approved Manufacturers, Suppliers and Distributors

(1) Required Purchases

Franchisee shall, at Franchisee's expense, purchase or lease and install at the Franchised Business all, fixtures, equipment, furniture, computer terminals, hardware, software, and related equipment (including, without limitation, any proprietary software developed by or for TDG), communications systems, signs and other items specified by TDG for the System from time to time in the Manuals or otherwise in writing, all of which comply with TDG's standards and specifications. Without limitation of the foregoing, all purchases of lights, garlands, wreaths, fasteners, clips, lighting fixtures, printing, electrical supplies, forms, apparel, signage, and other materials used in the operation of the Franchised Business shall conform to the specifications and quality standards established by TDG from time to time. Franchisee may only use such garlands, wreaths, fasteners, clips, lighting fixtures, printing, electrical supplies, forms, apparel, signage, and related items which meet TDG's specifications and quality standards and which are stated in TDG's approved list of equipment, printing and products approved by TDG, as meeting its criteria.

All forms of permanent perimeter lighting for both Residential and Commercial Properties are considered direct competition to the product used for Permanent Lighting Services. Any products other than those approved by TDG are strictly prohibited without prior written approval from TDG. All approved products and Permanent Lighting services offered by such products shall be subject to applicable royalty fees.

(2) Approved Suppliers

From time to time, TDG shall provide to Franchisee a list of approved manufacturers, printers, suppliers, and distributors for all products and services necessary to operate the Franchised Business ("Approved Suppliers"). TDG may revise the list of Approved Suppliers from time to time in its sole discretion. TDG's Approved Suppliers are those who demonstrate on a continuing basis the ability to meet TDG's standards and specifications, who have adequate quality controls and the capacity to supply the needs of The DECOR GROUP franchise network promptly and reliably over an extended period of time, who have been approved in writing by TDG and who have not thereafter been disapproved by TDG. TDG may designate itself, its affiliates (including, without limitation, American Christmas Light and Supply, Inc. ("ACLS")) and any successor thereto or a third party as an Approved Supplier, or as the sole Approved Supplier of any item). Franchisee agrees that TDG and its affiliates may derive revenue based on Franchisee's purchases and leases (including, without limitation, from charging for

products and services TDG or its affiliates provide to Franchisee as Approved Suppliers and from payments made to TDG or its affiliates by other Approved Suppliers). Without limitation of the foregoing, Franchisee understands that TDG may receive commissions of up to ten percent (10%) of the product purchase price from Approved Suppliers. Franchisee also understands that if TDG or its affiliates or related parties stock products for and sell products to franchisees these parties expect to make a reasonable profit on such products.

D. Request for Supplier/Product Approval

If Franchisee proposes to use in the operation of the Franchised Business any equipment or materials which are not then approved by TDG as meeting its minimum specifications and quality standards, or to purchase any product from a supplier that is not then designated by TDG as an Approved Supplier, Franchisee shall first notify TDG and shall upon request by TDG submit product samples and such other information as TDG requires for examination and/or testing or to otherwise determine whether such equipment, product, material or supply, or such proposed supplier, meets its specifications and quality standards. A charge not to exceed the actual cost of testing may be made by TDG and shall be paid by Franchisee. TDG may also require inspection of the suppliers' facility before approval can be granted. TDG shall notify Franchisee within a reasonable time whether it approved such equipment, product, material or supply, and/or such supplier by being listed on TDG's approved list.

E. Specifications, Standards and Operating Procedures; Inspections

(1) Operations In Accordance with Standards

Franchisee agrees to fully comply with all mandatory specifications, standards, operating procedures and rules as in effect from time to time relating to:

- (1) The use of any trademarked items or copyrighted materials;
- (2) Procedures and techniques regarding sales activities;
- (3) Training, dress, general appearance and demeanor of Franchised Business employees;
- (4) Advertising and promotional programs;
- (5) The type, quantity and variety of products and materials offered by the Franchised Business;
- (6) Printing, trademarked items and copyrighted materials;
- (7) The use of signs, posters, advertising pieces, displays and similar items;
- (8) The identification of Franchisee as the owner of the Franchised Business;
- (9) The handling of customer complaints;
- (10) The maintenance of an "E-Mail" communication ability (high speed where available); and
- (11) Such other aspects of the Franchised Business as TDG may from time to time determine to be appropriate.

Mandatory specifications, standards, operating procedures and techniques and other rules, prescribed from time to time by TDG in the Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement, as if fully set forth herein. All references herein to this Agreement shall include all such mandatory specifications, standards, operating procedures and rules.

(2) TDG's Inspection Rights

In order to assure that Franchisee is operating in accordance with TDG's standards, TDG or its agents shall have the right of entry and inspection of Franchisee's premises at all reasonable times. Additionally, TDG shall have the right to observe the manner in which Franchisee is rendering its services and conducting its operations, to confer with Franchisee's employees and customers, and to inspect equipment, trademarked items, other materials, printed matter or inventory in order to test its content and for evaluation purposes to make certain that all are satisfactory and meet the quality control provisions and standards established by TDG.

F. Licenses, Permits and Certificates

Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinance and regulations, workmen's compensation, unemployment insurance, withholding and payment of federal and state income taxes, social security taxes, sales, use and property taxes.

G. Marks

Franchisee shall use in the operation of the Franchised Business only the displays, labels, forms and other paper products imprinted with the Marks and colors as prescribed from time to time by TDG. Franchisee shall display a CHRISTMAS DECOR logo and/or PermaLites and Nite Time Decor logos, as applicable, at its place of business and, among other things, on its signs, vehicles, uniforms, and marketing materials that solicit holiday lighting and decorating services.

H. Supervision of Franchised Business

THE DECOR GROUP Business and CHRISTMAS DECOR Business are each a full-time business during the holiday decorating season, usually September through the following February each year; For THE DECOR GROUP Businesses, the full-time operation of the Franchised Business may be extended for Landscape Lighting Services. The Franchised Business shall at all times be under the direct, on-premises supervision of Franchisee (or, if Franchisee is a legal entity, an approved owner/operator of Franchisee). If Franchisee does not devote his or her full time to conducting the Franchised Business, then such on-premises supervision may be provided by a trained and competent employee of Franchisee whom TDG approves acting as full-time manager. Franchisee shall keep TDG informed at all times of the identity of any employee(s) acting as manager(s) of the Franchised Business. Notwithstanding the above, Franchisee covenants that during the term of this Agreement, Franchisee shall devote a majority of time, energy, and best efforts to the management and operation of the Franchised Business. Franchisee agrees that he or she will at all times faithfully, honestly and diligently perform his or her obligations hereunder and that he or she will not engage in any business or other activities that will conflict with his or her obligations hereunder.

I. Maintenance of Highest Ethical Standards

Franchisee shall at all times require its employees, agents and affiliates to maintain the highest ethical and moral standards of the community and adhere to the standards applicable to a THE DECOR GROUP franchise or CHRISTMAS DECOR franchisee as set forth by TDG.

J. Use of Advertising and Promotional Claims

All sales activities conducted by Franchisee in any medium shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the services of the Franchised Business. Franchisee agrees to refrain from any sales practice which is unethical or may be injurious to the business of TDG and/or other franchised businesses or the goodwill associated with the Marks.

K. Acceptance and Service of National Accounts

Franchisee acknowledges that from time to time, TDG may, in its sole discretion, provide referral clients through its national accounts system to Franchisee. Franchisee hereby agrees to service such clients according to the protocols for national account customers which are described in the Manual and further agrees that in the event the Franchisee fails to service such customers as required by said protocols and within the time required, TDG, in its sole discretion, may immediately arrange to service the clients directly or with other franchisees for the balance of the term of this Agreement. This right to service national accounts includes national accounts located within Franchisee's Service Territory.

14. OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE OR SERVICES

TDG shall provide the Franchisee with the following assistance and services:

A. The System

(1) TDG will provide an initial training program concerning the operation of the Franchised Business as described in Section 5.A. of this Agreement.

(2) TDG may conduct additional seminars or other training programs for the benefit of the Franchisee (and/or Franchisee's employees approved by Franchisor to attend training) and Franchisee shall attend any such seminar or program as required by this Agreement. TDG may charge a reasonable fee for such seminar or program if it is deemed appropriate. Any and all traveling, living and other expenses incurred by anyone attending training shall be paid by Franchisee.

(3) If Franchisee makes a reasonable request for training in addition to that specified above TDG shall, at its option, provide such training at Franchisee's expense, including, without limitation, TDG's then-current training fee and any travel, lodging, meals, employee time, and other related costs, subject to the availability of TDG personnel.

B. Operations Manual

TDG shall provide Franchisee access to one copy of the Manual as more fully described in Section 7 herein.

C. Continuing Assistance

In addition to the assistance rendered to the Franchisee prior to opening, TDG will provide reasonable continuing consultation and advice regarding business, financial, operational, technical, pricing, sales and advertising matters, type of products and services offered, operation of the Franchised Business and development of personnel policies. TDG will provide such

assistance by mail, e-mail, intranet system or, if the situation warrants, via telephone or on-site assistance of appropriate TDG personnel as determined by TDG. All expenses incurred by TDG through on-site assistance shall be paid by Franchisee. TDG shall keep a current E-mail address to receive and transmit information to franchisees. Franchisee is required to keep a current E-mail address for each Franchised Business subject to this Agreement with any approved internet service provider to receive communications.

D. Advertising and Promotion

TDG may develop creative materials and/or press releases for local and regional advertising and promotion and make such materials available to Franchisees for publication or distribution in the Franchisee's market area at Franchisee's own expense. TDG may provide specific guidelines for advertising initiated by individual franchisees and reserves the right to disapprove any advertising, which in TDG's opinion, is not in accordance with these guidelines. Immediately upon notification to do so, Franchisee shall discontinue any practices that would, in TDG's opinion, be detrimental to the Marks, TDG, and/or to the franchised network of THE DECOR GROUP Businesses or CHRISTMAS DECOR Businesses.

E. Suppliers

TDG agrees to provide Franchisee with a list of Approved Suppliers and product specifications for the products and services used in the Franchised Business which TDG may change from time to time. By providing such assistance, TDG makes no warranty or guarantee of performance of any such supplier. If Franchisee desires to purchase any items from an unapproved supplier or with differing product specifications, Franchisee must submit a written request for TDG's approval in accordance with the procedures set forth in Section 13.D.

F. Pricing of Services

TDG shall advise Franchisee from time to time concerning pricing for services and products sold by the Franchised Business. TDG and Franchisee agree that any such pricing recommendations are only recommendations and are not to be construed as mandatory upon Franchisee. Nothing contained herein shall be deemed a representation by TDG that the use of TDG's suggested prices will in fact optimize profits.

G. Regional Seminars and National Conferences

TDG at its discretion will coordinate a National Conference for both Holiday and Permanent Lighting Services and Landscape Lighting Services each year to promote the training and education of its franchisees. For each Service Territory operated by Franchisee pursuant to a franchise agreement with TDG, Franchisee shall send one (1) person to a minimum of one (1) regional continuing education seminar approved by TDG and two (2) National Conferences during the five (5) years of the initial term and any subsequent renewal term of this Agreement. Attendance each year is encouraged. A credit for one (1) complimentary conference registration for one (1) person, to be used in the first eighteen (18) months of the initial term, is included in the Initial Franchise Fee for each Franchised Business subject to this Agreement.

15. INSURANCE

A. Overall Coverage Required

Franchisee shall procure, prior to opening the Franchised Business, and shall maintain in full force and effect during the term of this Agreement, at Franchisee's expense, an insurance policy or policies covering holiday lighting and protecting Franchisee and TDG, and the officers, directors, partners and employees of both TDG and Franchisee, against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Business. TDG shall be named as an additional insured on all such policies (excluding worker's compensation policies and employer's liability insurance; Franchisor shall require Franchisee to provide a Waiver of Subrogation).

B. Qualified Insurance Carrier

All insurance policies required under this Agreement shall be written by an insurance company satisfactory to TDG, and coverage shall be provided in accordance with standards and specifications set forth in the Manual or otherwise specified in writing. The insurance coverage shall be provided on policy forms which include the provisions at least as broad as those included in the standard Insurance Service Offices Forms. The coverage shall include, at minimum (except as additional coverage and higher policy limits may reasonably be specified from time to time by TDG) limits at least equal to those shown below for the categories of required insurance.

- (1) Comprehensive general liability insurance;
One Million Dollars (\$1,000,000.00) per occurrence with a Two Million Dollars (\$2,000,000.00) annual aggregate;
- (2) Liability for owned, hired, and non-owned automobiles or other vehicles;
One Million Dollars (\$1,000,000.00) per occurrence;
- (3) Property damage liability insurance covering at a minimum the perils of fire and extended coverage and vandalism;
- (4) Worker's Compensation Employer Liability as prescribed by state law with limits no less than Five Hundred Thousand Dollars (\$500,000.00); and
- (5) Such other insurance that may be required by TDG or by the statutes or other laws of the state in which the Franchised Business is located and operated.

C. No Limitations on Coverage

Franchisee's obligations to obtain and maintain the foregoing insurance policies, in the amounts specified, shall not be limited in any way by reason of any insurance which may be maintained by TDG, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in this Agreement. Franchisee may maintain such additional insurance as it may consider advisable.

D. Evidence of Coverage

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, Franchisee shall promptly submit evidence of satisfactory insurance and proof of

payment to TDG, together with, upon request, copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without giving at least thirty (30) days' prior written notice to TDG.

E. TDG May Procure Insurance Coverage

Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as described from time to time by the Manuals or otherwise in writing, TDG shall have the right and authority (but no obligation) to procure such insurance and to charge same to Franchisee. Such charges, together with a reasonable fee for TDG's expenses in so acting, shall be payable by Franchisee immediately upon notice from TDG.

16. TERMINATION OF FRANCHISE

A. Termination of Franchisee With Notice and Cure

Franchisee acknowledges that the strict performance of all the terms of this Agreement is necessary not only for protection of TDG, but also the protection of Franchisee and other franchisees of TDG. Franchisee therefore acknowledges and agrees that strict and exact performance by Franchisee of each of the covenants and conditions contained in the Agreement is a condition precedent to the continuation of this Agreement. If Franchisee shall breach any provision of this Agreement, then TDG may notify Franchisee in writing of such breach, specifying its nature and giving Franchisee thirty (30) days (fifteen (15) days for a monetary breach), or such longer period as may be required by applicable law, in which to cure the breach. If Franchisee shall fail to cure the breach within the applicable cure period, then TDG may terminate this Agreement and the Franchise immediately upon written notice of termination to Franchisee.

B. Termination of Franchisee Without Cure

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and TDG, at its option, may terminate this Agreement and all rights granted under it effective immediately upon written notice, without affording Franchisee any opportunity to cure the breach, if Franchisee does any of the following:

- (1) Abandons, surrenders, or transfers control of the operation of the Franchised Business or fails to continuously and actively operate the Franchised Business, unless precluded from doing so by an event of force majeure (as defined in Section 1.A.(2)(a));
- (2) Repeatedly fails or refuses to submit when due the Royalty Fees, or any other payments due TDG or its affiliates, related parties or Approved Suppliers or repeatedly commits any other material breach under this Agreement, whether or not such breaches are of the same or different nature and whether or not such breaches have been cured by Franchisee after notice by Franchisor;
- (3) Operates the Franchised Business in a manner that violates any federal, state, or local law, rule, regulation or ordinance;

- (4) Has made a material misrepresentation on his or her application for the Franchise;
- (5) Transfers, assigns, sub-licenses or sub-franchises its rights under this Agreement without the prior written consent of TDG, as set forth herein;
- (6) Discloses or divulges the contents of the Manuals or any other Confidential/Proprietary Information provided to Franchisee by TDG in violation of Articles 7 and 8;
- (7) Infringes on territory that is franchised to another franchisee more than two (2) times;
- (8) Fails to provide TDG or its authorized representatives access to conduct the audits contemplated by Section 12.C. and does not correct such failure within three (3) days following written notice.
- (9) Repeatedly fails to substantially comply with any of the requirements imposed by this Agreement, whether or not cured after notice;
- (10) Commits a breach of this Agreement or engages in any other activity which has a material adverse effect on TDG, the franchised network of THE DECOR GROUP Businesses or CHRISTMAS DECOR Businesses and/or the Marks;
- (11) Fails or refuses to comply with any provision of this Agreement or any other agreement between TDG and Franchisee relating to the Franchised Business or the Franchise and does not correct such failure or refusal within thirty (30) days after written notice of such failure to comply is delivered to Franchisee;
- (12) Is convicted of a felony or has pleaded nolo contendere to a felony.

C. Termination of Franchisee Immediately and Without Notice

Notwithstanding the foregoing, Franchisee shall be in breach under this Agreement and all rights granted under this Agreement shall automatically terminate without notice to Franchisee, if Franchisee does any of the following:

- (1) Makes an assignment for the benefit of creditors or an admission of Franchisee's inability to pay its obligations as they become due; or
- (2) Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against Franchisee, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Franchised Business, or the claims of creditors of Franchisee or the Franchised Business are abated or subject to moratorium under any laws.

17. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon the expiration or termination of this Agreement:

A. Payment of Monies Owed to TDG

Franchisee shall pay to TDG, within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, payments for inventory, supplies, merchandise, or any other sums owed to TDG, its affiliates, related parties, or Approved Suppliers by Franchisee, which are then unpaid. TDG shall have the right to conduct audits following the termination or expiration of this Agreement in accordance with Section 12.C.

B. Return of Manual and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee will immediately return to TDG all copies of the Manual, training aids and any other Confidential/Proprietary Information or materials which have been loaned to Franchisee by TDG. Franchisee further agrees to turn over to TDG any other manuals, computer programs, software (including all proprietary software), customer lists, records, files, instructions, correspondence and brochures, and any and all other confidential and proprietary materials relating to the operation of the Franchised Business in Franchisee's possession, custody, or control and all copies thereof (all of which are acknowledged to be TDG's property). Franchisee shall retain no copy or record of the foregoing, excepting only Franchisee's copy of this Agreement and any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law.

C. Termination Fee

If this Agreement is terminated by TDG for cause or by Franchisee without cause, Franchisee agrees to pay to TDG a lump sum payment (as liquidated damages for the early termination of this Agreement and not as a penalty or for any other injury) an amount equal to the minimum monthly Holiday Lighting Services Royalty Fees due in respect of the Franchised Business for the twenty-four (24) month period immediately following the termination or the remaining term of the Agreement, whichever is less. Said sum shall be immediately due and payable in full within thirty (30) days after such termination is effective. If such amount is not timely paid, interest shall accrue thereon from the date due until paid at the rate set forth in Section 11.C.

D. Cease Using Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, the Marks and any distinctive forms, slogans, symbols, signs, logos or devices associated with the System, as well as any confidential methods, procedures and techniques associated with the System. In particular but without limitation, Franchisee shall cease to use all signs, advertising materials, stationery, forms, and any other articles which display the Marks.

E. Cease Operating Franchised Business

Franchisee shall immediately cease to operate the Franchised Business, shall comply with the post-termination covenants set forth in Sections 8 and 18 of this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or

former franchisee of TDG. All phone numbers related to the Franchised Business owned and operated by Franchisee shall be immediately assigned to TDG.

F. No Confusion with Marks

In the event Franchisee continues to operate or subsequently begins to operate any other business, Franchisee agrees not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute TDG's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation which suggests or represents an association or connection with THE DECOR GROUP System, TDG or a former association or connection with THE DECOR GROUP System, TDG, the CHRISTMAS DECOR System or Nite Time Decor.

G. TDG Purchase of Inventory and Equipment

TDG shall have the right (but not the duty), to be exercised by written notice given within thirty (30) days following the date of termination or expiration of this Agreement, to purchase from Franchisee any or all equipment, supplies, signs, advertising materials and items bearing the Marks, at fair market value (less the amount of any outstanding liens or encumbrances). If the parties cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by TDG and the appraiser's determination shall be binding. If TDG elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee, and the cost of the appraisal, if any, against any payment therefor.

18. COVENANTS

A. Franchisee Receives Confidential/Proprietary Information

Franchisee specifically acknowledges that pursuant to this Agreement, Franchisee will receive valuable training and Confidential/Proprietary Information, including, without limitation, information regarding promotional, operational, sales, and marketing methods and techniques of the System.

B. No Diversion of Business

During the term of this Agreement and for a period of two (2) years following the expiration or termination of the Agreement, Franchisee covenants that it will not, directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

- (1) Divert or attempt to divert any business or customers of the Franchised Business with which or with whom Franchisee has had contact during the term of this Agreement to any competitor by direct or indirect inducement or otherwise;
- (2) Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System or both; or
- (3) Induce, directly or indirectly, any person who is at that time employed by TDG or by any other franchisee of TDG, to leave his or her employment.

The provisions of this Section shall apply only (a) within the Service Territory, (b) within a fifty-mile radius of the Service Territory, and (c) within the service territory of any other franchisee.

C. Covenant Not to Compete

Franchisee covenants that, except as otherwise approved in writing by TDG, Franchisee shall not, during the term of this Agreement and for a continuous uninterrupted period commencing upon expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for himself, or on behalf of, or in conjunction with, any person, persons, partnership, or corporation, own, manage, operate, maintain, advise, substantially invest in, be employed by, or engage in, (a) any business (including any retail or wholesale business) that offers to the public in a manner products and/or services substantially similar to the Holiday Lighting Services or, if applicable, the Permanent Lighting Services then being offered by the Franchised Businesses; or (b) any business which grants franchises or licenses to others to operate a business described in (a) above (i) within the Service Territory, or (ii) within a fifty (50) mile radius of the Service Territory, or (iii) within the service territory of any other franchisee, or (iv) within a fifty (50) mile radius of the service territory of any other franchisee. Franchisee additionally covenants that Franchisee will secure similar written covenants from all employees, agents and representatives of Franchisee as TDG may require. The above-noted covenant is not intended to prevent any individual Franchisee from employment which does not compete against the System or its franchisees nor shall it apply upon the termination of this Agreement by Franchisee for cause in accordance with Section 16.A. above.

D. Exception to Covenant Not to Compete

Section 18.C. hereof shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any Publicly-Held Corporation.

E. Covenants are Independent

The parties agree that each of the foregoing covenants shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section 18 is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which TDG is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Section of the Agreement.

F. Claims Are Not Defense to Covenants

Franchisee expressly agrees that the existence of any claim it may have against TDG, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by TDG of the covenants of this Article 18. Franchisee further agrees that TDG shall be entitled to set off any amount owed by TDG to Franchisee against any loss or damage to TDG resulting from Franchisee's breach of this Section of the Agreement.

G. Injunctive Relief Available to TDG

Franchisee acknowledges that any failure to comply with the requirements of this Article 18 will cause TDG irreparable injury for which no adequate remedy at law may be available and Franchisee hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Article 18. TDG

may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement or otherwise.

H. Survival.

The covenants set forth in this Article 18 shall survive the expiration, termination or transfer of this Agreement or any interest therein.

19. ASSIGNMENT

A. Assignment by TDG

TDG shall have the right to transfer or assign all or part of its rights or obligations under this Agreement to any person or entity without prior notice to or the consent of Franchisee. Following any such transfer, the assignee shall be solely responsible for the obligations of franchisor hereunder.

B. Assignment by Franchisee

Franchisee and the owners of Franchisee shall not transfer, assign, convey, give away, pledge, exchange, lease, mortgage, or otherwise encumber this Agreement, nor any of Franchisee's rights or privileges under this Agreement, nor any interest in Franchisee or in the Franchised Business (including any sale of the assets of the Franchised Business except in the ordinary course) in any manner, by operation or law or otherwise, without the prior written consent of TDG, which consent will not be unreasonably withheld. Franchisee will provide to Franchisor prior to the Transfer, a copy of any written agreements relating to the proposed Transfer, or any additional information which Franchisor may require in order to determine if Franchisor will grant Franchisor's consent to the proposed Transfer. In granting any such consent, TDG may impose reasonable conditions, including, without limitation, the following:

- (1) The proposed assignee (and the partners, managers, shareholders, directors and officers of a corporate, partnership or limited liability company franchisee) must meet the then-applicable standards and qualifications applicable to System franchisees;
- (2) The proposed assignee shall not operate a franchise, license or other business offering services similar to those offered by the Franchised Business;
- (3) The assignee must sign the then-current form of TDG franchise agreement, which form may contain provisions which materially alter the rights or obligations of Franchisee under this Agreement;
- (4) Franchisee or owner shall remit to TDG a transfer fee in the amount of Two Thousand Five Hundred Dollars (\$2,500.00). In addition, if Franchisee is transferring its Service Territory, the assignee shall pay to TDG a fee of Two Thousand Five Hundred Dollars (\$2,500.00) (for Quick Start training of up to three (3) people, quick-start literature and marketing materials) and if not transferred by previous owner, franchisee must purchase from TDG or its assigned software provider, all proprietary software required at the then-current price;

- (5) If TDG determines that training is required, assignee and any personnel of assignee required by TDG shall attend Quick Start Training at TDG's home office (at the cost specified under the then-current form of franchise agreement). Any and all traveling, living, and other expenses incurred by anyone attending training shall be paid by such assignee; and
- (6) Franchisee and its owners shall execute a general release of TDG in a form satisfactory to TDG's counsel.

For purposes of this Agreement, any change in stock ownership, voting or other control whatsoever of a corporation or other entity which acts as a Franchisee under this Agreement constitutes a Transfer. For all purposes herein, a beneficiary of a trust which owns a beneficial interest in a Franchisee which is an entity will be deemed to have an interest in this Agreement. Provided further, for all purposes herein, if a trust owns a beneficial interest in Franchisee which is an entity, any change in the beneficial interest of a beneficiary will constitute a Transfer. Any transaction or series of transactions which would have such an effect must be approved by Franchisor on the same basis as any other Transfer as set forth herein. Franchisee hereby covenants and warrants (i) that Franchisee's certificate or articles of incorporation or formation, corporate charter, by-laws, LLC agreement, and/or company agreement limit Transfers as described in this Section 18, and (ii) if Franchisee is a corporation, that each security will bear a legend (in a form to which Franchisor consents) indicating that any Transfer is subject to this.

C. TDG's Right of First Refusal

If Franchisee (or any of its owners) receives a bona fide written offer to purchase the Franchised Business or any ownership interest therein, such offer shall be submitted to TDG. For a period of thirty (30) days from the date of TDG's receipt of such offer, TDG shall have the right, exercisable by written notice to Franchisee (or its owners), to purchase the Franchised Business or such ownership interest for the price and on the same terms and conditions contained in such offer, provided that TDG may substitute cash for any form of non-cash payment proposed in such offer. If TDG does not exercise its right of first refusal, the bona fide written offer may be accepted by Franchisee (or its owners), subject to the prior written approval of TDG, as provided in this Agreement.

D. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in the Franchised Business, the executor, administrator, or personal representative of that person must transfer his or her interest to a third party approved by TDG within three (3) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer including the requirements to complete and pay for training by the future operator of the Franchised Business. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions contained in the Agreement, the personal representative of the deceased Franchisee shall have a reasonable time (not to exceed one hundred eighty (180) days) to dispose of the deceased's interest in the Franchised Business which disposition will be subject to all the terms and conditions for transfer contained in the Agreement. If the interest is not disposed of within a reasonable time, TDG may terminate the Agreement.

20. INDEPENDENT CONTRACTOR

A. No Fiduciary Relationship

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that the Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

B. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating its business pursuant to a Franchise Agreement with TDG. Franchisee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a public notice of that fact, the content and display of which TDG shall have the right to specify.

21. WAIVER

No failure of TDG to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of TDG's right to demand exact compliance with any of the terms herein. Waiver by TDG of any particular default or breach by Franchisee shall not affect or impair TDG's rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of TDG to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair TDG's right to exercise the same; nor shall such constitute a waiver by TDG of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22. MEDIATION

Except for claims as to monies owed or for injunctive or other extraordinary relief, or with respect to acts or omissions relating to the Marks or the Confidential/Proprietary Information (including the Customer Lists), the parties agree that any and all claims, controversies or disputes between them, that cannot be amicably settled, shall first be discussed on a face to face basis by the parties in a meeting of at least one (1) hour duration without the representation of attorneys or others at a mutually agreed upon meeting place or at TDG offices in Lubbock, Texas if a mutual site cannot be agreed upon. If after that meeting, the claims of either party cannot be amicably settled then the parties to this Agreement shall submit their differences to a neutral professional mediator prior to bringing such claim, controversy or dispute in a court or before any other tribunal. The mediation shall be conducted by either an individual mediator or a mediator appointed by a mediation services organization or body experienced in the mediation of disputes between franchisors and franchisees, as agreed upon by TDG and Franchisee and, failing such agreement within a reasonable period of time (not to exceed fifteen (15) days) after either party has notified the other of its desire to seek mediation, by the American Arbitration Association ("AAA") in accordance with its rules governing mediation. Mediation shall be held at an office of the AAA located nearest to Lubbock, Texas. If the parties agree to resolve the dispute in the mediation, then an agreement of resolution shall be entered into by the parties and they shall equally divide the cost of the mediation (including the fees of the mediator but excluding the fees and costs of counsel retained by either party, which shall be the obligation of that party). If no resolution of the dispute is accomplished in the mediation, then the parties may proceed with judicial enforcement proceedings.

23. JUDICIAL ENFORCEMENT

A. Use of Judicial Process, Injunction and Specific Performance

Following the procedures described above (and subject to the above-described exceptions thereto) either party shall have the right to enforce this Agreement by judicial process. Without limitation of the foregoing, TDG shall be entitled without bond to seek the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement.

B. Governing Law and Venue

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.), this Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of laws principles. Both parties agree that, (unless superseded by governing state statutes), all litigation shall take place in the state courts in Lubbock, Texas or in the federal district courts for the district in which Lubbock, Texas is situated.

24. WAIVER OF JURY TRIAL

IN ANY LITIGATION BETWEEN THE PARTIES FOUNDED UPON OR ARISING FROM THIS AGREEMENT, THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL AND THE PARTIES HEREBY STIPULATE THAT ANY SUCH TRIAL SHALL OCCUR WITHOUT A JURY.

25. WAIVER OF CERTAIN DAMAGES

FRANCHISEE AND ITS OWNERS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST TDG, ITS AFFILIATES AND THE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, MEMBERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES OF EACH OF THEM, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, FRANCHISEE AND ITS OWNERS SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THEM. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

26. LIMITATIONS PERIOD

EXCEPT FOR CLAIMS BROUGHT BY TDG WITH REGARD TO (i) ANY MISREPRESENTATION OR OMISSION MADE BY FRANCHISEE OR ITS OWNERS UNDER THIS AGREEMENT OR IN ANY APPLICATION THEREFOR, (ii) FRANCHISEE'S OBLIGATIONS TO PROTECT TDG'S CONFIDENTIAL/PROPRIETARY INFORMATION, OR (iii) FRANCHISEE'S OBLIGATIONS TO INDEMNIFY TDG PURSUANT TO SECTION 24,

ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF FRANCHISEE AND TDG PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR TWO (2) YEARS FROM THE DATE ON WHICH FRANCHISEE OR TDG KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

27. INDEMNIFICATION

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on TDG's behalf, or to incur any debt or other obligation in TDG's name. Franchisee further understands and agrees that TDG shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action or by reason of any act or omission of Franchisee in its conduct of the Franchised Business, or any claim or judgment arising therefrom.

Franchisee shall defend, indemnify and hold harmless, to the fullest extent permitted by law, Franchisor, its affiliates, their respective successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, and employees of each of them, past or present (the "Indemnitees") from and against any and all payments of losses and expenses (including, without limitation, all liabilities, losses, damages (including damages for injury to property or persons, including death, and, without limitation, the injury or death of any of Franchisee's employees or agents or damage to any of their property), fines, settlement amounts, costs, expenses, attorneys' fees, investigative fees and court costs) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which may arise out of, or in connection with, Franchisee's ownership or operation of the Franchised Business, the performance of Franchisee, its employees or agents under this Franchise Agreement, or the default by Franchisee or its owners of any representation or warranty herein. Franchisee's indemnification obligation will include, without limitation, any claims related to or resulting from the actual or alleged negligence or fault of any Indemnitee. Such indemnity shall survive the transfer, termination or expiration of this Franchise Agreement.

Franchisee shall have ten (10) business days from its receipt of a written demand from Franchisor for indemnification under this Section 27 to comply with its obligations hereunder. Franchisor shall have the right, through counsel of its own choosing and at Franchisee's sole cost and expense, to direct, manage and control its defense of any matter to the extent that it could directly or indirectly affect Franchisor or its Affiliates. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee under this Section.

Franchisee, its employees and agents, hereby waive, and release the Indemnitees from and against, any and all claims, demands, causes of actions for injury to property or person (including death) arising out of or in connection with Franchisee's operation of the Franchised Business or its performance under this Franchise Agreement, regardless of when in the future sustained, and whether or not caused or contributed to by the negligence of Indemnitees.

28. TAXES, PERMITS AND INDEBTEDNESS

A. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment, sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Franchised Business. Franchisee shall pay TDG an amount equal to any sales tax, gross receipts tax or similar tax imposed on TDG with respect to any payments to TDG required under this Agreement, unless the tax is credited against income tax otherwise payable by TDG.

B. Franchisee Can Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any improvements thereon.

C. Franchisee Must Comply With Laws

Franchisee shall, at Franchisee's expense, comply with all federal, state and local laws, rules, regulations and ordinances and shall timely obtain and shall keep in force as required throughout the term of this Agreement all permits, certificates and licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, any required permits, licenses to do business, fictitious names and registrations, sales tax permits, and fire clearances.

D. Franchisee Must Notify TDG of Lawsuits

Franchisee shall notify TDG in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee, and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Franchised Business, including, without limitation, any criminal action or proceedings brought by Franchisee against its employees, customers, or other persons.

29. NOTICES

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the party to be notified at the address specified in this Agreement or at any other principal address which the notifying party has on record.

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service, one (1) business day after the date and time of mailing, or in the case of registered or certified mail, three (3) business days after the date and time of mailing. Notwithstanding the

foregoing, if Franchisee or a representative of Franchisee refuses to accept delivery of any notice, then such notice will be deemed to have been given upon refusal of delivery.

30. VARYING STANDARDS

Because complete and detailed uniformity under many varying conditions may not be possible or practical, TDG specifically reserves the right, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any Franchise based upon the peculiarities of a particular location or circumstance, including, density of population, business potential, population, trade area, existing business practices, or any other condition which TDG deems to be of importance to the operation of such Franchisee's business. Franchisee shall not have any right to complain about a variation from standard specifications and practices granted to any other franchisee and shall not be entitled to require TDG to grant to Franchisee a like or similar variation.

31. AUTHORITY

Franchisee or, if Franchisee is a legal entity, the individuals executing this Agreement on behalf of Franchisee, warrants to TDG individually and in their representative capacities, as the case may be, that they have read and approved this Agreement, including any restrictions which this Agreement places upon their right to transfer their respective interests in Franchisee.

32. SPECIAL REPRESENTATIONS

A. Entity Franchisee.

If Franchisee is a corporation or other legal entity, the following requirements shall apply:

- (1) Franchisee shall provide to TDG copies of Franchisee's corporate, partnership, limited liability company or other resolution directing its authorized representatives to enter into this Agreement on behalf of Franchisee.
- (2) Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting stock of or other ownership interest in Franchisee and shall furnish such list to TDG upon its request; and
- (3) All shareholders, partners or members of Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement; provided, however, that the requirements of this subsection shall not apply to any corporation registered under the Securities Exchange Act of 1934 (a "Publicly Held Corporation"), or, in TDG's discretion, to limited partners.

B. Franchisee's Representations and Acknowledgments.

Franchisee (and the owners of a corporate, partnership or limited liability company Franchisee) hereby represents as follows:

- (1) That he or she has conducted an independent investigation of TDG's business and System, recognizes that the business venture contemplated by this Agreement involves business risks and that success will be largely dependent upon the ability of Franchisee and its owners as independent business persons. TDG expressly disclaims the making of, and Franchisee acknowledges that it has not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.
- (2) Franchisee acknowledges having received, read, and understood this Agreement, including the Attachments hereto; and Franchisee further acknowledges that TDG has accorded Franchisee ample time and opportunity to consult with advisors of his or her own choosing about the potential benefits and risks of entering into this Agreement.
- (3) Franchisee acknowledges that it has received a complete copy of this Agreement, attachments referred to herein, and agreements relating hereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed by Franchisee. Franchisee further acknowledges that it has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission, entitled "Information For Prospective Franchisees Required By The Federal Trade Commission," at least fourteen (14) calendar days prior to the date on which this Agreement was executed by Franchisee.
- (4) That TDG has not represented or guaranteed, expressly or impliedly, that Franchisee will derive income from the Franchised Business which exceeds the price paid by Franchisee, or that TDG will refund all or any part of the consideration paid by Franchisee, or repurchase any products, equipment, supplies or other items supplied by TDG or its affiliates if Franchisee is unsatisfied with the Franchised Business.

33. MISCELLANEOUS

A. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder or require the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

B. Rights of Parties Are Cumulative

The rights of TDG and Franchisee hereunder are cumulative, and the exercise or enforcement by TDG or Franchisee of any right or remedy hereunder shall not preclude the exercise or enforcement by TDG or Franchisee of any other right or remedy hereunder which TDG or Franchisee is entitled by law to enforce.

C. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

D. Entire Agreement; Construction

This Agreement and any other agreements or instruments referred to herein or which relate to the purchase or lease by Franchisee from TDG of any fixtures, signs, equipment, printing, merchandise, or the like, constitutes the entire agreement of the parties, and there are no other oral or written understanding or agreements between TDG and Franchisee relating to the subject matter of this Agreement, provided that nothing herein or therein is intended to disclaim representations TDG made in the franchise disclosure document that TDG furnished to Franchisee. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. The term "Franchisee" as used herein is applicable to one or more persons, a corporation, partnership, limited liability company or other legal entity, as the case may be; the singular usage includes the plural; and the masculine and neuter usages include the other and feminine. References to "Franchisee" shall apply to one or more individual franchisees or, in the case of a franchisee which is a legal entity to the principal owner or owners of such entity.

E. Attorney Fees and Enforcement Costs

In the event any legal or other enforcement proceedings between the parties hereto arise under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs from the other party. Without limitation, Franchisee shall pay to Franchisor all damages, costs and expenses, including collection fees and costs and reasonable attorneys' fees, incurred by Franchisor in collecting any amounts due under this Agreement and in obtaining any remedy available to Franchisor for any violation of this Agreement, and, if Franchisor secures any injunction or order of specific performance hereunder, Franchisee agrees to pay to Franchisor an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and any damages incurred by Franchisor as a result of the breach of any provision of this Agreement.

F. Modification

This Agreement may be modified only by a written instrument signed by the party to be bound. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto.

G. Survival

Any obligation of Franchisee or its owners that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest in Franchisee shall be deemed to survive such termination, expiration or transfer.

H. No Third Party Beneficiary

Except as expressly provided herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, TDG, TDG's officers, directors and personnel and such of Franchisee's and TDG's respective successors and assigns as may be

contemplated (and, as to Franchisee, authorized by Section 19.), any rights or remedies under or as a result of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused their authorized representatives to duly execute and deliver this Agreement in duplicate as of the ____ of _____, 20__.

THE DECOR GROUP, INC. (Officer's signature required):

By: _____

Title: _____

By: _____

Title: _____

FRANCHISEE:

THE DECOR GROUP of / by

CHRISTMAS DECOR of / by

By: _____
(Officer's signature required)

Title: _____

By: _____

Title: _____

ATTACHMENT A

TO FRANCHISE AGREEMENT DATED _____, 20____
BETWEEN THE DECOR GROUP, INC. AND _____ ("FRANCHISEE")

OWNERS' GUARANTY AND ASSUMPTION AGREEMENT

This Guaranty and Assumption Agreement (the "Guaranty") is given this ____ day of _____, 20__ by the undersigned.

In consideration of, and as an inducement to, the execution of the Franchise Agreement (the "Agreement") by THE DECOR GROUP, INC. ("we" "us" or "our"), each of the undersigned and any other parties who sign counterparts of this Guaranty (referred to herein individually as a "Guarantor" and collectively as "Guarantors") hereby personally and unconditionally guarantees to us and our successors and assigns, that Franchisee will punctually pay its obligations for initial franchise fees, royalties, marketing development fees and purchases of equipment, materials, supplies and other amounts due under the Agreement.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by us of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this guaranty by the undersigned (including by way of counterparts); and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (a) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (b) he or she will render any payment, remittance or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (c) such liability will not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and

- (d) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Agreement or by any extension of time, credit or other indulgence that we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment, remittance or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to us under the Agreement; and
- (e) Franchisee's written acknowledgment, accepted in writing by us, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor also makes all of the covenants, representations, warranties and agreements of the Franchisee set forth in the Franchise Agreement and is obligated to perform thereunder.

If we are required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, legal and accounting fees, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse us for any of the above-listed costs and expenses incurred by us.

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

GUARANTORS

Name: _____

Name: _____

Name: _____

Name: _____

**Exhibit “A”
to Franchise Agreement**

Selected Terms

1. **Service Territory:** Set forth below is a written description of Franchisee’s Service Territory.
(Also see the attached map):

2. **Territory Fee:** the amount of the Territory Fee required under the Agreement is \$_____.

3. **Ongoing Fees:** The amount of the ongoing fees required under the Agreement is:

THE DECOR GROUP Franchised Business

Gross Sales attributable to Holiday and Permanent Lighting Services	Holiday and Permanent Lighting Services Royalty Fees				Holiday and Permanent Lighting Marketing Development Contributions			
The greater of:	Minimum	or %	Monthly (Feb-Sep)	Monthly (Oct-Dec)	Minimum	or %	Monthly (Feb-Sep)	Monthly (Oct-Dec)
1st Year	none	5%	none	none	none	1%	none	none
2nd Plus Years	Based on Previous Year’s Gross Sales attributable to Holiday and Permanent Lighting Services							
\$0 - \$200,000	\$3,500	5%	\$250	\$500	\$700	1%	\$50	\$100
\$200,001 - \$300,000	\$5,000	5%	\$250	\$1,000	\$1,000	1%	\$50	\$200
\$300,001 - \$500,000	\$6,500	5%	\$250	\$1,500	\$1,600	1%	\$50	\$400
\$500,001 - \$750,000	\$8,000	5%	\$250	\$2,000	\$2,500	1%	\$50	\$700
\$750,001 - \$1,000,000	\$9,500	5%	\$250	\$2,500	\$3,400	1%	\$50	\$1,000
\$1,000,001 +	\$11,000	5%	\$250	\$3,000	\$4,300	1%	\$50	\$1,300

Gross Sales attributable to Landscape Lighting Services	Landscape Lighting Services Royalty Fees			Landscape Lighting Services Marketing Development Contributions		
The greater of:	Minimum	or %	Quarterly (Jan, Apr, Jun, Sep)	Minimum	or %	Quarterly (Jan, Apr, Jun, Sep)
1st Year	none	5%	none	none	1%	none
2nd and 3rd Years	\$2,000	5%	\$500	\$400	1%	\$100
4th and 5th Years	\$5,000	5%	\$1,250	\$1,000	1%	\$500

THE DECOR GROUP, INC. 2024

FRANCHISEE INITIALS
(By initialing, I acknowledge I have read this page)

CHRISTMAS DECOR Franchised Business

Gross Sales attributable to Holiday Lighting Services Standard Market	Holiday Lighting Services Royalty Fees Standard Market				Holiday Lighting Services Marketing Development Contributions Standard Market			
The greater of:	Minimum	or %	Monthly (Feb-Sep)	Monthly (Oct-Dec)	Minimum	or %	Monthly (Feb-Sep)	Monthly (Oct-Dec)
1st Year	none	5%	none	none	none	1%	none	none
2nd Plus Years	Based on Previous Year's Gross Sales attributable to Holiday Lighting Services							
\$0 - \$100,000	\$3,050	5%	\$250	\$350	\$640	1%	\$50	\$80
\$100,001 - \$150,000	\$3,950	5%	\$250	\$650	\$850	1%	\$50	\$150
\$150,001 - \$200,000	\$5,000	5%	\$250	\$1,000	\$1,000	1%	\$50	\$200
\$200,001 +	\$6,950	5%	\$250	\$1,650	\$1,150	1%	\$50	\$250

Gross Sales attributable to Holiday Lighting Services Community Market	Holiday Lighting Services Royalty Fees Community Market				Holiday Lighting Services Marketing Development Contributions Community Market			
The greater of:	Minimum	or %	Monthly (Feb-Sep)	Monthly (Oct-Dec)	Minimum	or %	Monthly (Feb-Sep)	Monthly (Oct-Dec)
1st Year	none	5%	none	none	none	1%	none	none
2nd Plus Years	Based on Previous Year's Gross Sales attributable to Holiday Lighting Services							
\$0 - \$100,000	\$2,750	5%	\$250	\$250	\$550	1%	\$50	\$50
\$100,001 - \$150,000	\$3,050	5%	\$250	\$350	\$640	1%	\$50	\$80
\$150,001 - \$200,000	\$3,500	5%	\$250	\$500	\$700	1%	\$50	\$100
\$200,001 +	\$4,250	5%	\$250	\$750	\$850	1%	\$50	\$150

The above fees may be subject to an annual cost of living adjustment as provided in the Franchise Agreement.

4. **Annual Performance Benchmarks:**

Franchise Year	Annual Performance Benchmarks for Holiday Lighting Services
1 st Franchise Year - _____	
2 nd Franchise Year - _____	
3 rd Franchise Year - _____	
4 th Franchise Year - _____	
5 th Franchise Year - _____	

5. **Description of Other Business:**

STATE ADDENDA TO FRANCHISE AGREEMENT

EXHIBIT A-1

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Decor Group, Inc. Franchise Agreement between _____ ("Franchisee" or "You") and The Decor Group, Inc. ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, these provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b. All sections of the Agreement referencing payment by Franchisee of the initial franchise fee upon execution of the Agreement are hereby amended to defer Franchisee's payment of the initial franchise fee until after completion of Quick Start Training and opening of the franchised business.
- c. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- d. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- e. The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.
- f. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Decor Group, Inc. Franchise Agreement between _____
("Franchisee" or "You") and The Decor Group, Inc. (the "Company") dated
_____ (the "Agreement") shall be amended by the addition of the following
language, which shall be considered an integral part of the Agreement (the "Amendment"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq.* To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Act (including judicial decisions interpreting the Act), Illinois law will govern.
- b. In conformance with Section 4 of the Act, any provision in the Agreement that designates jurisdiction and venue in a forum outside of the state of Illinois is void; except that arbitration may take place outside of Illinois.
- c. Paragraphs 705/19 and 705/20 of the Act provide rights to You concerning non-renewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- d. In conformance with Section 41 of the Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other Illinois law is void.
- e. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.

2. "NATIONAL ACCOUNTS" EXIST IN THIS FRANCHISE SYSTEM. FRANCHISOR HAS DISCRETION TO SERVICE "NATIONAL ACCOUNTS" OR ALLOW ANOTHER FRANCHISEE TO SERVICE ACCOUNTS WITHIN YOUR TERRITORY WITH NO COMPENSATION PAID TO YOU.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

The Decor Group, Inc.
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and The Decor Group, Inc. (the “Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code. Ann. Bus. Reg. §§ 14-201 – 14-233 (2004 Repl. Vol.). To the extent that this Agreement contains provisions that are inconsistent with the following, these provisions are hereby amended:

- a. The Franchisee is required in this Agreement to execute a general release as a condition of renewal, sale, and/or assignment/transfer. Such release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- b. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law,
- c. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
- d. Any claims that Franchisee may have under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- e. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT AND DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and The Decor Group, Inc. (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement and/or Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s proprietary marks infringes trademark rights of the third party.
- b. Minn. Stat. Sec. 80C.14, Subds. 3, 4., and 5 requires, except in certain specified cases, that a franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.
- d. Minn. Stat. Sec. 80C17, Subd. 5 requires that no action may be commenced pursuant to this section more than three (3) years after the cause of action accrues. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- e. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement and/or Disclosure Document is hereby amended to delete all references to liquidated damages (which includes the termination fee) in violation of Minnesota law; provided, that no such deletion shall excuse the franchisee from liability for actual or other damages and the formula for liquidated damages in the Agreement and/or Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement and/or Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement and/or Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain.

6. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment on _____, 20__.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) The Decor Group, Inc. (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

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IN WITNESS WHEREOF, the Franchisee on behalf of itself and its Owners acknowledge that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and The Decor Group, Inc. (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.
- d. If the Agreement requires that it be governed by the law of a state, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.
- e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.
- f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

- g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.
- h. A waiver of exemplary or punitive damages by the parties may not be enforceable under North Dakota law.
- i. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and The Decor Group, Inc. (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law, tit. 19 chap. 28.1 §§ 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.
- c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owner acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO THE DECOR GROUP, INC.
FRANCHISE AGREEMENT AND RELATED AGREEMENTS
FOR THE STATE OF WASHINGTON**

The Decor Group, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and The Decor Group, Inc. (“Franchisor”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

WASHINGTON LAW MODIFICATIONS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By:_____

Name:_____

Title:_____

FRANCHISEE:

By:_____

Name:_____

Title:_____

OPTION AGREEMENT

EXHIBIT A-2

THE DECOR GROUP, INC.

OPTION TO PURCHASE

For, and in consideration of One Thousand Dollars (\$1,000.00), via automated bank draft, credit card, or company check, and other good and valuable consideration, the receipt of which is acknowledged, The Decor Group, Inc. ("Seller"), 2301 Crown Court, Irving, Texas 75038, grants to:

(Name)

(Business Phone)

(Address)

(Fax Phone)

(City, State, Zip)

(Company Name)

Hereafter the "Buyer",

An exclusive right and option to purchase, in accordance with the terms and conditions in this Agreement, the Christmas Decor Service Territory described on Exhibit "A" attached hereto.

1. **Option.** This Option is irrevocable until _____, 20__ at which time it may be renewed.
2. **Renewal.** This Option is renewable for one (1) month periods through _____, 20__ (the Expiration Date), subsequent to the initial Option period, upon payment of an Option extension fee in the amount of _____ Dollars (\$_____) per month to be paid on the first (1st) day of each month via automated bank draft, credit card or company check.
3. **Purchase Price.** The franchise fee for the territory described in Exhibit A shall be:

Base Fee of _____ (\$_____.__) plus a Territory Fee ranging from One Thousand Five Hundred Dollars (\$1,500.00) up to _____ (\$_____.__).
4. **Conditions Precedent.** In order for the Buyer to exercise this Option to purchase a franchise, all of the following conditions must be met:
 - A. The Buyer must be a person capable of operating a Franchise in the territory and be approved by the Seller.
 - B. The Franchise Agreement between Seller and Buyer must be executed, the form of which is included with this Option Agreement.
 - C. Payment by the Buyer of the required franchise fee at the time of exercise of this Option, less the amount of all Option fees received by the Seller as provided in paragraph five (5).

5. **Credit of Option Consideration.** If the Buyer fails to exercise this Option herein before the Expiration Date, the Seller shall retain the consideration paid under this agreement. If, however, the Buyer does exercise this Option in accordance with the terms hereof on or before the Expiration Date, Seller shall credit toward Buyer's franchise fee all the Option fees received by the Seller.
6. **Notice.** The Buyer shall give notice to the Seller of intent to exercise this Option by delivering a fully executed Franchise Agreement (and related documents, if any), **AND** the required franchise fee to the Seller **PRIOR** to the Expiration Date of this Option.
7. **Assignment.** This Option shall be binding on the Buyer and may not be assigned by the Buyer without written approval of the Seller. Seller may assign this agreement without Buyer's consent.
8. **Benefit.** This Option Agreement shall be binding on the parties hereto, their heirs, and legal representatives.

Executed on this _____ day of _____, 20__.

SELLER:

THE DECOR GROUP, INC.

By:_____

Print Name and Title: _____

Sales Representative:_____

BUYER:

(Company Name)

By:_____

Print Name and Title:_____

Exhibit A

Description of Franchise Territory

TABLE OF CONTENTS OF OPERATIONS MANUAL

EXHIBIT B

Christmas Decor Franchise Operations Manual

Table of Contents

<u>Section</u>	<u>Number of Pages</u>
<u>Administration and Business Operations</u>	
Introduction	9
A.C.L.S. Ordering Policies	20
Advisory Council	2
Bookkeeping	4
Competition	4
Continuing Ed/Conference	4
Employee Hiring	14
Franchisee Relations and Expectations	10
LightRight – Tracking and Invoicing	130
Templates and Forms	3
<u>Marketing and Sales</u>	
Design and Mapping	21
Marketing Strategies and Tactics	37
Pricing and Proposal	20
Sales Process Residential	24
Sales Process Commercial	23
Sales Tools	9
Trade and Home Shows	11
Understanding the Affluent	6

<u>Section</u>	<u>Number of Pages</u>
<u>Technical and Installation</u>	
Installation and Removal	22
Lighting Installation Videos	11
Power Needs	31
Scheduling and Organization	36
Storage	6
Safety	10
Training – Initial / Ongoing / Field	868



Lighting for all outdoors

LANDSCAPE LIGHTING BASIC TRAINING OPERATIONS MANUAL

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<u>Chapter</u>	<u>Subject</u>	<u>No. of Pages</u>
1	Introduction	16
2	Landscape Lighting Design	12
3	Installation	41
4	Electrical Power Rules	17
5	Sales Information	6
6	Advertising & Marketing	8
7	Pricing	20
8	Sales & Sales Presentation	21
9	Organization & Inventory Control	12
10	Product, Ordering & Shipping	19
11	NTD Info & Intranet/ Crew Member Test	20
12	Troubleshooting & Workshop Notes	4
TOTAL		196

FINANCIAL STATEMENTS

EXHIBIT C

THE DECOR GROUP, INC.
FINANCIAL STATEMENTS

The Financial Statements for the period January 1, 2024 through July 31, 2024, have been prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no independent Certified Public Accountant has audited these figures or expressed an opinion with regard to their content or form.

The Decor Group
Combined Balance Sheet

As of
7/31/2024

Assets

Current assets

Cash & cash equivalents	1,659,475
Accounts receivable, net	1,633,738
Related party receivables	452,734
Related party note receivable, net	50,000
Inventory	3,187,866
Inventory order deposits	1,218,115
Prepaid expenses and other current assets	304,447
Total current assets	\$ 8,506,375

Property and equipment, net	250,174
Goodwill, net	52,650
Cash surrender value of company owned life insurance	301,335
Operating lease right-of-use assets, net	492,156

Total assets **\$ 9,602,689**

Liabilities and Stockholders' Equity

Accounts payable	605,015
Accrued expenses	448,240
Revolving line of credit	-
Related party payables	74,339
Deferred compensation liability	301,335
Long-term debt, less current maturities	150,000
Contract liabilities, less current maturities	1,508,445
Operating lease liabilities, less current maturities	496,708

Total liabilities **\$ 3,584,082**

Common stock, no par value, 106,612 shares issued and outstanding	373,453
Additional paid-in-capital	2,347,085
Member's deficit	(314,747)
Retained earnings	3,612,816

Total stockholders' equity **\$ 6,018,607**

Total liabilities and stockholders' equity **\$ 9,602,689**

check

-

The Decor Group
Combined Profit & Loss Statement

For the 7 Months
Ended 7/31/2024

Revenues

Product sales	4,738,543
Franchise royalties	444,334
Marketing development fund fees	59,380
Franchise fees	86,846
Other franchise revenues	75,787

Total Revenue **5,404,890**

Cost of products sold 4,140,767

Gross Profit **1,264,123**

Operating expenses

Personnel costs	2,108,295
Marketing and support	548,290
Facilities and equipment	655,339
General and administrative	41,939
Credit card and bank fees	59,191
Software and other technology	91,420
Professional Fees	205,501
Insurance	68,484
Bad debt benefit	29,167

Total Operating Expenses 3,807,625

Operating loss **(2,543,502)**

Interest expense	29,490
Employee retention credit	-
Other nonoperating income (expense), net	35,858

Net loss before income taxes **(2,478,153)**

State franchise tax expense 24,623

Net Income (Loss) **(2,502,776)**

American Christmas Light & Supply, Inc. and Affiliates
dba The Decor Group

Combined Financial Statements
And Independent Auditors' Report

December 31, 2023

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Combined Financial Statements:	
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Combined Statement of Changes in Stockholders' Equity.....	7
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Notes to Combined Financial Statements.....	9

Independent Auditors' Report

To the Stockholders of American Christmas Light & Supply, Inc. and Affiliates
Irving, Texas

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of American Christmas Light & Supply, Inc. and affiliates, dba The Decor Group, which comprise the combined balance sheet as of December 31, 2023, and the related combined statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of The Decor Group as of December 31, 2023, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Decor Group, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2023 the entity changed its method of accounting for recognizing initial franchise fees pursuant to the provisions of Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. Our opinion is not modified with respect to this matter.

2022 Retained Earnings Restated

As discussed in Note 3 to the financial statements, 2022 retained earnings have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Decor Group's ability to continue as a going concern for one year after the date that the combined financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Decor Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Decor Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

TJ Advisors LLC

Addison, Texas
October 3, 2024

The Decor Group
Combined Balance Sheet
December 31, 2023

Assets

Current assets

Cash and cash equivalents	\$ 716,006
Accounts receivable, net	3,774,271
Related party receivables	358,491
Related party note receivable, net	50,000
Inventory	6,069,385
Inventory order deposits	458,683
Prepaid expenses and other current assets	<u>221,104</u>
Total current assets	11,647,940

Property and equipment, net	302,157
Goodwill, net	52,650
Cash surrender value of company owned life insurance	301,335
Operating lease right-of-use assets, net	<u>860,461</u>

Total assets	<u><u>\$ 13,164,543</u></u>
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Liabilities and Stockholders' Equity

Current liabilities

Accounts payable	\$ 939,048
Accrued expenses	349,448
Revolving line of credit	1,249,632
Related party payables	204,339
Current maturities of long-term debt	32,935
Current maturities of contract liabilities	343,202
Current maturities of operating lease liabilities	<u>655,891</u>
Total current liabilities	3,774,495

Deferred compensation liability	301,335
Long-term debt, less current maturities	164,119
Contract liabilities, less current maturities	108,945
Operating lease liabilities, less current maturities	<u>210,667</u>

Total liabilities	4,559,561
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Common stock, no par value, 106,612 shares issued and outstanding	373,453
Additional paid-in-capital	2,347,085
Member's deficit	(333,425)
Retained earnings	<u>6,217,869</u>

Total stockholders' equity	<u>8,604,982</u>
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Total liabilities and stockholders' equity	<u><u>\$ 13,164,543</u></u>
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The Decor Group
Combined Statement of Operations
For the year ended December 31, 2023

Revenue	
Product sales	\$ 14,970,595
Franchise royalties	3,398,342
Marketing development fund fees	609,683
Franchise fees	277,367
Other franchise revenues	<u>137,480</u>
Total revenue	19,393,467
Operating expenses	
Cost of products sold	10,293,574
Personnel costs	4,839,759
Marketing and support	1,957,840
Facilities and equipment	1,279,807
General and administrative	329,253
Credit card and bank fees	382,310
Software and other technology	252,338
Professional fees	397,541
Insurance	150,971
Bad debt benefit	<u>(64,132)</u>
Total operating expenses	<u>19,819,261</u>
Operating loss	(425,794)
Other income (expense)	
Interest expense	(308,959)
Employee retention credit	499,315
Other nonoperating income (expense), net	<u>65,851</u>
Total other income, net	<u>256,207</u>
Net loss before income taxes	(169,587)
State franchise tax expense	<u>79,718</u>
Net loss	<u><u>\$ (249,305)</u></u>

The Decor Group
Combined Statement of Changes in Stockholders' Equity
For the year ended December 31, 2023

	Common Stock		Additional	Member's	Retained	Total
	Shares	Amount	Paid-in-Capital	Deficit	Earnings	Equity
Balance at December 31, 2022, previously reported	106,612	\$ 373,453	\$ 2,347,085	\$ (314,747)	\$ 7,608,237	\$ 10,014,028
Cumulative effect in change in accounting principle (Note 3)	-	-	-	-	250,974	250,974
Correction of error, accrued liability	-	-	-	-	(131,856)	(131,856)
Balance at December 31, 2022, restated	106,612	\$ 373,453	\$ 2,347,085	\$ (314,747)	\$ 7,727,355	\$ 10,133,146
Distributions	-	-	-	-	(1,278,859)	(1,278,859)
Net (loss)	-	-	-	(18,678)	(230,627)	(249,305)
Balance at December 31, 2023	106,612	\$ 373,453	\$ 2,347,085	\$ (333,425)	\$ 6,217,869	\$ 8,604,982

See combined financial statements and independent auditors' report.

The Decor Group
Combined Statement of Cash Flows
For the year ended December 31, 2023

Cash flows from operating activities	
Net loss	\$ (249,305)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation expense	154,992
Goodwill amortization	21,600
Provision (recovery) for bad debts	(64,132)
Bad debt write-offs	246,038
Amortization of operating lease right-of-use asset	274,526
Change in operating assets and liabilities:	
Accounts receivable	800,007
Related party receivables	(334,623)
Inventory	737,879
Inventory order deposits	366,372
Prepays and other current assets	(71,118)
Accounts payable	(1,230,870)
Accrued expenses	(371,243)
Related party payables	(158,564)
Operating lease liabilities	(329,719)
Contract liabilities	(80,801)
Net cash (used in) operating activities	<u>(288,961)</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(62,444)</u>
Net cash (used in) investing activities	<u>(62,444)</u>
Cash flows from financing activities	
Net proceeds from (payments on) line of credit	1,249,632
Payments on long-term debt	(140,936)
Distributions to stockholders	<u>(1,074,520)</u>
Net cash (used) in financing activities	<u>34,176</u>
Net (decrease) in cash and cash equivalents	(317,229)
Cash and cash equivalents, beginning of year	<u>1,033,235</u>
Cash and cash equivalents, end of year	<u><u>\$ 716,006</u></u>
Supplemental cash flow information	
Interest paid	\$ 308,959
Taxes paid	\$ 69,300
Supplemental disclosure of noncash investing and financing activities	
Lease liabilities arising from obtaining right-of-use assets	\$ 251,907
Accrued stockholder distributions	\$ 204,339

See combined financial statements and independent auditors' report.

Note 1 – Organization and Nature of the Business

The accompanying combined financial statements of American Christmas Light & Supply, Inc. and affiliates, dba The Decor Group include the following companies listed below which are commonly controlled by the owners:

American Christmas Light & Supply, Inc. (ACLS), is a Texas corporation formed December 1, 1997, as a wholesale supplier of holiday, special event, and outdoor landscape lighting supplies and materials. ACLS operates a warehouse and distribution center in Irving, Texas, to provide products to franchisees of The Decor Group, Inc., contractors, and the public as well as a wholesale showroom in Atlanta, Georgia, included in the following product lines:

Christmas Decor - residential lighting and Christmas decorations;

Barcana – larger Christmas decorations for residential, large retail markets, and municipalities;

Fotodiasasi - Decor is the exclusive North American supplier of FDS customized large scale lighting and decorative items whose primary markets are theme parks, Las Vegas hotels, and similar commercial customers;

NiteTime Decor – landscape and architectural lighting products;

Permalites365 – permanently attached controllable lighting systems primarily sold to large corporate and municipality clients for safety and holiday lighting purposes.

The Decor Group, Inc. (TDG), is a Texas Corporation formed March 18, 1992, as a franchisor that develops, owns, and grants franchisees the right to operate under its name with access to products, trademarks, brands, proprietary software, and business systems under individual franchise agreements. Decor's franchisee operations are located in forty-nine (49) states in the continental United States and Canada. The Company's franchise revenue streams include franchise royalties, marketing development fund fees, and initial and renewal franchise fees related to agreements with its franchisees. The Company is not an owner or operator of any franchise.

DecorPro, LLC (DPro) is a Texas limited liability company formed January 26, 2015. The regulations for DPro stipulate a limited-term existence. In March 2016, DPro purchased substantially all the assets of Barcana, Inc., which comprised equipment, inventory, intellectual property, and accounts receivable. ACLS sell items from the Barcana product line.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The combined financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The combined financial statements and related notes include the accounts of ACLS, TDG, and DPro (collectively, the Company). All transactions and accounts between and among the above entities have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. Estimates are continually evaluated based on historical information and actual experience; however, actual results could differ from these estimates. Estimates that are particularly susceptible to significant change in the near term are related to the impairment of receivables, product inventory, facilities and equipment, goodwill, and other intangibles; the allowance for doubtful accounts; estimated useful lives of facilities and equipment; lower of cost or market costing of product inventory, and the amortization of right to use assets; and determination of the lease liability.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration Decor expects to receive for those services or goods. Sales taxes, where applicable, are collected from customers and remitted to the appropriate taxing authority and are not reflected in Decor's combined statements of income as revenue.

The Company's franchise agreements with its customers enter the parties into a contractual agreement, typically over an initial five year term, and include obligations as follows: projected territory designation, access to proprietary manuals and handbooks, initial training and on-going assistance, consulting, promotion of goodwill, administration of marketing fund, marketing and promotion items, initial marketing program development assistance, company website access, and lessons and model plans. Upon entering into a franchise agreement, the Company charges an initial franchise fee, which is fully collectible and nonrefundable as of the date of the signing of the franchise agreement. Franchisees can begin operations as soon as they complete training.

Per the terms of the franchise agreements, the Company charges royalty fees on a monthly basis, generally based on a percentage of franchisees' gross revenues. The Company also charges fees for a marketing fund, generally based on 1% of franchisees' gross revenues, which is managed by the Company, to allocate towards national branding of the Company's concepts to benefit the franchisees.

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Decor recognizes the separate performance obligations of the franchise agreement as follows:

- Initial franchise fees, which include initial training, consulting, initial marketing program development assistance, lessons, and model plans, are generally performed within 90 days of the contract signing. At the completion of the performance obligation, the Company recognizes these revenues as pre-opening services as they are distinct from the franchise license.
- Recurring franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time.
- Royalties and marketing fund revenues are recognized as revenue at the later of when the sales or usage occurs, or the related performance obligation is satisfied.

In determining the amount and timing of revenue from contracts with customers, Decor exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term, the month of reported sales by the franchisee or the termination of the agreement, none of which require estimation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. At times, cash and cash equivalents held at a financial institution may be in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at original invoice amount, less estimates made for doubtful receivables. Management determines the allowances for doubtful accounts by reviewing and identifying troubled accounts on an ongoing basis and by analyzing customer relationships and previous payment histories. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts is management's estimate of the amount of probable credit losses in the existing accounts based on current market conditions. The allowance for doubtful accounts is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for doubtful accounts. Collections on accounts previously written off are included in income as received.

Note 2 – Summary of Significant Accounting Policies (Continued)

Inventory

Inventory is comprised of saleable finished goods products purchased domestically as well as internationally. Finished goods include lighting, decorative garlands and other Christmas decorating items, hardware, clips, fixtures, wire, transformers, accessories, and equipment to install decorative holiday and landscape lighting. Inventory is stated at the lower of weighted-average cost or net realizable value.

Inventory Order Deposits

Inventory order deposits occur when cash is paid in advance for orders placed with certain manufacturers and distributors.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for additions, major renewals, and betterments are capitalized and repairs and maintenance are charged to operations as incurred. Depreciation expense is recognized over the estimated useful lives using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Internally developed software costs are capitalized once technological feasibility has been established for the software and is amortized over the useful life of the software.

Leases

Decor leases certain office, warehouse, and showroom space. Management determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the combined balance sheet.

ROU assets represents Decor's right to use an underlying asset for the lease term and lease liability represent Decor's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, management used 5.75% based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if applicable. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Decor will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Note 2 – Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Decor has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as for office, warehouse, and showroom space, Decor accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next.

These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In allocating consideration in the contract to the separate lease components and the non-lease components, Decor uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Recoverability of assets held and used is generally measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If it is determined that the carrying amount of an asset may not be recoverable, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company determined there were no impairment during 2023.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of Barcana assets acquired in March 2016, over the fair value of the net assets acquired. The Company measures goodwill under provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-02 “Intangibles – Goodwill and Other (Topic 350)”. The ASU is a consensus of the Private Company Council that allows a private entity an accounting alternative for the subsequent measurement of goodwill whereby the entity can elect to amortize goodwill on a straight-line method over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate. Under the ASU, goodwill is evaluated for impairment if impairment indicators arise, using a fair-value-based test that compares the fair value to their carrying values. Fair values are typically calculated using a factor of expected earnings before interest, taxes, depreciation, and amortization. No impairment indicators arose during 2023.

Note 2 – Summary of Significant Accounting Policies (Continued)

Company Owned Life Insurance

The Company has purchased insurance on the lives of certain key executive officers. As beneficiary, the Company receives the cash surrender value if the policy is terminated and, upon death of the insured, receives all benefits payable. Cash value of life insurance is reported in the financial statements net of policy loans, if any.

Contract Liabilities

Contract liabilities consist of deferred franchise renewal fees from contractual arrangements with franchisees and customer deposits under Decor early-buy program offerings to customers. Decor recognizes revenue related to these agreements with its franchisees over the term of the contract, typically five years. From time to time, Decor offers an early-buy program to customers.

Financial Instruments

In accordance with ASC 825-10-50, Disclosures about Fair Value of Financial Instruments, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this standard and includes this additional information in the notes to the combined financial statements when the fair value is different from the carrying value of those financial statements. The estimated fair value of accounts receivable are based on management's assessment of net realizable value.

The estimated fair value of accounts payable approximates their carrying amounts due to the short maturity of the liabilities. The estimated fair value of line of credit and notes payable also approximates their carrying amounts because the terms are comparable to similar lending arrangements in the marketplace.

Income Taxes

Decor and its owners have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, Decor does not pay corporate federal income taxes on its taxable income. Instead, the owners are liable for individual federal income taxes for their respective shares of Decor's taxable income.

Texas franchise taxes are income taxes under U.S. GAAP and are recognized as income tax expense in the accompanying statements of operations; Decor is liable for Texas franchise taxes. For Texas franchise tax purposes, losses cannot be carried forward to deduct against income in future periods and no related deferred tax assets are created; other deferred Texas franchise taxes are insignificant. Returns are generally subject to examination for three years after they are filed.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. Decor is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses ("ASU 2016-13"), which provides new authoritative guidance with respect to the measurement of credit losses on financial instruments. This update changes the impairment model for most financial assets and certain other instruments by introducing a current expected credit loss ("CECL") model. The CECL model is a more forward-looking approach based on expected losses rather than incurred losses, requiring entities to estimate and record losses expected over the remaining contractual life of an asset. The Company adopted ASU 2016-13 on January 1, 2023. The adoption did not have an impact on the combined financial statements.

Note 3 – Change in Accounting Principle and Correction of Error

On January 1, 2023, the Company elected to change its method of recognizing initial franchise fees and has adopted the practical expedient pursuant to the provisions of Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. The practical expedient permits nonpublic franchisors to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance, as a single performance obligation.

The Company believes that adoption of the practical expedient results in a better matching of current costs with current revenues. Comparative financial statements of the prior period have been adjusted to apply the new method retrospectively.

Retained earnings as of December 31, 2022, has been reduced by \$131,856 to correct an error made in the 2022 financial statements for unrecorded sales commissions that should have been recognized to conform with generally accepted accounting principles.

The following financial statement line items as of December 31, 2022 were affected by the change in accounting principle and correction of error:

	As of December 31, 2022		
	As Previously Reported	Increase (Decrease)	Restated
Liabilities			
Accrued expenses	\$ 588,835	\$ 131,856	\$ 720,691
Current maturities of contract liabilities	485,317	(129,412)	355,905
Contract liabilities, less current maturities	298,605	(121,562)	177,043
Total contract liabilities	<u>\$ 1,372,757</u>	<u>\$ (119,118)</u>	<u>\$ 1,253,639</u>
Retained earnings	<u>\$ 7,608,237</u>	<u>\$ 119,118</u>	<u>\$ 7,727,355</u>

Note 4 – Revenue and Franchise Activity

For the year ended December 31, 2023, disaggregated revenue and franchise activity were as follows:

Disaggregated Revenue

Product Sales Recognized at a Point in Time

Christmas Decor	\$ 7,637,421
Barcana	2,400,193
Fotodiastasi	2,225,433
Nite Time Décor	1,611,100
Inception Lighting	675,847
Other	420,601
	<hr/>
Total product sales	14,970,595
	<hr/> <hr/>

Franchise Revenue Recognized Over Time

Franchise royalties	3,398,342
Marketing development fund fees	609,683
Initial and renewal franchise fees	277,367

Franchise Revenue Recognized at a Point in Time

Other franchise revenues	137,480
	<hr/>
Total franchise revenues	4,422,872
	<hr/> <hr/>

Total Revenues

Point in time as a % of total revenues	78%
Over time as a % of total revenues	22%

Franchise Activity

Franchise outlets, beginning	240
Opened	10
Closed / ceased operations	(10)
	<hr/>
Franchise outlets, ending	240
	<hr/> <hr/>

Note 4 – Revenue and Franchise Activity (Continued)

Customer contract balances include the following:

	December 31, 2023	December 31, 2022
Receivables from contracts, beginning	\$ 5,206,852	\$ 2,166,578
Receivables from contracts, ending	\$ 3,914,769	\$ 5,206,852
Contract liabilities, beginning	\$ 532,948	\$ 862,419
Contract liabilities, ending	\$ 452,147	\$ 532,948

Contract liabilities are comprised of the following:

	December 31, 2023	December 31, 2022
Customer deposits	\$ 286,665	\$ 189,536
Deferred revenue	165,482	343,412
Total contract liabilities	\$ 452,147	\$ 532,948

Deferred revenue contract liabilities are based upon recurring franchise fee licensing agreements, ranging between one to five years. As of December 31, 2023, future recognition of these performance obligations are estimated as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 56,537
2025	51,410
2026	32,574
2027	20,334
2028	4,627
	<u>\$ 165,482</u>

Note 5 – Accounts Receivable

The beginning and ending balances of the Company's accounts receivables consisted of the following:

	December 31, 2023	December 31, 2022
Trade accounts receivable	\$ 3,914,769	\$ 5,206,852
Allowance for doubtful accounts	(140,498)	(450,668)
Total accounts receivable, net	<u>\$ 3,774,271</u>	<u>\$ 4,756,184</u>

Note 5 – Accounts Receivable (Continued)

Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable. Changes in the allowance for doubtful accounts are as follows:

Balance, beginning of year	\$ 450,668
Provision (recovery) for bad debts	(64,132)
Write-offs	<u>(246,038)</u>
Balance, end of year	<u><u>\$ 140,498</u></u>

Note 6 – Property and Equipment

Property and equipment consist of the following as of December 31, 2023:

	Estimated Useful Lives (in years)	Amount
Software	5 - 7	\$ 1,944,818
Leasehold improvements	5 - 15	1,067,307
IT hardware	2 - 10	595,883
Machinery and equipment	2 - 15	774,714
Furniture and fixtures	5 - 10	95,659
Vehicles	5	<u>159,770</u>
Total property and equipment		4,638,151
Less accumulated depreciation		<u>(4,335,994)</u>
Total property and equipment, net		<u><u>\$ 302,157</u></u>

Depreciation expense associated with property and equipment amounted to \$154,992 for the year ended December 31, 2023.

Note 7 – Goodwill

Goodwill, consist of the following as of December 31, 2023:

Goodwill	\$ 216,000
Less accumulated amortization	<u>(163,350)</u>
Total Goodwill, net	<u>\$ 52,650</u>

Amortization of goodwill amounted to \$21,600 for the year ended December 31, 2023. Future aggregate amortization expense for the intangible assets is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2024	\$ 21,600
2025	21,600
2026	<u>9,450</u>
	<u>\$ 52,650</u>

Note 8 – Revolving Line of Credit

The Company has a \$7.5 million revolving line of credit (RLOC) with a bank, which matures on May 21, 2024. The RLOC is secured by receivables, equipment, inventory, furniture, fixtures, all other tangible or intangible personal property, and key-man life insurance. It bears interest at Wall Street Journal prime plus 0.50%, with a floor of 4.00% (8.50% at December 31, 2023). Amounts outstanding as of December 31, 2023 totaled approximately \$1.2 million. During January 2024, the Company paid the outstanding balance in full. The Company did not renew the line of credit at its maturity date.

Note 9 – Long-Term Debt

Long-term debt consists of the following as of December 31, 2023:

	<u>Amount</u>
Promissory note issued in June 2020 at face value totaling \$140,000, issued by a financial institution, monthly principal and interest payments of \$2,582, bearing interest of 4%, payable through the note's maturity, June 2025. The note is secured by inventory, receivables, equipment, and fixtures.	\$ 47,054
Promissory note issued in June 2020 at face value totaling \$150,000 payable to the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The note bears interest at 3.75% per annum, with monthly principle and interest payments of \$731, payable through the June 2050.	<u>150,000</u>
Total long-term debt	197,054
Less: current maturities	<u>(32,935)</u>
Long-term debt, net of current maturities	<u><u>\$ 164,119</u></u>

Future maturities of long-term debt are as follows as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 32,935
2025	20,645
2026	3,451
2027	3,582
2028	3,719
Thereafter	<u>132,722</u>
	<u><u>\$ 197,054</u></u>

Note 10 – Related Party Balances and Transactions

Related Party Receivables

Related party receivables consist of the following as of December 31, 2023:

BCKK Investment Group, Inc.	\$ 284,921
Inception Lighting, Inc.	22,685
Employee advances	50,885
	<u>\$ 358,491</u>

Related Party Payables

Related party payables consist of the following as of December 31, 2023:

Owner distributions	<u>\$ 204,339</u>
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Note Receivable

During 2019, the Company issued a \$500,000 note receivable to Inception Lighting, Inc., a related party company under common ownership, for assistance in the development of its PermaLites 365 product line. The note matures on November 16, 2024, or upon sale of the vendor's company, whichever occurs first. The note is unsecured, bears no interest and is personally guaranteed by the owner of the company. The note is carried at face value, less management's allowance of \$450,000, recorded during the previous period ended March 31, 2022.

Related Party Transactions

The Company leases its office and warehouse space located in Irving, Texas from BCKK Investment Group, Inc. (BCKK), a company under common ownership, see Note 11.

Note 11 – Commitments and Contingencies

Contingencies

From time to time, Decor may have asserted and unasserted claims or assessments arising in the normal course of business. Decor does not expect losses, if any, to arise from asserted or unasserted claims or assessments to have a material effect on its combined financial statements.

Note 11 – Commitments and Contingencies (Continued)

Lease Commitments

The Company leases its operating and office facilities in Irving, Texas from BCKK, a related party, under an operating lease agreement, which expires April 30, 2025. The lease provides for increases in future minimum annual rental payments subject to certain minimum increases and requires the Company to pay real estate taxes, insurance, and repairs. On March 1, 2023, the lease was amended to increase the remaining lease payments to \$43,542 per month, through the remaining lease term. The Company recorded an increase of \$251,907 of its ROU asset and operating liability in relation to the lease modification. Rent expense totaled approximately \$460,000 for the year ended December 31, 2023.

Additionally, the Company leases showroom space in Atlanta, Georgia under an operating lease agreement, which is set to expire on March 31, 2025. Rent expense totaled approximately \$133,000 for the year ended December 31, 2023.

Future minimum lease payments under non-cancellable leases as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Related Party Lease</u>	<u>Third-party Leases</u>	<u>Total</u>
2024	\$ 522,500	166,728	689,228
2025	174,167	38,937	213,104
Total future minimum lease payments	696,667	205,665	902,332
Less imputed interest	(27,578)	(8,196)	(35,774)
Present value of lease liabilities	669,089	197,469	866,558
Less: current maturities	(496,989)	(158,902)	(655,891)
Operating lease liabilities, net of current maturities	<u>\$ 172,100</u>	<u>\$ 38,567</u>	<u>\$ 210,667</u>

Note 11 – Commitments and Contingencies (Continued)

Lease Commitments (Continued)

The components of lease expense consist of the following for the year ended December 31, 2023:

Operating lease cost	\$ 592,734
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 584,035
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ 251,907
Weighted average remaining lease term	
Operating leases	1.3 years
Weighted average discount rate	
Operating leases	5.75%

Firm Price and Inventory Supply Commitment Agreement

On December 22, 2023, the Company entered into an inventory supply agreement to provide inventory at firm prices to a competitor to take over the distribution of its core products supply, as defined within the agreement. The agreement has an initial term of five years, and is subject to automatic renewal of one year term, unless either party provides notice of cancellation within 24 months prior to the end of the term of the agreement.

In connection with the supply agreement, on January 18, 2024 the Company sold product line inventory and inventory deposits on hand, totaling approximately \$3.8 million, representing 63% of its inventory on hand.

Note 12 - Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and cash. Management believes that its contract acceptance, billing, and collection policies are adequate to minimize the potential risk related to customer credit and collectability. The Company continually evaluates the credit worthiness of its customers' financial condition and generally does not require collateral.

Cash in bank accounts is at risk to the extent that it exceeds Federal Deposit Insurance Corporation (FDIC) insured amounts. To minimize risk, the Company places its cash with high credit quality institutions.

Note 13 – Employee Benefits

Employee Retirement Plan

The Company has a 401(k) plan that covers all full-time employees meeting eligibility requirements. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation in accordance with Section 401(k) of the Internal Revenue Code. To be eligible to enroll in the Plan, an employee must be at least 18 years old, and have completed one year of service, defined as 1,000 hours of employment.

The Company contributes a safe harbor matching contribution in an amount equal to (i) 100% of the matched employee contributions that are not in excess of 3% of their compensation, as defined, plus (ii) 50% of the amount of the matched employee contributions that exceed 3%, but less than 5% of their compensation. Additionally, the Company may elect to make additional non-safe harbor, discretionary profit-sharing contributions at the option of the Company's Board of Directors, to participants eligible to participate in the Plan.

Participants are vested immediately in their elective contributions, rollovers, safe harbor matching contributions, and earnings thereon. Vesting in the Company's discretionary non-safe harbor profit sharing contribution portion of their accounts, plus actual earnings thereon are vested over a five-year graded vesting schedule.

During the year ended December 31, 2023, the Company made safe harbor matching contributions totaling \$52,880 and an additional profit sharing contribution totaling \$22,785.

Deferred Compensation Arrangements

The Company has non-qualified deferred compensation arrangements (DCAs) with three of its company executives. In conjunction with the DCAs, the Company initiated company owned life insurance (COLI) policies on these three executives during January 2015.

Under the DCAs, the executives vest in death benefits in amounts that correspond with the COLI death benefits through continued full-time employment as follow:

- 50% by December 31, 2019,
- 75% from January 1, 2020, to December 31, 2022,
- 90% from January 1, 2023, to December 31, 2025, and
- 100% subsequently.

The executives vest in retirement benefits in amounts that correspond with the net cash surrender values of the COLI through continued employment under a 10-year graded vesting schedule (10% per year). Under the DCAs, Decor will pay premiums on the COLI for 20 years, at which time the COLI may be transferred to the executives. The DCAs also include non-compete commitments from the executives. Although DCA benefits correspond with COLI death benefits and net cash surrender values, the liabilities to the Executives are unfunded and are not secured by the COLI.

Note 13 – Employee Benefits (Continued)

Deferred Compensation Arrangements (Continued)

As of December 31, 2023, the net cash surrender value of the policies and corresponding accrued benefits obligation totaled \$301,335. The related compensation expense was \$54,817 for the year ended December 31, 2023.

Note 14 – Employee Retention Credit

The Company is eligible for the Employee Retention Credit (ERC) under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which is a refundable tax credit against certain employment taxes paid by the employer. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee. During the year ended December 31, 2023, the Company received \$499,315 in ERC credits, recorded as other income in the combined statement of operations.

Note 15 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 3, 2024.



The Decor Group

COMBINED FINANCIAL STATEMENTS

For the nine months ended December 31, 2022, and for the fiscal years ended March 31, 2022, and 2021



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REPORT





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INDEPENDENT AUDITORS' REPORT

To the Owners
The Decor Group

Opinion

We have audited the accompanying combined financial statements of The Decor Group, a group of commonly controlled Texas companies (Decor), which comprise the combined balance sheets as of December 31, 2022, and March 31, 2022 and 2021, the related combined statements of income, changes in owners' equity, and cash flows for the nine months ended December 31, 2022 and the years ended March 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Decor as of December 31, 2022, and March 31, 2022 and 2021, and the results of their operations and their cash flows for the nine months ended December 31, 2022, and the years ended March 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Decor and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Decor's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

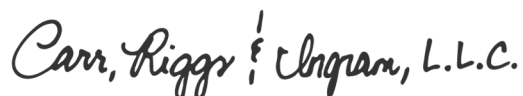
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Decor's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Decor's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Carr, Riggs & Ingram, LLC
Lubbock, Texas
September 5, 2023



COMBINED FINANCIAL STATEMENTS



The Decor Group
Combined Balance Sheets

	December 31, 2022	March 31, 2022	March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	\$ 1,033,235	\$ 358,380	\$ 46,175
Accounts receivable, net	4,780,052	1,974,450	1,402,414
Inventory	6,807,264	5,260,301	4,584,730
Inventory order deposits	825,055	3,518,705	1,542,809
Due from owners	-	-	64,534
Other current assets	149,986	367,725	106,497
Total current assets	13,595,592	11,479,561	7,747,159
Facilities and equipment, net	394,705	482,812	561,614
Goodwill, net	74,250	86,400	108,000
Note receivable, net	50,000	50,000	500,000
Cash surrender value of company owned life insurance	246,518	269,193	245,182
Operating lease right-of-use assets, net	1,134,987	-	-
Total assets	\$ 15,496,052	\$ 12,367,966	\$ 9,161,955
Liabilities and Owners' Equity			
Current liabilities			
Accounts payable	\$ 1,948,413	\$ 244,437	\$ 642,016
Accrued expenses	1,056,858	789,654	550,862
Revolving line of credit	-	2,145,000	1,445,000
Due to related parties	158,564	282,744	-
Current maturities of operating lease liabilities	494,908	-	-
Current maturities of long-term debt	144,830	294,010	277,090
Current portion of contract liabilities	485,317	641,981	609,618
Total current liabilities	4,288,890	4,397,826	3,524,586
Long-term debt, less current maturities	193,160	258,193	551,635
Non-current portion of contract liabilities	298,605	220,438	224,655
Operating lease liabilities, less current maturities	701,369	-	-
Total liabilities	5,482,024	4,876,457	4,300,876
Owners' equity	10,014,028	7,491,509	4,861,079
Total liabilities and owners' equity	\$ 15,496,052	\$ 12,367,966	\$ 9,161,955

The accompanying notes are an integral part of these financial statements.

The Decor Group
Combined Statements of Income

<i>For the nine months ended December 31, 2022, and the fiscal years ended March 31, 2022 and 2021</i>	December 31, 2022	March 31, 2022	March 31, 2021
Revenue			
Product sales	\$ 18,615,770	\$ 19,387,459	\$ 12,800,855
Franchise royalties	3,069,884	2,906,640	2,336,331
Marketing Development Fund fees	574,625	549,705	449,120
Initial and renewal franchise fees	101,569	220,809	119,337
Other franchise revenues	123,856	150,026	48,204
Total revenue	22,485,704	23,214,639	15,753,847
Operating expenses			
Cost of products sold	10,501,366	11,448,202	8,080,580
Personnel	3,166,658	3,621,598	3,133,845
Marketing and support	1,287,026	1,334,204	822,746
Facilities and equipment	1,187,243	1,376,292	1,310,513
General and administrative	1,571,658	1,305,477	968,538
Credit card and bank fees	281,302	341,116	263,863
Software and other technology	159,074	173,750	193,042
Professional	154,888	142,612	180,748
Insurance	163,769	113,564	65,315
Bad debt provision and collections	156,033	670,028	60,000
Total operating expenses	18,629,017	20,526,843	15,079,190
Operating profit	3,856,687	2,687,796	674,657
Other income (expense)			
Other nonoperating income (expense), net	51,904	530,051	698,656
Interest expense	(257,221)	(129,103)	(143,919)
Total other income (expense), net	(205,317)	400,948	554,737
Income before income taxes	3,651,370	3,088,744	1,229,394
Income tax expense	72,850	58,559	47,754
Net Income	\$ 3,578,520	\$ 3,030,185	\$ 1,181,640

The accompanying notes are an integral part of these financial statements.

The Decor Group
Combined Statements of Changes in Owners' Equity

For the nine months ended December 31, 2022, and the fiscal years ended March 31, 2022 and 2021

	Common Stock		APIC	Retained Earnings	Owners' Equity
	Shares	Dollars			
Balance at March 31, 2020	100,000	\$ 373,453	\$ 2,266,085	\$ 1,976,542	\$ 4,616,080
Stock compensation	-	-	13,000	-	13,000
Distributions	-	-	-	(949,641)	(949,641)
Net income	-	-	-	1,181,640	1,181,640
Balance at March 31, 2021	100,000	373,453	2,279,085	2,208,541	4,861,079
Stock compensation	-	-	68,000	-	68,000
Distributions	-	-	-	(467,755)	(467,755)
Net income	-	-	-	3,030,185	3,030,185
Balance at March 31, 2022	100,000	373,453	2,347,085	4,770,971	7,491,509
Distributions	-	-	-	(1,056,001)	(1,056,001)
Net income	-	-	-	3,578,520	3,578,520
Balance at December 31, 2022	100,000	\$ 373,453	\$ 2,347,085	7,293,490	\$ 10,014,028

The accompanying notes are an integral part of these financial statements.

The Decor Group
Combined Statements of Cash Flows

<i>For the nine months ended December 31, 2022, and the fiscal years ended March 31, 2022 and 2021</i>	December 31, 2022	March 31, 2022	March 31, 2021
Operating Activities			
Net income (loss)	\$ 3,578,520	\$ 3,030,185	\$ 1,181,640
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Facilities and equipment depreciation	148,405	224,972	325,824
Goodwill amortization	12,150	21,600	21,600
Equity compensation	-	68,000	13,000
Provision for bad debts	145,000	670,028	60,000
(Gain) loss on disposals of facilities and equipment, net	-	-	3,706
Forgiveness of PPP loan	-	(438,365)	(448,700)
Amortization of operating lease right-of-use asse	413,109	-	-
Changes in operating assets and liabilities			
Accounts receivable, net	(2,950,602)	(792,064)	283,308
Inventory	(1,546,963)	(675,571)	(1,344,640)
Inventory order deposits	2,693,650	(1,975,896)	250,905
Other current assets	217,739	(261,228)	148,075
Accounts payable and accrued expenses	1,971,180	(158,787)	476,573
Due to affiliates	(124,180)	282,744	-
Operating lease liabilities	(351,819)	-	-
Contract liability	(78,497)	28,146	516,762
Net cash provided by (used in) operating activities	4,127,692	23,764	1,488,053
Investing Activities			
Earnings on company owned life insurance	22,675	(24,011)	(112,265)
Advances to owners	-	-	(64,534)
Repayments from owners	-	64,534	-
Facilities and equipment purchases	(60,298)	(146,170)	(60,319)
Net cash provided by (used in) investing activities	(37,623)	(105,647)	(237,118)
Financing Activities			
Revolving line of credit draws	7,930,000	9,270,000	5,400,000
Revolving line of credit payments	(10,075,000)	(8,570,000)	(6,209,000)
Proceeds from PPP loan	-	438,365	448,700
Long-term debt proceeds	1,000,000	-	290,000
Long-term debt payments	(1,214,213)	(276,522)	(297,396)
Repayments to owner	-	-	(16,029)
Distributions to owners	(1,056,001)	(467,755)	(949,641)
Net cash provided by (used in) financing activities	(3,415,214)	394,088	(1,333,366)
Net change in cash and cash equivalents	674,855	312,205	(82,431)
Cash and cash equivalents, beginning of year	358,380	46,175	128,606
Cash and cash equivalents, end of year	\$ 1,033,235	\$ 358,380	\$ 46,175

The accompanying notes are an integral part of these financial statements.

The Decor Group
Combined Statements of Cash Flows (Continued)

<i>For the nine months ended December 31, 2022, and the fiscal years ended March 31, 2022 and 2021</i>	December 31, 2022	March 31, 2022	March 31, 2021
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Schedule of Noncash Transactions

Lease liabilities arising from arising from obtaining right-of-use assets:

Operating leases	\$ 1,548,096	\$ -	\$ -
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Schedule of Certain Cash Flow Information

Interest paid	\$ 257,221	\$ 129,103	\$ 143,919
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Income taxes paid, see Note 2	\$ 70,534	\$ 46,559	\$ 48,559
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The accompanying notes are an integral part of these financial statements.

The Decor Group

Notes to Combined Financial Statements

Note 1: DESCRIPTION OF BUSINESS

The accompanying combined financial statements of The Decor Group (Decor) include the companies listed below which are commonly controlled by the owners:

American Christmas Light & Supply, Inc. (ACLS) is a Texas corporation formed December 1, 1997, as a wholesale supplier of holiday, special event, and outdoor landscape lighting supplies and materials. ACLS operates a warehouse and distribution center in Irving, Texas, to provide products to franchisees, contractors, and the public as well as a wholesale showroom in Atlanta, Georgia.

DecorPro, LLC (DPro) is a Texas limited liability company formed January 26, 2015. The regulations for DPro stipulate a limited-term existence. In March 2016, DPro purchased substantially all the assets of Barcana, Inc., which comprised equipment, inventory, intellectual property, and accounts receivable. ACLS sell items from the Barcana product line.

Decor product lines include:

Christmas Decor - residential lighting and Christmas decorations;

Barcana – larger Christmas decorations for residential, large retail markets, and municipalities;

Fotodiasiasi - Decor is the exclusive North American supplier of FDS customized large scale lighting and decorative items whose primary markets are theme parks, Las Vegas hotels, and similar commercial customers;

NiteTime Decor – landscape and architectural lighting products;

Permalites365 – permanently attached controllable lighting systems primarily sold to large corporate and municipality clients for safety and holiday lighting purposes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Combination

The assets, liabilities, equity, revenue, and expenses of the commonly-controlled companies that comprise Decor have been added together and all significant intercompany activity and balances have been eliminated in combination.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the report amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the impairment of receivables, product inventory, facilities and equipment, goodwill, and other intangibles; the allowance for doubtful accounts; estimated useful lives of facilities and equipment; lower of cost or market costing of product inventory, and the amortization of right to use assets; and determination of the lease liability.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt investments with an original maturity of 90 days or less.

Marketing Development Fund

Per the franchise agreement, Decor collects a percentage of sales from franchisees to be held and used as marketing development funds. Any cash collected in excess of allowable advertising costs is reported as restricted cash in the accompanying combined balance sheets. At December 31, 2022, and at March 31, 2022, and 2021, there were no unused marketing development funds. Gross advertising fee revenue and related expenses are recognized in the accompanying combined statements of income.

Accounts Receivable

Accounts receivable represent amounts owed to Decor, which are expected to be collected within twelve months, and are presented in the combined balance sheets net of the allowance for doubtful accounts.

Allowance for Doubtful Accounts

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for doubtful accounts is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for doubtful accounts. Collections on accounts previously written off are included in income as received. See Note 5.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is comprised of saleable products purchased domestically and imported from China and Greece: lighting, decorative garlands and other Christmas decorating items, hardware, clips, lighting fixtures, wire, transformers, accessories, and equipment to install decorative holiday and landscape lighting. Inventory is stated at the lower of weighted-average landed cost or net realizable value.

Inventory Order Deposits

Inventory order deposits occur when cash is paid in advance for orders placed with certain manufacturers and distributors.

Facilities and Equipment

Facilities and equipment are stated at cost less accumulated depreciation. Expenditures for additions, major renewals, and betterments are capitalized and repairs and maintenance are charged to operations as incurred. Depreciation expense is recognized over the estimated useful lives using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Software Development Costs

Software development costs are capitalized once technological feasibility has been established for the software and is amortized over the useful life of the software.

Leases

Decor leases certain office, warehouse, and showroom space. Management determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the combined balance sheet.

ROU assets represents Decor's right to use an underlying asset for the lease term and lease liability represent Decor's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, management used 5.75% based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if applicable. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Decor will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

Decor has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as for office, warehouse, and showroom space, Decor accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next.

These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In allocating consideration in the contract to the separate lease components and the non-lease components, Decor uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

Impairment of Long-Lived Assets

Decor reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets, including certain intangible assets, to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Goodwill

Goodwill represents the excess of the cost of the Barcana assets acquired in March 2016 over the fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis over ten years and is evaluated for impairment only when a triggering event occurs. During the nine months ended December 31, 2022, and for the years ended March 31, 2022, and 2021, no triggering events occurred requiring impairment testing. As such, no impairment loss was recognized.

Company Owned Life Insurance

Company owned life insurance on three executives is carried at the cash surrender value of the policies.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full time salaried employees accrue paid time off based on a graduated schedule of years of employment determined by each employee's anniversary hire date. Paid time off hours are accrued and granted each pay period with a maximum of fifteen days granted annually after nine years of employment. Paid time off may only be taken after the time has been granted and may be paid out at year end or carried over at the employee's discretion. The liability for compensated absences at December 31, 2022, March 31, 2022, and 2021, was \$99,006, \$79,450, and 66,692, respectively.

Debt

Debt is carried at the principal amount due to the lender and related interest expense is accrued and charged to expense as incurred. Debt principal due within one year of the balance sheet date is classified as current and is presented separately as current liabilities.

Contract Liabilities

Contract liabilities consist of deferred franchise fees from contractual arrangements with franchisees and customer deposits under Decor early-buy program offerings to customers. Decor recognizes franchise royalties, Marketing Development Fund fees, and initial and renewal franchise fee contract revenue related to agreements with its franchisees over time. Performance obligations in these contracts are based upon the five-year licensing agreement and terms of product purchase agreements. From time to time, Decor offers an early-buy program to customers. Customers that place orders for the Christmas season by a specified date receive discounts on the orders, but also must prepay some or all of the discounted purchase price. Also see *Revenue Recognition* below and Note 13.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration Decor expects to receive for those services or goods. Sales taxes, where applicable, are collected from customers and remitted to the appropriate taxing authority and are not reflected in Decor's combined statements of income as revenue.

The franchise arrangement between Decor as the franchisor and the franchisee as the customer requires Decor to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property, as it does not have significant standalone functionality, and substantially all the utility is derived from its association with Decor's past or ongoing activities.

The nature of the Decor's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by Decor are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); and (c) advertising fees. Since Decor considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

Decor recognizes the primary components of the transaction price as follows:

- Franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time.
- Decor is entitled to royalties and advertising fees based on a percentage of franchisee gross sales as defined in the franchise agreement. Advertising fees are restricted for use by the franchise agreement to activities that maximize general public recognition of the brand. Royalty and advertising revenue is recognized when the franchisees' reported sales occur.

In determining the amount and timing of revenue from contracts with customers, Decor exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term, the month of reported sales by the franchisee or the termination of the agreement, none of which require estimation.

Income taxes

Decor and its owners have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, Decor does not pay corporate federal income taxes on its taxable income. Instead, the owners are liable for individual federal income taxes for their respective shares of Decor's taxable income.

Texas franchise taxes are income taxes under U.S. GAAP and are recognized as income tax expense in the accompanying statements of operations; Decor is liable for Texas franchise taxes. For Texas franchise tax purposes, losses cannot be carried forward to deduct against income in future periods and no related deferred tax assets are created; other deferred Texas franchise taxes are insignificant. Returns are generally subject to examination for three years after they are filed.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. Decor is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Decor recognizes interest and/or penalties related to income tax matters in income tax expense.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest

Interest costs are charged to expense as incurred.

Advertising Costs

Advertising costs are charged to operations as incurred and are included in “Marketing and support” expense in the accompanying combined statements of income. Advertising expense totaled \$152,228, \$231,460, and \$248,728 for the nine months ended December 31, 2022, and for the years ended March 31, 2022, and 2021, respectively.

Reclassifications

Certain reclassifications were made to prior year balances to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 5, 2023. See Note 18 for relevant disclosures. No subsequent events occurring after this date have been evaluation for inclusion in these combined financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards codification (ASC) 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the combined balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Effective April 1, 2022, Decor adopted ASC 842 and recognized and measured leases existing at, or enter into after April 1, 2022, (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the fiscal years ended March 31, 2022 and 2021 are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, Decor recognized on April 1, 2022, a lease liability of \$1,548,096, which represents the present value of the remaining operating lease payments of \$1,690,540, discounted using the incremental borrowing rate of 5.75%, and a right-of-use asset of \$1,548,096.

The standard had a material impact on the combined balance sheets, but did not have an impact on the combined statements of income, nor combined statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Guidance Not Yet Adopted

ASU 2016-13 “Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments” (Topic 326). In June 2016, FASB issued guidance to replace the incurred credit loss model with an expected credit loss model, which is referred to as the *current expected credit loss* (CECL) model. The CECL model requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Companies will use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the guidance amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. Decor will adopt Topic 326 on January 1, 2023, as required for non-public business entities. Decor may recognize a one-time cumulative effect adjustment to the allowance for doubtful accounts, if any, as of the beginning of the first reporting period in which the new standard is effective. The cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. Decor is currently evaluating the impact of this new guidance on the allowance for doubtful accounts.

Note 3: FRANCHISE ACTIVITY

Decor grants franchisees the right to operate under its name with access to products, trademarks, brands, proprietary software, and business systems under individual franchise agreements.

Decor receives initial franchise fees from franchisees upon signing of the initial five-year agreement, and receives royalties and advertising fees monthly. The initial franchise fee is \$9,900 plus a territory fee ranging from \$1,500 to \$60,000. In the first year of franchisee operations, royalties are 5% of annual gross sales. Royalties in subsequent years are 5% of annual gross sales, subject to minimums that range from \$3,050 to \$6,950 based on total annual gross sales. Marketing Development Fund fees are 1% in the first year, and are based on the previous year’s gross sales attributable to holiday lighting services in years two through five, subject to minimums that range from \$640 to \$1,150. Renewal fees are \$2,000 and transfer fees are \$2,500.

Decor agrees to provide certain services to the franchisee when it sells a franchise. Generally, these services include training personnel, assisting with suggested location, layout, and design of the franchised business, and access to operation manuals and proprietary software.

Total initial costs are estimated to range from \$23,550 to \$110,250. Franchisees are required to purchase inventory and equipment from Décor or another approved supplier at an estimated cost of \$8,000 to \$20,000.

The Decor Group
Notes to Combined Financial Statements

Note 3: FRANCHISE ACTIVITY (Continued)

Franchise activity follows:

<i>For the nine months ended December 31, 2022, and the fiscal years ended March 31, 2022 and 2021</i>	December 31, 2022	March 31, 2022	March 31, 2021
Franchise outlets, beginning	235	235	225
Opened	13	11	18
Terminated	(3)	(3)	(2)
Ceased operation (non-renewal or consolidated)	(5)	(8)	(6)
Franchise outlets, ending	240	235	235

Decor did not own or operate any franchises at December 31, 2022, March 31, 2022, or 2021.

Note 4: CONCENTRATIONS

Financial instruments which potentially subject Decor to concentrations of credit risk are principally cash deposits and accounts receivable. Decor deposits cash in high credit quality financial institutions. Concentrations of credit risk with respect to accounts receivable is limited due to the number of franchisees comprising Decor's customer base and their geographic dispersion. To reduce risk, Decor routinely assesses the financial strength of its franchisees and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Decor has cash deposits with financial institutions, which fluctuate from time to time in excess of federally insured limits of \$250,000. If these financial institutions were not to honor their contractual liability, Decor could incur losses. Management believes risk of loss is limited due to the financial strength of these financial institutions.

Decor franchisees operate in the United States and Canada. Revenues related to the Canadian franchises and product sales were not significant. Economic factors can affect future franchise sales and, as territory is assigned to each franchise store, Decor may reach the point where existing markets become saturated and initial franchising revenue declines. Unless new markets are entered, franchise revenues after market saturation will come primarily from royalties and other fees from existing franchisees.

For the nine months ended December 31, 2022, purchases from one vendor represented approximately 10% of total purchases. At December 31, 2022, Decor had accounts payable of \$58,742 to this vendor.

The Decor Group
Notes to Combined Financial Statements

Note 5: ACCOUNTS RECEIVABLE

Accounts receivable follow:

	December 31, 2022		March 31, 2022		March 31, 2021
Receivables from contracts	5,206,852	\$	2,166,578	\$	1,396,087
Receivables from related parties	-		99,122		126,335
	5,206,852		2,265,700		1,522,422
Receivables from employees	23,868		14,418		9,955
Accounts receivable, gross	5,230,720		2,280,118		1,532,377
Allowance for doubtful accounts	(450,668)		(305,668)		(129,963)
Accounts receivable, net	\$ 4,780,052	\$	1,974,450	\$	1,402,414

Note 6: NOTES RECEIVABLE, NET

On March 31, 2019, Decor received a \$500,000 note from a vendor for costs incurred by Decor to assist in development of the PermaLites 365 product line. The note matures on November 16, 2024, or upon sale of the vendor company, whichever occurs first. The owner of the vendor has executed a personal guaranty of repayment of the note to Decor. The note is carried at the face value of the note, less management's allowance of \$450,000, which was recorded during the fiscal year ended March 31, 2022.

Note 7: GOODWILL

Goodwill, net, is comprised as follows:

	December 31, 2022		March 31, 2022		March 31, 2021
Goodwill	\$ 216,000	\$	216,000	\$	216,000
Accumulated amortization	(141,750)		(129,600)		(108,000)
Goodwill, net	\$ 74,250	\$	86,400	\$	108,000

Amortization of goodwill, which is included in "General and administrative" expense in the accompanying combined statements of operations is \$1,350 monthly, through March 31, 2027. Amortization expense is presented in the accompanying combined statements of cash flows.

The Decor Group
Notes to Combined Financial Statements

Note 8: FACILITIES AND EQUIPMENT

Facilities and equipment are comprised as follows:

	Estimated Useful Lives (in years)	December 31, 2022	March 31, 2022	March 31, 2021
Software	5-7	\$ 1,923,728	\$ 1,901,098	\$ 1,787,926
Leasehold improvements	5-15	1,063,410	1,063,410	1,058,601
IT hardware	2-10	580,736	564,892	557,150
Warehouse equipment	2-15	752,403	732,653	712,205
Vehicles	5	159,770	159,770	159,770
Furniture and fixtures	5-10	95,659	93,585	93,585
Total depreciable facilities and equipment		4,575,706	4,515,408	4,369,237
Less accumulated depreciation		(4,181,001)	(4,032,596)	(3,807,623)
Total facilities and equipment, net		\$ 394,705	\$ 482,812	\$ 561,614

Depreciation expense of \$148,405, \$224,972, and \$325,824 for the period ended December 31, 2022, and the fiscal years ended March 31, 2022 and 2021, respectively, is included in "Facilities and equipment" expense in the accompanying combined statements of income and is presented in the accompanying combined statements of cash flows.

Note 9: REVOLVING LINE OF CREDIT

Decor has a \$7.5 million revolving line of credit (RLOC) with a bank. The RLOC is secured by receivables, equipment, inventory, furniture, fixtures, all other tangible or intangible personal property, and key-man life insurance. It bears interest at Wall Street Journal prime plus 0.50%, with a floor of 4.00% (prime was 7.75%, 3.50%, and 3.25% at December 31, 2022, March 31, 2022 and March 31, 2021, respectively).

The RLOC matured on May 31, 2023, however both parties signed a change in terms agreement that matures on May, 21, 2024.

The Decor Group
Notes to Combined Financial Statements

Note 10: LONG-TERM DEBT

Long-term debt is comprised as follows:

	December 31, 2022	March 31, 2022	March 31, 2021
<hr/>			
\$1,191,226 note payable to bank dated May 11, 2018; secured by inventory, receivables, fixtures, equipment & key man life insurance; interest rates were 7.5%, 4.0% and 4.0% at December 31, 2022, March 31, 2022, and March 31, 2021, respectively, with a monthly principal and interest payment of \$22,945 through May 12, 2023.	\$ 113,722	\$ 308,062	\$ 558,020
\$140,000 note payable to bank dated June 1, 2020; secured by inventory, receivables, fixtures, and equipment; bears interest at 4.0%; monthly principal and interest payment of \$2,582 through June 1, 2025.	74,268	94,141	120,705
\$150,000 note with the U.S. Small Business Administration under the Economic Injury Disaster Loan program dated June 16, 2020; secured by inventory, receivables, fixtures, and equipment; bears interest at 3.75%; monthly payments of \$731 began June 16, 2021, repaying accrued interest initially, and then principal and interest through June 16, 2050.	150,000	150,000	150,000
<hr/>			
Long-term debt	337,990	552,203	828,725
Long-term debt, current maturities	(144,830)	(294,010)	(277,090)
<hr/>			
Long-term debt, net of current maturities	\$ 193,160	\$ 258,193	\$ 551,635
<hr/>			

The bank notes payable include demand clauses, however the bank has provided Decor with a written commitment not to call the loans prior to January 1, 2024. Additionally, Decor did not comply with a debt covenant to provide audited combined financial statements within 120 days of December 31, 2022; however, the bank waived the noncompliance and it has been cured.

The Decor Group
Notes to Combined Financial Statements

Note 10: LONG-TERM DEBT (Continued)

Maturities of long-term debt subsequent to December 31, 2022 are as follows:

For the years ending December 31,

2023	\$ 144,830
2024	33,032
2025	19,390
2026	3,555
2027	3,691
Thereafter	133,492
Total	\$ 337,990

Note 11: COMMITMENTS AND CONTINGENCIES

Lease Commitments

Decor has operating leases for office, warehouse, and showroom space. These leases have remaining lease terms of two years.

The components of lease expense consist of the following:

<i>For the nine month period ended December 31,</i>	2022
Operating lease cost	\$ 471,162

Other information related to leases was as follows:

<i>For the nine month period ended December 31,</i>	2022
Supplemental Cash Flow Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 409,872
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	1,548,096
Weighted average remaining lease term	
Operating leases	2.1 years
Weighted average discount rate	
Operating leases	5.75%

The Decor Group
Notes to Combined Financial Statements

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (continued)

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

<i>For the years ending December 31,</i>	Operating Leases
2023	\$ 550,816
2024	556,749
2025	173,103
Total future minimum lease payments	1,280,668
Less imputed interest	(84,391)
Present value of lease liabilities	\$ 1,196,277

Decor leases certain office and warehouse space from BCKK Investment Group, Inc., a non-combined company under control of an owner (BCKK) under a lease agreement. As of December 31, 2022, the operating lease ROU assets and operating lease liabilities related to that agreement was \$834,045 and \$876,939, respectively. The remaining lease term of this agreements is 2.3 years. The total lease expense under the agreement was \$301,875 for the nine months ended December 31, 2022. Decor leases certain showroom space from an unrelated party under a lease agreement. As of December 31, 2022, the operating lease ROU assets and operating lease liabilities related to that agreement was \$300,942 and \$319,338, respectively. The remaining lease term of this agreements is 2.25 years. The total lease expense under the agreement was \$107,997 for the nine months ended December 31, 2022.

At March 31, 2022, Decor had three leases for showroom space in Atlanta, Georgia, that expired before December 31, 2022. Additionally, Decor subleased office and warehouse facilities in Irving from BCKK. The five-year operating sublease began May 1, 2020. The related party lease expense included in rent expense was \$426,928 and \$379,650 for the fiscal years ended March 31, 2022 and 2021. Rent expense was included in "Facilities and equipment" expense in the accompanying combined statements of income and totaled \$658,837 and \$595,643 for the fiscal years ended March 31, 2022 and 2021, respectively.

The Decor Group
Notes to Combined Financial Statements

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (continued)

Minimum lease payments under the office operating lease as of March 31, 2022, for future years were as follows:

For the years ending March 31,

2023	\$	546,496
2024		552,256
2025		558,246
2026		3,352
Total	\$	1,660,350

Marketing Commitments

On February 19, 2020, Decor signed an agreement with a company to provide marketing services for Decor through February 2026 for \$225,000 payable over six years. Expense related to the agreement was \$-0-, \$30,000, and \$75,000 for the nine months ended December 31, 2022 and for the fiscal years ended March 31, 2022, and 2021, respectively, which is included in "Marketing and support" expense in the accompanying combined statements of income. Annual payments of \$30,000 are scheduled for the years ending December 31, 2023, 2024, 2025, and 2026.

Contingencies

From time to time, Decor may have asserted and unasserted claims or assessments arising in the normal course of business. Decor does not expect losses, if any, to arise from asserted or unasserted claims or assessments to have a material effect on its combined financial statements.

Note 12: REVENUE

Decor is a franchisor with franchisee operations in forty-nine (49) states in the US and in Canada and recognizes franchise royalties, Marketing Development Fund fees, and initial and renewal franchise fees contract revenue related to agreements with its franchisees over time. Performance obligations in these contracts are based upon five-year licensing agreements and terms of product purchase agreements. As of December 31, 2022, there is \$783,922 of performance obligations to franchisees to be satisfied under existing arrangements. Revenue of \$485,316, \$123,253, \$99,089, \$54,298, and \$21,966 is scheduled to be recognized as these performance obligations are fulfilled in fiscal years ending December 31, 2023, 2024, 2025, 2026, and 2027, respectively.

Decor recognizes product sales and other franchise fees revenue at a point in time (i.e., at the point of sale). These performance obligations are based upon delivery of the goods or services.

The Decor Group
Notes to Combined Financial Statements

Note 12: REVENUE (Continued)

Disaggregated Revenue

Disaggregated revenue information follows:

<i>For the nine months ended December 31, 2022, and the years ended March 31, 2022 and 2021</i>	December 31, 2022	March 31, 2022	March 31, 2021
Product Sales Recognized at a Point in Time			
Christmas Decor	\$ 8,814,782	\$ 11,365,522	\$ 7,911,891
Barcana	3,563,813	2,917,384	1,791,090
Fotodiastasi	3,663,845	2,448,554	1,521,234
Nite Time Decor	1,604,845	1,713,488	1,307,824
Inception Lighting	756,538	669,025	256,544
Other	211,947	273,486	12,272
Total product sales	18,615,770	19,387,459	12,800,855
Franchise Revenue Recognized Over Time			
Franchise royalties	3,069,884	2,906,640	2,336,331
Marketing Development Fund fees	574,625	549,705	449,120
Initial and renewal franchise fees	101,569	220,809	119,337
Franchise Revenue Recognized at a Point in Time			
Other franchise revenues	123,856	150,026	48,204
Total franchise revenue	3,869,934	3,827,180	2,952,992
Total revenue	\$ 22,485,704	\$ 23,214,639	\$ 15,753,847
Point in time as a % of total revenue	83.3%	84.2%	81.6%
Over time as a % of total revenue	16.7%	15.8%	18.4%

Contract Balances

	December 31, 2022	March 31, 2022	March 31, 2021
Contract liabilities, beginning	\$ 862,419	\$ 834,278	\$ 317,511
Contract liabilities, ending	\$ 783,922	\$ 862,419	\$ 834,278
Receivables from contracts, beginning	\$ 2,166,578	\$ 1,396,087	\$ 1,930,196
Receivables from contracts, ending	\$ 5,206,852	\$ 2,166,578	\$ 1,396,087

Note 13: EMPLOYEE BENEFITS

Employee Retirement Plan

The Decor Group, Inc. 401(k) Plan covers all full-time employees meeting eligibility requirements. Management makes a safe harbor contribution of 3% of eligible employees' compensation and, at its discretion, may make matching contributions and a profit sharing contribution. Participants immediately vest 100% in their contributions and earnings on their contributions, and vest in employer contributions based on a five-year graded vesting schedule. Decor had matching contribution expense of \$40,072, for the nine months ended December 31, 2022 and \$47,593, and \$44,891 for the fiscal years ended March 31, 2022 and 2021, respectively. Decor additionally had profit sharing contribution expense of \$22,865 for the nine months ended December 31, 2022, and \$20,000 and \$-0- for the fiscal years ended March 31, 2022, and 2021, respectively, which is included in "Personnel" expense in the accompanying combined statements of income.

Deferred Compensation Arrangements

Decor accrues deferred compensation liabilities in accordance with IRC§409A non-qualified deferred compensation arrangements (DCAs) with three executives. In conjunction with the DCAs, Decor initiated indexed flexible premium variable universal life company owned life insurance (COLI) policies on these three executives in January 2015.

Under the DCAs, the executives vest(ed) in death benefits in amounts that correspond with the COLI death benefits through continued full-time employment as follow:

- 50% to December 31, 2019,
- 75% from January 1, 2020, to December 31, 2022,
- 90% from January 1, 2023, to December 31, 2025, and
- 100% subsequently.

The executives vest in retirement benefits in amounts that correspond with the net cash surrender values of the COLI through continued employment under a 10-year graded vesting schedule (10% per year). Under the DCAs, Decor will pay premiums on the COLI for 20 years, at which time the COLI may be transferred to the executives. The DCAs also include non-compete commitments from the executives.

Although DCA benefits correspond with COLI death benefits and net cash surrender values, the liabilities to the Executives are unfunded and are not secured by the COLI; the Small Business Administration is listed as an "other beneficiary" on one of the policies.

The related accrued liability included in "Accrued expenses" in the combined balance sheets was \$246,518, for the nine months ended December 31, 2022 and \$269,193, and \$245,182 for the fiscal years ended March 31, 2022, and 2021, respectively, which correspond with the net cash surrender values of the COLI at those dates. The related compensation (benefit) expense was (\$22,675), for the nine months ended December 31, 2022, and \$24,011, and, \$112,265 for the fiscal years ended March 31, 2022 and 2021, respectively, and is included in "Personnel" in the accompanying combined statements of income.

Note 13: EMPLOYEE BENEFITS (Continued)

Health Insurance Benefits

Decor provides health insurance benefits to eligible employees and dependents through a third party insurer. Decor pays employee premiums and employees may elect and pay for dependent coverage through payroll deductions. The related expense was \$22,558, for the nine months ended December 31, 2022, and \$32,721 and \$36,690 for the fiscal years ended March 31, 2022 and 2021, respectively, which is included in "Personnel" expense in the accompanying combined statements of operations.

Note 14: EMPLOYEE STOCK COMPENSATION

Under Incentive Stock Grant Agreements (ISGAs), a Decor executive was awarded five percent (5%) nonvoting ownership of ACLS, The Decor Group, LLC (an empty shell company subsequently closed), and DPro on April 1, 2017, for prior service. An additional one percent (1%) nonvoting ownership vested each April 1 for the subsequent five years based on prior service, continued employment, and achievement of annual performance objectives contained in related employment agreements.

Noncash compensation expense of \$68,000 and \$13,000 was recognized for the fiscal years ended March 31, 2022 and 2021, respectively, under the ISGAs based on the additional 1% nonvoting ownership awarded at April 1, 2022 and 2021 and an additional 1% that was awarded at April 1, 2022 unrelated to this agreement. The estimated fair value of the awards included discounts for lack of control (20%) and liquidity/marketability (25%). One hundred percent of the noncash compensation expense was recognized in ACLS's books, see Note 15, because The Decor Group, LLC was an empty shell corporation subsequently closed, and DPro has negative equity to date and no operations that would suggest that will change in the foreseeable future.

Noncash stock compensation is based on the award date estimated fair value of the nonvoting ownership and vests in accordance with the ISGAs.

Buy-Sell Agreements were signed in conjunction with the aforementioned ISGAs and employment agreements, which restrict the marketability of the subject ownership interests, provide rights of first refusal to acquire other owners' interests and to govern valuation of ownership interests to be transferred upon occurrence of specified events such as death, divorce, or termination of employment.

The Decor Group
Notes to Combined Financial Statements

Note 16: OWNERS' EQUITY

The composition of and changes in owners' equity of the companies that comprise Decor follow:

	American Christmas Light & Supply, Inc. (S-Corporation)					DecorPro, LLC	
	Common Stock			Retained	Owners	Member	
	Shares	Dollars	APIC	Earnings	Equity	Interest	Total
March 31, 2020	100,000	\$373,453	\$ 2,266,085	\$ 2,181,717	\$ 4,821,255	\$ (205,175)	\$ 4,616,080
Stock compensation	-	-	13,000	-	13,000	-	13,000
Distributions	-	-	-	(949,641)	(949,641)	-	(949,641)
Net income (loss)	-	-	-	1,257,462	1,257,462	(75,822)	1,181,640
March 31, 2021	100,000	373,453	2,279,085	2,489,538	5,142,076	(280,997)	4,861,079
Stock compensation	-	-	68,000	-	68,000	-	68,000
Distributions	-	-	-	(467,755)	(467,755)	-	(467,755)
Net income (loss)	-	-	-	3,051,785	3,051,785	(21,600)	3,030,185
March 31, 2022	100,000	373,453	2,347,085	5,073,568	7,794,106	(302,597)	7,491,509
Distributions	-	-	-	(1,056,001)	(1,056,001)	-	(1,056,001)
Net income (loss)	-	-	-	3,590,670	3,590,670	(12,150)	3,578,520
December 31, 2022	100,000	\$373,453	\$ 2,347,085	\$ 7,608,237	\$ 10,328,775	\$ (314,747)	\$10,014,028

Note 17: RELATED PARTY TRANSACTIONS

At December 31, 2022, Decor had a payable of \$158,564 to BCKK, an affiliate whose principal activity is real estate investment and leasing, which is expected to be paid in the next fiscal year.

At March 31, 2022 and 2021, Decor had a receivable of \$99,122 and \$126,335 from BCKK for services performed for BCKK. See Note 5.

During the fiscal year ended March 31, 2022, one owner advanced Decor \$229,493, and Decor owed a \$53,251 distribution to another owner. Both amounts were paid during the nine months ending December 31, 2022.

During the fiscal year ended March 31, 2021, an owner received a \$64,534 advance from Decor which was receivable at March 31, 2021, and was repaid during the fiscal year ended March 31, 2022.

Decor has a lease agreement with a related party. See Note 11.

The Decor Group
Notes to Combined Financial Statements

Note 18: PAYCHECK PROTECTION PROGRAM LOAN

During the fiscal year ended March 31, 2021, in response to the global pandemic, Decor applied for and received a \$448,700 loan through the Paycheck Protection Program under the CARES Act, and received notice that the loan and related interest had been forgiven and repaid to the bank by the SBA. A second PPP loan in the amount of \$438,365 was received and forgiven in the fiscal year ended March 31, 2022. Decor recorded the debt forgiveness as “Other nonoperating income” in the accompanying combined statement of income.

Note 19: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2022 through September 5, 2023, the date Decor’s combined financial statements were available to be issued. Except as indicated in Note 9, there were no other events that occurred that require disclosure.

FRANCHISEE LIST

EXHIBIT D-1

**LIST OF FRANCHISEES
THE DECOR GROUP, INC.
CHRISTMAS DECOR FRANCHISE PROGRAM
AS OF DECEMBER 31, 2023**

Alabama

Tracy Butler	Christmas Decor by Butler Services #61020 17753 Wells Road Athens, AL 35613	(256) 508-2950	Operational
Barry Jowers	Christmas Decor by Cut Right Lawns, LLC #91006 1340 Placid Wood Road Auburn, AL 36830	(334) 559-0883	Operational
David Northington	Christmas Decor by Bama Exterminating #111008 2800 Ninth Street Northport, AL 35476	(205) 344-9311	Operational

Alaska

Daniel Stanislaw	Christmas Decor by Dutch Boy Landscaping #121006 3800 Sterling Highway Homer, AK 99603	(907) 235-7140	Operational
Scott Gage	Christmas Decor by Gage Tree Service #91011 4561 E Palmer Wasilla Highway Wasilla, AK 99654	(907) 376-8733	Operational

Arizona

Dustin Mast	Christmas Decor by Flag Landscaping Inc. #181001 5470 E Commerce Ave, Space A Flagstaff, AZ 86004	(928) 607-6281	Operational
Rod Glover	Christmas Decor by Bright Ideas II, LLC. #181017 11243 N 68th Street Scottsdale, AZ 85254	(480) 659-8742	Operational

Arkansas

Gary Alber	Christmas Decor by Alber's #141001 8010 Ball Road Fort Smith, AR 72908	(479) 648-8049	Operational
Adam Sartin	Christmas Decor by Ground Crew LLC #171007 3703 S Culberhouse Road, Suite A Jonesboro, AR 72404	(870) 336-2424	Operational

Trent Ragar	Christmas Decor of NW Arkansas #91022 223 E Monroe Avenue Lowell, AR 72745	(479) 927-6350	Operational
Ed Carrington	Christmas Decor by Carrington Electric Company. Inc. #31074 1708 E Harding Avenue Pine Bluff, AR 71601	(870) 534-6993	Operational
California			
L.C. Kaylor	Christmas Decor by Kaylor Landscape, Inc. #21017 18491 Road 232 Porterville, CA 93257	(559) 781-5189	Operational
Jerry Zarour	Christmas Decor by Zanga Zanga Inc. #151002 11821 Pounds Avenue Whittier, CA 90604	(562) 242-8953	Operational
Colorado			
Christopher Tyler	Christmas Decor by Aspen Lawn & Holiday Lights Inc. #32038 307 Aspen ABC Unit A Aspen, CO 81611	(970) 379-3660	Operational
Judd Bryarly	Christmas Decor by Timberline #41064 8110 Opportunity View Colorado Springs, CO 80939	(719) 638-1000	Operational
John Swayze	Christmas Decor by SavATree LLC dba Swingle #210008 8585 E Warren Avenue Denver, CO 80231	(303) 337-6200	Operational
David Schultz	Christmas Decor by Azteca Landscape, Inc #22044 2393 County Road 302 Durango, CO 81303	(970) 749-9257	Operational
Jim Waters	Christmas Decor by Jim Waters Property Maintenance #31040 1205 Riverside Drive Glenwood Springs, CO 81601	(970) 618-6529	Operational
Toby Daniels	Christmas Decor of Grand Junction #71029 140 GH Daniels Blvd Gypsum, CO 81637	(970) 524-5010	Operational
Connecticut			
Ron Poulin	Christmas Decor by Picture Perfect Landscape, LLC #31075 208 Pond Circle Glastonbury, CT 06033	(860) 250-5171	Operational

Delaware

Michael Gray	G.M.G. Inc. T/A Christmas Decor #21060 32657 Seaview Loop Millsboro, DE 19966	(215) 630-4379	Operational
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Florida

Wesley Knox	Christmas Decor by Amplified Lighting L.L.C. #230017 3066 Los Gatos Drive Belleair Bluffs, FL 33770	(727) 612-2199	Operational
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Martin DeVincenti	Christmas Decor of Boynton Beach LLC #151008 1726 Corporate Drive Boynton Beach, FL 33426	(561) 630-1777	Operational
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Brian Schultz	Christmas Decor by Bring the Bright/South Florida #210003 5401 NW 102nd Avenue, Bay 104 Sunrise, FL 33351	(954) 643-7366	Operational
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David Shindler	Christmas Decor Southeast, Inc. #73005 757 SE 17th Street, #333 Fort Lauderdale, FL 33316	(954) 540-7788	Operational
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Venus Parton	Christmas Decor of Destin #181009 386 Smith Road Freeport, FL 32439	(850) 226-0053	Operational
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James Murphy	Christmas Decor by Southeast Works Inc. #151010 4656-4 Collins Road Jacksonville, FL 32244	(904) 579-4422	Operational
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Scott Williams	Christmas Decor by Lawn Master Inc. #21077 3200 E Johnson Avenue Pensacola, FL 32524	(850) 476-1601	Operational
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Alex Rodriguez	Christmas Decor by Light Pro #270011 1847 SE Port Saint Lucie Boulevard Port Saint Lucie, FL 34952	(772) 353-0638	Operational
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Sandra Merrill	Christmas Decor of Tallahassee #250008 4701 Miccosukee Rd Tallahassee, FL 32308	(850) 510-2193	Operational
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Kurt Throckmorton	Christmas Decor by Southern Spray Co. – Windermere, FL #41082 205 Magnolia Street Windermere, FL 34786	(321) 231-1357	Operational
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Georgia

Kyle Flanagan	Christmas Decor of Augusta #171005 1048 Franke Industrial Drive Augusta, GA 30909	(706) 201-4643	Operational
Roger Grant	Christmas Decor by Grant Lawn & Decor Services, Inc. #32128 3811 Zingara Road NE Conyers, GA 30012	(770) 760-0973	Operational
Nick Walker	Christmas Decor by Great Estates LLC #191006 14481 Lochridge Boulevard Covington, GA 30014	(770) 787-2929	Operational
Nick Walker	Christmas Decor by Great Estates LLC #240012 14481 Lochridge Boulevard Covington, GA 30014	(770) 787-2929	Operational
Brandon Greenhaw	Christmas Decor of Roswell #200007 3150 Oakcliff Industrial Street Doraville, GA 30340	(404) 414-9932	Operational
Larry Johnson Sr.	Christmas Decor by Accolade Pools & Spas, Inc. #31115 2732 Davenport Road Duluth, GA 30096	(770) 813-8660	Operational
Jason Paulk	Christmas Decor by Paulk Outdoors Inc. #41033 155 McDonough Parkway, Suite 400 McDonough, GA 30253	(678) 583-4455	Operational
Alon Willett III	Christmas Decor by Alon Willett Inc. #41091 424 Whitehead Road Sugar Hill, GA 30518	(770) 769-8869	Operational
Chuck LeBar	Christmas Decor by Magnolia Lawn, Inc. #101003 3690 Burnette Park Drive, Suite E Suwanee, GA 30024	(770) 831-6404	Operational
Josh Bloodworth	Christmas Decor by Unique Landscaping #101009 202 Stalnaker Avenue Warner Robins, GA 31088	(478) 929-1997	Operational

Idaho

Matt Richardson	Christmas Decor by Senske Lawn & Tree - Coeur d'Alene, ID #21108 10269 N Taryne Street Hayden, ID 83835	(208) 762-3156	Operational
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Tom Gritzmacher	Christmas Decor by Senske Lawn & Tree - Boise, ID #41016 763 N Ralstin Street Meridian, ID 83642	(208) 887-7900	Operational
Jerry Merrill	Christmas Decor by Merrill Quality Landscapes, Inc. #11021 205 S Fifth W Rexburg, ID 83440	(208) 356-7508	Operational
Blaine Pope	Christmas Decor by Idaho Scapes Inc. #32122 548 Sun Terrace Drive Twin Falls, ID 83301	(208) 308-7511	Operational
Illinois			
Josh Robertson	Christmas Decor by Green Acres Lawn Care & Landscaping Group, Inc. #181006 6505 Logan Avenue Belvidere, IL 61008	(815) 703-0873	Operational
David Jones	Christmas Decor by Kingdom Lawn and Lighting L.L.C. #41048 4204 N Rising Road Champaign, IL 61822-9511	(217) 202-2630	Operational
Dennis Marunde	Christmas Decor by Arvidson & Sons, Inc. #121002 3209 S IL Route 31 Crystal Lake, IL 60012	(815) 459-0660	Operational
Todd Selin	Christmas Decor by Plandscape, Inc. #11002 707 E North Street, #2 Elburn, IL 60119	(630) 365-2558	Operational
Ken Noll	Christmas Decor by The Garden Kingdom #101019 3711 S State Route 157 Glen Carbon, IL 62034	(618) 567-9186	Operational
Gary Fouts	Christmas Decor by Principle Lighting, Inc. #31048 202 Ford Drive, Suite B New Lenox, IL 60451	(815) 462-1420	Operational
Todd Crow	Turf Management LLC dba Christmas Decor by Golf Green #200013 220 Koch Street Pekin, IL 61554	(309) 347-4798	Operational

Indiana

Bret A. Goebel	Christmas Decor by Precision Lighting, Inc. #31080 7802 Briarwood Drive Evansville, IN 47715	(812) 305-4092	Operational
Trent Schrock	Christmas Decor by Paragon Landscape #181002 16524 Antwerp Road Harlan, IN 46743	(260) 627-8342	Operational
Clay Putnam	Christmas Decor by ServiScape LLC #191007 711 Highway 212 Michigan City, IN 46361	(219) 872-9412	Operational
Cory Owens	Christmas Decor by Second Nature Landscapes #101013 9784 Barth Drive Zionsville, IN 46077	(317) 557-5745	Operational

Iowa

Kevin Nagle	Christmas Decor by All American Turf Beauty, Inc. #131002 7217 NW Boulevard, Unit 2, Suite A Davenport, IA 52806	(515) 996-2261	Operational
Chris Stangl	Christmas Decor by TK LLC - Council Bluffs, IA #32102 1503 Indian Hills Road Council Bluffs, IA 51503	(402) 740-8278	Operational
Dan Peterson	Christmas Decor by All American Turf Beauty, Inc. #11020 53918 170th Street A Gilbert, IA 50105	(515) 232-7614	Operational
Kevin Johnson	Christmas Decor by All American Turf Beauty, Inc. #11022 311 De Soto Road Van Meter, IA 50261	(515) 996-2261	Operational
Kevin Johnson	Christmas Decor by All American Turf Beauty, Inc. #21095 311 De Soto Road Van Meter, IA 50261	(515) 996-2261	Operational
Derek Mineart	Christmas Decor by All American Turf Beauty, Inc. #11021 2869 Burton Ave Waterloo, IA 50703	(319) 291-2020	Operational

Kansas

Olin Unruh	Christmas Decor by by Wetlands Irrigation & Turf, L.L.C. #230013 2095 Industrial Drive Galva, KS 67443	(620) 242-4607	Operational
Chris Stangl	Christmas Decor by TK LLC – Olathe, KS #41084 11936 W 119th Street #233 Overland Park, KS 66213	(913) 238-7179	Operational
Chris Troxel	Christmas Decor by The Grounds Guys of Olathe #181023 7800 W 2300 Road Parker, KS 66072	(913) 259-2741	Operational
David Hill	Christmas Decor by Hillco L.L.C. #111012 725 E Tenth Street N Wichita, KS 67214	(316) 729-6784	Operational

Kentucky

Karralea List	Christmas Decor of NKY #41009 2942 Park Street, Suite A Burlington, KY 41005	(859) 393-2937	Operational
Tim Baynum	Christmas Decor by Trimmers Property Maintenance #42032 12881 Wesley Chapel Road California, KY 41007	(859) 462-6677	Operational

Louisiana

Michael Pennington	Christmas Decor by Pennington Lawn & Landscape LLC #191004 233 Rodney Drive Baton Rouge, LA 70808	(225) 761-0008	Operational
Tony Gugliuzza	Christmas Decor by Terminix of New Orleans #161005 2400 N Arnoult Road Metairie, LA 70001	(504) 247-5141	Operational
Jeff Roberts	Roberts Christmas Decor, LLC #32064 15582 W Murray Road Ponchatoula, LA 70454	(985) 969-6554	Operational
Kevin Bonin	Christmas Decor by Bonin's Lawn Service, Inc. #41087 110 Heath Drive Scott, LA 70583	(337) 234-8307	Operational

C. J. Jones	Christmas Decor of Shreveport #240011 601 Mt. Zion Road Shreveport, LA 71106	(318) 686-4103	Operational
Maryland			
Nick Leinbach	Christmas Decor by Watermark LLC #31101 10768 Tucker Street Beltsville, MD 20705	(301) 210-4100	Operational
Rob Schmidt	Christmas Decor of Harford & Baltimore Counties #151004 302 Martindale Lane Forest Hill, MD 21050	(410) 493-8455	Operational
Steve Braun	Christmas Decor by Backyard Creations Inc. #230019 4987 Winchester Boulevard, Suite 4 Frederick, MD 21703	(301) 748-7449	Operational
Ted Carter	Christmas Decor by Pinehurst Landscape Co. Inc. #250016 4809 Long Green Road Glen Arm, MD 21057	(410) 592-6766	Operational
William Phillips	Christmas Decor of SoMD #230015 22020 Philip Drive Leonardtown, MD 20650	(301) 904-2167	Operational
Brad Kuklinski	Christmas Decor by Greenstreet Gardens #230006 391 W Bay Front Road Lothian, MD 20711	(410) 212-1067	Operational
Ronald Stewart	Christmas Decor by Stewart Lawn & Landscape #71004 5036 Solomons Island Road Lothian, MD 20711	(410) 266-8586	Operational
Roy Good	Christmas Decor by Hav-A-Lawn and Garden, Inc. #41072 9419 Myersville Road Myersville, MD 21773	(301) 748-3256	Operational
Laurie Flaughner	Christmas Decor by L & B, Inc. #61004 61 Old York Court North East, MD 21901	(443) 674-8422	Operational
Massachusetts			
Bill Ferris	Christmas Decor by W.H. Ferris Landscaping L.L.C. #121000 5 River Park Terrace Andover, MA 01810	(978) 475-3375	Operational

Bill Ferris	Christmas Decor by W.H. Ferris Landscaping L.L.C. #250007 5 River Park Terrace Andover, MA 01810	(978) 475-3375	Operational
Michael Rose	Christmas Decor by Suburban Lawn Sprinklers #111003 12R Waverly Street Framingham, MA 01702	(508) 872-2727	Operational
Dave Rykbost	Christmas Decor by Dave's Landscape Management Company #121003 32 Marlboro Street Hudson, MA 01749	(978) 857-1246	Operational
Dick Ficco	Christmas Decor by Curb Infusion #31039 201 Oak Street, Suite #3 Pembroke, MA 02359	(508) 801-8819	Operational
Dick Ficco	Christmas Decor by Curb Infusion #240006 201 Oak Street, Suite #3 Pembroke, MA 02359	(508) 801-8819	Operational
Arnold A. Arsenault Jr.	Christmas Decor by A. Arsenault & Sons, Inc. #21005 16 W Main Street Spencer, MA 01562	(508) 885-5589	Operational
Michigan			
Keith Sergott	Christmas Decor of Ann Arbor #270010 4454 Concourse Drive, Suite B Ann Arbor, MI 48108	(810) 931-8255	Operational
Dave DeVries	Christmas Decor by Lakeshore Lighting #61005 3340 Oak Hollow Drive SE Grand Rapids, MI 49546	(616) 890-3194	Operational
Bill Pringle	Christmas Decor by DeVries Landscape Management, Inc. #121005 6439 Center Industrial Drive Jenison, MI 49428	(616) 669-0500	Operational
Bernard P. Naylor	Christmas Decor by Naylor Landscape Management #31094 1300 S Eighth Street Kalamazoo, MI 49009	(269) 375-0084	Operational
Gerald J. Grossi	Christmas Decor by Arborlawn, Inc./Spartan Irrigation #21074 1048 Pierpont, Suite 2 Lansing, MI 48911	(517) 323-0942	Operational

Marc Dutton	Christmas Decor by Marc Dutton Irrigation, Inc. #51003 4720 Hatchery Road Waterford, MI 48329	(248) 674-4470	Operational
Aaron Young	Christmas Decor by Eradico Services, Inc. #21079 29261 Wall Street Wixom, MI 48393	(248) 477-4880	Operational
Minnesota			
Deanna Vernier	Christmas Decor by Best Irrigation L.L.C. #31107 9531 Foley Boulevard NW Coon Rapids, MN 55433	(763) 784-8085	Operational
Deanna Vernier	Christmas Decor by Best Irrigation L.L.C. #230024 9531 Foley Boulevard NW Coon Rapids, MN 55433	(763) 784-8085	Operational
Chuck Holscher	Christmas Decor of the Twin Cities LLC #51004 14505 21st Avenue N, Suite 202 Plymouth, MN 55447	(763) 694-0295	Operational
Chuck Holscher	Christmas Decor of the Twin Cities LLC #260002 14505 21st Avenue N, Suite 202 Plymouth, MN 55447	(763) 694-0295	Operational
Mark Fenlason	Christmas Decor of Duluth #200001 7880 Highway 2 Saginaw, MN 55779	(218) 340-5389	Operational
Michael Hornung	Christmas Decor by Valley Green Companies #31090 1325 Scenic Drive NW Sauk Rapids, MN 56379	(320) 259-5959	Operational
Mississippi			
Jason Chapman	Christmas Decor of Central Mississippi LLC #161012 210 Iron Horse Station Brandon, MS 39042	(601) 706-9349	Operational
Clayton Hahn	Christmas Decor by Golden Triangle Pest Control L.L.C. #250011 216 5th St S, Suite 2 Columbus, MS 39701	(205) 394-2076	Operational
Steve Jordan	Christmas Decor by Turf Masters Lawn Care #181015 3210 Ingalls Avenue Pascagoula, MS 39581	(228) 475-3665	Operational

Missouri

Matt Perry	Christmas Decor of Greater Kansas City #270005 1401 Swift Street North Kansas City, MO 64116	(816) 897-0502	Operational
Gary Bugajski	Saint Louis Christmas Decor #151000 1866 Summitview Drive Saint Charles, MO 63303	(314) 503-6508	Operational

Montana

Andrew Blanchford	Christmas Decor by Blanchford Landscape Group #161011 6602 Gooch Hill Road Bozeman, MT 59718	(406) 587-3057	Operational
John Swayze	Christmas Decor by SavATree, L.L.C. #181025 5061 Love Lane Bozeman, MT 59718	(406) 522-8733	Operational
Kevin Ferguson	Christmas Decor of Great Falls #72009 4242 N Star Boulevard, Unit 4 Great Falls, MT 59405	(406) 761-3967	Operational
Brad Culver	Christmas Decor by Nitro Green of Helena #82001 1645 A. Street Helena, MT 59601	(406) 443-5088	Operational
Steve Rasmussen	Christmas Decor by Northern Lawncare #32028 395 Mountain Vista Way Kalispell, MT 59901	(406) 253-2189	Operational

Nebraska

Todd Himmelberg	Christmas Decor by Country Design Lawn & Landscape LLC #73002 141 N Calvert Street Lawrence, NE 68957	(402) 756-7255	Operational
David Hastreiter	Christmas Decor by Festive Expressions Inc. #71011 6040 Newton Street Lincoln, NE 68506	(402) 421-2204	Operational

Nevada

Miguel Macias	Christmas Decor by America's Swimming Pool Co. #270004 9720 S Virginia Street Reno, NV 89511	(775) 451-3947	Operational
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New Hampshire

Dan Bernard	Christmas Decor of Southern NH #240003 44 Cedar Crest Lane Auburn, NH 03032	(603) 391-9487	Operational
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Erik Hanson	Christmas Decor by Outdoor Lighting Designs #210002 533 Central Road Rye, NH 03870	(207) 510-4895	Operational
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New Jersey

Eddie Anzalone	Christmas Decor of Rutherford L.L.C. #91000 234 Fernwood Drive Bayville, NJ 08721	(201) 966-3678	Operational
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Eddie Anzalone	Christmas Decor of Rutherford L.L.C. #230003 234 Fernwood Drive Bayville, NJ 08721	(201) 966-3678	Operational
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James B. Mink	Christmas Decor by Precision Sprinklers & Lighting #31156 45 Carey Avenue, Suite 104A Butler, NJ 07405	(973) 492-2100	Operational
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Danny Smith	Christmas Decor by Smitty's Landscaping #21111 25 Canfield Road Cedar Grove, NJ 07009	(973) 785-8483	Operational
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Danny Smith	Christmas Decor by Smitty's Landscaping #181000 25 Canfield Road Cedar Grove, NJ 07009	(973) 785-8483	Operational
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Danny Smith	Christmas Decor by Smitty's Landscaping #200008 25 Canfield Road Cedar Grove, NJ 07009	(973) 785-8483	Operational
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Danny Smith	Christmas Decor by Smitty's Landscaping #220003 25 Canfield Road Cedar Grove, NJ 07009	(973) 785-8483	Operational
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Danny Smith	Christmas Decor by Smitty's Landscaping #270001 25 Canfield Road Cedar Grove, NJ 07009	(973) 785-8483	Operational
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Danny Smith	Christmas Decor by Smitty's Landscaping #270002 25 Canfield Road Cedar Grove, NJ 07009	(973) 785-8483	Operational
Shawn Ferrie	Christmas Decor by Fresh Cut Lawn Care, Inc. #21084 6701 Delilah Road Egg Harbor Township, NJ 08234	(609) 653-2197	Operational
Bill Cowley	Christmas Decor by Cowley's #61025 1145 Route 33 Farmingdale, NJ 07727	(732) 859-8072	Operational
James Robyn	Christmas Decor by Rin Robyn Pools #230014 21 US Hwy 46 Hackettstown, NJ 07840	(908) 509-8040	Operational
Sint Van Solkema	Christmas Decor by Sint's Landscaping #21090 822 Rockport Road Hackettstown, NJ 07840	(908) 966-2930	Operational
James Ebbinghousen	Christmas Decor by Ebby's Landscaping #41062 101 E Main Street, Building #10 Little Falls, NJ 07424	(973) 725-8638	Operational
Richard Johns	Christmas Decor by Triple R Lighting LLC #31088 398 Lincoln Blvd, Suite C1 Middlesex, NJ 08846	(908) 303-0081	Operational
Matt Cannarozzi	Christmas Decor by Heart & Soules LLC #171004 10 W Elro Drive Oak Ridge, NJ 07438	(973) 219-5805	Operational
Andre Massimi	Christmas Decor by A & M Landscaping #21092 5 Preakness Place Sewell, NJ 08080	(609) 605-4342	Operational
Chris Risen	Christmas Decor by RH L.L.C. #111000 1771 Highway 34, Unit 1 Wall, NJ 07727	(732) 774-7873	Operational
Tim Smeltz	Christmas Decor by American Sealcoating #91018 5538 Hamilton South Sciota, PA 18354 (territory is in New Jersey)	(908) 333-7423	Operational

New Mexico			
Kenny Grebe	Christmas Decor by Red Shovel Landscape LLC #121001 9100 Second Street NW Albuquerque, NM 87114	(505) 243-2277	Operational
New York			
Marcus Pitts	Christmas Decor by Looks Great Services, Inc. #31114 140 W Tenth Street Huntington Station, NY 11746	(484) 464-1950	Operational
Dan Deyle	Christmas Decor by Michael Grimm Landscape & Tree Service #230016 4195 Lafayette Rd Jamesville, NY 13078	(315) 633-6029	Operational
Dan Deyle	Christmas Decor by Michael Grimm Landscape & Tree Service #250004 4195 Lafayette Rd Jamesville, NY 13078	(315) 633-6029	Operational
Patrick Carr	Christmas Decor of the Hudson Valley #240008 101 Main Street Pine Bush, NY 12566	(845) 699-5932	Operational
Craig den Hartog	Christmas Decor by Emerald Magic Lawn Care, Inc. #41004 12 Woods Drive Port Jefferson Station, NY 11776	(631) 286-4600	Operational
Scott Benson	Christmas Decor by Benson Enterprises #260003 1986 Bennett Road Victor, NY 14564	(585) 248-0452	Operational
Kimberly Cassidy	Christmas Decor by Neave Decor #31097 72 Airport Drive Wappingers Falls, NY 12590	(845) 463-0592	Operational
North Carolina			
Doug McKeown	Christmas Decor North Charlotte #200009 11521 Reames Road, Suite B Charlotte, NC 28269	(980) 495-5799	Operational
Melvin Ingram	Christmas Decor by Elite Design L.L.C. #250001 5900 Stone Valley Drive, #108 Raleigh, NC 27610	(904) 386-8948	Operational
Melissa Wilson	Christmas Decor by Coastal Carolina Lighting L.L.C. #240001 8964 Landing Three Court SW Sunset Beach, NC 28468	(910) 712-1695	Operational

North Dakota

Rod Glover	Christmas Decor by Bright Ideas, Inc. #32031 3223 Main Avenue Fargo, ND 58103	(701) 235-1075	Operational
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Ohio

Jerry Steiner	Christmas Decor by Steiner's Lawn & Landscape #91007 20 East Charlotte Avenue Cincinnati, OH 45215	(513) 200-5381	Operational
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John Gilbride	Christmas Decor by Premier Landscaping LLC #171008 3495 W 140th Street Cleveland, OH 44111	(216) 228-6916	Operational
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Chad Maag	Christmas Decor by Green Ideas Landscape Management #41071 1020 Cosmos Street NW Hartsville, OH 44632	(330) 802-5802	Operational
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Jim Schill	Christmas Decor of Powell #21073 2391 Likens Road Marion, OH 43302	(440) 327-3030	Operational
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Ben Johnson	Christmas Decor by Valley Lighting Group #161004 621 S Union Street Troy, OH 45373	(937) 332-1455	Operational
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Ed Holcomb	Christmas Decor by Turf-Care Inc. #91023 8784 Cincinnati Columbus Road, Unit B West Chester, OH 45069	(513) 489-8873	Operational
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Oklahoma

Tom Gillespie	Christmas Decor by Complete Lawn Maintenance #230002 812 S Eighth Street Broken Arrow, OK 74012	(918) 605-4646	Operational
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Katie Prout	Christmas Decor of N OKC #161001 12620 Old Country Road Edmond, OK 73013	(830) 370-9366	Operational
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David VanBuskirk	Christmas Decor by Rainmaker Sprinkler Co. Inc. #73000 2100 Lake Road Ponca City, OK 74604	(580) 762-3711	Operational
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Oregon

Isaac Kearns	Christmas Decor by C and D Landscape Co. #91001 16800 NE McDougall Road Dayton, OR 97114	(503) 864-3551	Operational
Isaac Kearns	Christmas Decor by C and D Landscape Co. #220009 16800 NE McDougall Road Dayton, OR 97114	(503) 864-3551	Operational
Isaac Kearns	Christmas Decor by C and D Landscape Co. #250003 16800 NE McDougall Road Dayton, OR 97114	(503) 864-3551	Operational
Darby Ramos	Mid Valley Christmas Decor #270003 1061 Turtledove Loop Lebanon, OR 97355	(503) 583-5318	Operational
Bryce Anderson	Deschutes County Christmas Decor #250005 2530 NW Cedar Ave Redmond, OR 97756	(503) 857-7123	Operational

Pennsylvania

Justin Rushin	Christmas Decor of Pittsburgh #181003 1205 Pittsburgh Street Cheswick, PA 15024	(724) 275-9400	Operational
Michael Reade	Christmas Decor by Reade Lighting Company #171002 31 Brush Drive East Stroudsburg, PA 18302	(570) 242-5867	Operational
Dave Marino	Christmas Decor by Dahlkemper Landscape Architects & Contractors #21029 1650 Norcross Road Erie, PA 16510	(814) 825-3253	Operational
Nikos Phelps	Christmas Decor of Harrisburg #101012 6780 Parkway E Harrisburg, PA 17112	(717) 545-4321	Operational
Jason Shapiro	Christmas Decor by DKC Landscaping #230008 2308 Big Oak Road Langhorne, PA 19047	(215) 860-5066	Operational
Jason Shapiro	Christmas Decor by DKC Landscaping #250002 2308 Big Oak Road Langhorne, PA 19047	(215) 860-5066	Operational

Jason Shapiro	Christmas Decor by DKC Landscaping #260004 2308 Big Oak Road Langhorne, PA 19047	(215) 860-5066	Operational
Ken Divers	Christmas Decor by Pennsylvania Lawn and Landscape LLC #21064 3439 Weidasville Road Orefield, PA 18069	(610) 395-9821	Operational
Ken Divers	Christmas Decor by Pennsylvania Lawn and Landscape LLC #61011 3439 Weidasville Road Orefield, PA 18069	(610) 395-9821	Operational
Ken Divers	Christmas Decor by Pennsylvania Lawn and Landscape LLC #61012 3439 Weidasville Road Orefield, PA 18069	(610) 395-9821	Operational
Robert Bickel	Christmas Decor by L.A. Verruni Landscaping #21050 1357 Farmington Avenue Pottstown, PA 19464	(610) 327-2622	Operational
Neil Brenneman	Christmas Decor of Lancaster #230009 835 Jefferson Lane Red Lion, PA 17356	(717) 318-1941	Operational
Dave Dolak	Christmas Decor of NEPA #250015 336 Turkeypath Road Sugarloaf, PA 18249	(570) 436-8787	Operational
Vincent Del Vacchio	Christmas Decor by Del Vacchio Landscapes, Inc. #31145 922 N Chester Road West Chester, PA 19380	(610) 692-2422	Operational
Puerto Rico			
Erick Munro	Christmas Decor by Dish Caribbean Distributors #270012 70 Calle San Martin Guaynabo, PR 00968	(787) 645-4445	Operational
Rhode Island			
Mike Ventura	Christmas Decor by SeaScape #71007 1610 Flat River Road Coventry, RI 02816	(401) 641-8856	Operational
South Carolina			
James Parker	Christmas Decor by Elves #41102 6245 Highway 17 N Awendaw, SC 29429	(843) 928-3830	Operational

Stephanie Hoffer	Christmas Decor by Precision L.L.C. #250011 1614 Sauer Farm Road Honea Path, SC 29654	(864) 525-2991	Operational
Greg Shurburt	Christmas Decor by The Shurburt Group, Inc. #41024 401 Landers Road Spartanburg, SC 29303	(864) 541-0700	Operational
Tennessee			
Wayne Tritt	Christmas Decor by All Occasion Lighting #42012 4958 Highway 70 E Brownsville, TN 38012	(731) 772-1448	Operational
Mary Ellen Nichols	Christmas Decor of Nashville #230020 123 SE Parkway Court, Suite 170 Franklin, TN 37064	(865) 769-0039	Operational
Jennifer Mowdy	Christmas Decor by Luminescence LLC #131001 115 Heritage Place Drive Jonesborough, TN 37659	(423) 612-0747	Operational
Mary Ellen Nichols	Christmas Decor Plus More L.L.C. #230010 627 Baum Drive Knoxville, TN 37919	(865) 769-0039	Operational
Fain Dalton	Christmas Decor by Southern Spray Co. – Memphis #11017 3765 Homewood Road Memphis, TN 38118	(901) 363-4797	Operational
Texas			
Matt Robinson	Christmas Decor by Lone Star Electric #141003 301 Locust St Abilene, TX 79602	(325) 692-1266	Operational
Daryl Seth	Christmas Decor of Amarillo #21071 2113 SW Third Avenue Amarillo, TX 79106	(806) 290-3893	Operational
Josh Wright	Christmas Decor by Bring the Bright/Austin, LLC #200006 9603 Brown Lane, Bldg C-2 Austin, TX 78754	(404) 229-9889	Operational
Jim Ketchum	Christmas Decor by DFW Holiday Kings Inc. #240009 12444 Rendon Road Burleson, TX 76028	(817) 797-5097	Operational

Wayne Carden	Christmas Decor by Showcase #101004 326 NAS Drive Corpus Christi, TX 78418	(361) 779-5055	Operational
Andrew Bode	Christmas Decor by Bliss Decor L.L.C. #240002 4008 Commerce Dallas, TX 75226	(214) 636-6789	Operational
Andrew Bode	Christmas Decor by Bliss Decor L.L.C. #250014 4008 Commerce Dallas, TX 75226	(214) 636-6789	Operational
Ben Carruthers	Christmas Decor by Carruthers #250010 11593 Goodnight Ln Dallas, TX 75229	(972) 620-9560	Operational
Marilyn Askins	Christmas Decor of South Denton #81000 208 Wilson Way Denton, TX 76207	(214) 500-6480	Operational
Josh Truitt	Christmas Decor by JET Services #191001 222 Wheeler St Eustace, TX 75124	(469) 323-2348	Operational
Felix Garcia	Christmas Decor by Elite Lighting Concepts #250013 4128 Briarcreek Dr Fort Worth, TX 76244	(214) 802-8881	Operational
Sean Ditch	Christmas Decor by SafeHaven Services L.L.C. #250009 2609 National Circle Garland, TX 75041	(214) 340-6969	Operational
Roger Hammett	Christmas Decor by H & S Lawn & Landscape #151007 10059 U.S. Highway 271 S Gladewater, TX 75647	(903) 238-7152	Operational
Josh Truitt	Christmas Decor by JET Services #210006 329 S Gun Barrel Lane Gun Barrel City, TX 75147	(469) 712-4499	Operational
Josh Truitt	Christmas Decor by JET Services #230007 329 S Gun Barrel Lane Gun Barrel City, TX 75147	(469) 712-4499	Operational
Jeremy Tarver	Christmas Decor by Halo Outdoor #181016 11648 FM 1560 N, Lot 1 Helotes, TX 78023	(210) 789-6111	Operational

Ron Bruner	Christmas Decor by Bring the Bright/Houston #210004 9050 Long Point Road Houston, TX 77055	(281) 690-0125	Operational
Tammy Sheffield	Christmas Decor of The Hill Country #42086 191 Kerrville Country Drive Kerrville, TX 78028	(830) 377-2276	Operational
Dusty Thrash	Christmas Decor of Lubbock #230001 6102 102nd Place Lubbock, TX 79424	(806) 786-8708	Operational
Troy Compton	Christmas Decor by Cowboy Christmas LLC #220005 1713 Orchid Avenue Mesquite, TX 75149	(469) 222-7134	Operational
Russell Potter	Christmas Decor by Turf Specialties, Inc. #11034 2427 E Highway 80 Midland, TX 79706	(432) 684-7166	Operational
Travis Wheeler	Christmas Decor by Rain or Shine Landscaping LLC #161009 574 Northgate Circle New Braunfels, TX 78130	(210) 896-8604	Operational
Benjamin Allen	Christmas Decor by Lawn Tech Corporation #230023 1417 Capital Avenue Plano, TX 75074	(972) 346-2696	Operational
Fred Huffman	Christmas Decor by GGA - Temple #61023 1904 Franklin Ave, Suite 100 Waco, TX 76701	(254) 666-6242	Operational
Fred Huffman	Christmas Decor by GGA - Waco #31138 1904 Franklin Ave, Suite 100 Waco, TX 76701	(254) 666-6242	Operational
Fred Huffman	Christmas Decor by GGA – Weatherford #250006 1904 Franklin Ave, Suite 100 Waco, TX 76701	(254) 666-6242	Operational
Jaime Caballero	Christmas Decor by All Around Bounce #230021 36655 Cochran Road Waller, TX 77484	(713) 447-8899	Operational
Jonathan Davis	Christmas Decor by Thunderball Enterprises #181013 290 Bolton Circle West, TX 76691	(254) 855-7496	Operational

Utah

Freeborn DeMille	Christmas Decor by Green and DeMille Enterprises #111005 506 N 200 W Cedar City, UT 84721	(435) 590-2997	Operational
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Craig Mitton	Christmas Decor by Ben Lomond Landscape Maintenance #41036 3677 N Highway 126, Suite D Farr West, UT 84404	(801) 786-8600	Operational
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Debbie MacDuff	Christmas Decor by Reliable Tree Care, Inc. #11031 6022 W 1186 N Highland, UT 84003	(801) 262-7996	Operational
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Chad Jones	Christmas Decor by Chad's Plumbing Supply #21000 1435 Wall Avenue Ogden, UT 84404	(801) 721-4495	Operational
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Tom Rowley	Christmas Decor by Senske Lawn & Tree Care – Utah #81004 4036 S 500 W Salt Lake City, UT 84123	(509) 374-5023	Operational
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Chris Weaver	Christmas Decor by Senske Lawn & Tree Care #220010 441 E 1750 N, Unit D Vineyard, UT 84057	(801) 426-6353	Operational
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Vermont

Lisa Swett	Christmas Decor by Professional Decorators of Vermont #31081 960 E Pittsford Road Rutland, VT 05701	(802) 345-4143	Operational
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Virginia

Victor Tirondola	Christmas Decor by Manor Works Painting #151001 22727 Tail Race Road Aldie, VA 20105	(973) 775-2586	Operational
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Troy Taylor	Coastal Virginia Christmas Decor #181012 709 Burrow Avenue Chesapeake, VA 23324	(757) 286-4689	Operational
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Adam Anderson	Christmas Decor of Harrisonburg #230012 785 Acorn Drive Harrisonburg, VA 22802	(540) 491-2690	Operational
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Sam Zogran-Werness	Christmas Decor by Dominion Light Works #200012 1394 Manakin Road Manakin Sabot, VA 23103	(804) 441-4790	Operational
Johnathan Peyton	Christmas Decor by America Energy Solution L.L.C. #270006 7305 Hancock Village Drive, Suite 203 Midlothian, VA 23112	(813) 412-9941	Operational
Doug McKeown	Christmas Decor Roanoke Virginia #191012 2314 Patterson Avenue SW Roanoke, VA 24016	(540) 525-6856	Operational
David Dolak	Christmas Decor of NoVA, Inc. #210009 1019 Westwood Drive Vienna, VA 22180	(570) 436-8787	Operational
Washington			
Chris Weaver	Christmas Decor by Senske Lawn & Tree Care – Kennewick #21031 400 N Quay Street Kennewick, WA 99336	(509) 374-5023	Operational
Wes Borrer	Christmas Decor by Purcor Pest Solutions #61018 2533 Inter Avenue Puyallup, WA 98372	(253) 845-1818	Operational
Doug Warner	Christmas Decor by Senske Lawn & Tree Care - Spokane #21030 7115 E Cataldo Spokane Valley, WA 99212	(509) 535-3591	Operational
Joe Aills	Christmas Decor by Senske Lawn & Tree Care -Yakima #21032 2909 River Road Yakima, WA 98902	(509) 736-0754	Operational
West Virginia			
Mike Conley	Christmas Decor by K and M Service Company, Inc. #32009 1580 Joy Lane Bridgeport, WV 26330	(304) 842-6157	Operational
Dennis Crede	Christmas Decor by Crede Lawn Service #31007 5897 Teays Valley Road Scott Depot, WV 25560	(304) 757-2567	Operational

Wisconsin

Carianne King	Christmas Decor by Pro X Lawncare #31012 2230 W Pershing Street Appleton, WI 54914	(920) 277-7028	Operational
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Wayne Bollinger	Christmas Decor by Green Oasis Lighting Inc. #101014 1403 122nd Street Chippewa Falls, WI 54729	(715) 426-2007	Operational
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Joe Bilskemper	Christmas Decor by Lawn Care Specialists, Inc. #21022 3016 Airport Road LaCrosse, WI 54603	(608) 781-3217	Operational
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Justin Lex	Christmas Decor by Swimming Pool Services, Inc. #161002 W220 N1563 Jericho Court Waukesha, WI 53186	(262) 544-5500	Operational
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Wyoming

Don Schwartzkopf	Christmas Decor of Casper #22024 2436 E Tenth Street Casper, WY 82609	(307) 234-5474	Operational
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Don Ellis	Christmas Decor by Ellis Concrete #230011 65 Sandy Court Lander, WY 82520	(307) 349-1788	Operational
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LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

EXHIBIT D-2

**LIST OF FRANCHISEES
WHO HAVE LEFT THE SYSTEM IN THE LAST FISCAL YEAR OR
WHO HAVE FAILED TO COMMUNICATE WITH FRANCHISOR
WITHIN 10 WEEKS OF THE DATE OF ISSUANCE OF
THIS FRANCHISE DISCLOSURE DOCUMENT
THE DECOR GROUP, INC. – CHRISTMAS DECOR FRANCHISE PROGRAM**

Arizona

Brian Smith	NatureScape Landscaping LLC #220001 Mesa, AZ 85212	(480) 276-5746	Non-Renew
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Georgia

Bill Haynes	Enchantment Lighting #72001 Buford, GA 30518	(678) 714-2747	Transferred
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Idaho

Dennis Spickler	Paramount Pest Control, Inc. #22045 Lewiston, ID 83501	(208) 743-2152	Non-Renew
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Maryland

Julie Hudson	Y & L Landscaping, Inc. #240005 Owings Mills, MD 21117	(410) 578-7111	Terminated
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Massachusetts

Jim Burns	Fairway Lawn Care Corporation #31127 South Easton, MA 02375	(508) 230-2433	Non-Renew
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Minnesota

Wes Nichols	Pro-Tree Outdoor Services #200004 Shakopee, MN 55369	(612) 405-8733	Non-Renew
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Nevada

Aurora Marin	Signature Landscape #21113 Reno, NV 89502	(775) 827-5296	Non-Renew
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New Jersey

Craig Tkaczenko	Creative Images Contractors LLC #21110 Little Falls, NJ 07424	(973) 890-5959	Transferred
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Craig Tkaczenko	Creative Images Contractors LLC #220007 Little Falls, NJ 07424	(973) 890-5959	Transferred
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Oklahoma

Ryan Deatherage	R & J Triple A L.L.C. #191005 Edmond, OK 73003	(405) 757-3181	Non-Renew
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Texas

Scott Yarbrough	Holiday Shine Lighting LLC #220002 Benbrook, TX 76126	(817) 889-4020	Terminated
James Baker	Baker Landscaping and Lawn Service #240010 Burleson, TX 76028	(682) 970-2895	Non-Renew
Benjamin Barbo	Dallas Night Lights #240007 Carrollton, TX 75010	(469) 803-9276	Terminated

Note:

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

END USER LICENSE AGREEMENT

EXHIBIT E

END-USER LICENSE AGREEMENT FOR TDG PROPRIETARY SOFTWARE

IMPORTANT – READ CAREFULLY

This License Agreement (“LICENSE AGREEMENT”) is a legal agreement between the individual or entity identified on the signature page as the “Licensee” (“LICENSEE,” “you,” or “your”) and The Decor Group, Inc. (“TDG” “LICENSOR,” “we,” “us,” or “our”).

This License Agreement covers the proprietary software for the Christmas Decor program and any associated media, printed materials, and online or electronic documentation and applies to the version of the computer software listed on the signature page (“SOFTWARE PRODUCT”).

1. GRANT OF LICENSE.

1.1 This License Agreement grants you a non-exclusive right to install and use the SOFTWARE PRODUCT solely in connection with the operation of your Franchised Business.

1.2 If this license is for the single-user version of the SOFTWARE PROGRAM, you may use one copy of the SOFTWARE PRODUCT on only one computer at a time. If you have multiple licenses of the SOFTWARE PRODUCT, you may install the SOFTWARE PRODUCT on the same number of workstations as the number of licenses you have. Installation on a network server solely for distribution to licensed workstations does not count as an installation. You must have a reasonable process to assure that the number of workstations where the SOFTWARE PRODUCT is installed does not exceed the number of licenses you have bought.

2. REPRODUCTION AND DISTRIBUTION

You may not modify, copy, reproduce and/or distribute copies of the SOFTWARE PRODUCT or the registration key(s) unless expressly permitted in writing by the LICENSOR, and in such event solely to the extent required for use of the SOFTWARE PRODUCT in the operation of your Franchised Business.

3. CONFIDENTIALITY

3.1 You understand and acknowledge that the SOFTWARE PRODUCT contains our trade secrets. You agree, during the term of this License Agreement and thereafter, not to communicate, divulge or use the SOFTWARE PRODUCT other than in the operation of your Franchised Business by you and your employees. You may allow access to the SOFTWARE PRODUCT only to your employees who must have access to it in connection with their employment with the Franchised Business. At our request, you will obtain execution of covenants concerning the confidentiality of the SOFTWARE PRODUCT (in a form we approve) from any persons employed by you who have access to the SOFTWARE PRODUCT.

3.2. You agree to exercise reasonable precautions, no less rigorous than those you use to protect your own confidential information, to protect the confidentiality of the SOFTWARE PRODUCT and the user and operating manuals pertaining thereto, which precautions must include, at a minimum, giving instructions to your employees who will have access to the SOFTWARE PRODUCT that it is our proprietary property and contains our trade secrets. You agree not remove or alter any designations that we have included in the SOFTWARE PRODUCT that indicate such material is our proprietary property.

3.3. You agree to notify us immediately of the existence of any unauthorized knowledge, possession or use of the SOFTWARE PRODUCT or of any part thereof.

3.4. You acknowledge and agree that the SOFTWARE PRODUCT is our valuable property and contains our trade secrets, that any violation by you of the provisions of this License Agreement would cause us irreparable injury for which we would have no adequate remedy at law, and that, in addition to any other remedies which we may have, we will be entitled to preliminary and other injunctive relief against any such violation.

4. OTHER RIGHTS AND LIMITATIONS

4.1. You may not reverse assemble, reverse compile, or otherwise recreate the SOFTWARE PRODUCT.

4.2. The SOFTWARE PRODUCT is licensed as a single product. Its component parts may not be separated for use with other applications unless expressly permitted in writing by the LICENSOR.

4.3. Should the SOFTWARE PRODUCT become, or in LICENSOR'S opinion be likely to become, the subject of a claim of infringement, LICENSOR may (at LICENSOR'S election) procure for you the right to continue to use the SOFTWARE PRODUCT or replace the SOFTWARE PRODUCT with non-infringing functionally equivalent software, or modify the SOFTWARE PRODUCT to make it non-infringing. If none of these alternatives are commercially practicable for LICENSOR, then LICENSOR may discontinue this License Agreement as to the infringing software.

5. OWNERSHIP OF SOFTWARE PRODUCT AND RELATED COPYRIGHTS.

All title and copyrights in and to the SOFTWARE PRODUCT (including but not limited to any images, photographs, animations, video, audio, music, text, and "applets" incorporated into the SOFTWARE PRODUCT), the accompanying printed materials, and any copies of the SOFTWARE PRODUCT are owned by the LICENSOR.

6. NO WARRANTIES; NO LIABILITY FOR DAMAGES.

LICENSOR will replace without charge any copies of the SOFTWARE PRODUCT provided under this License Agreement which have defects in materials and workmanship that are not caused by your misuse or unauthorized modification of the SOFTWARE PRODUCT. THIS REPLACEMENT SHALL BE YOUR SOLE AND EXCLUSIVE REMEDY.

LICENSOR expressly disclaims any warranty for the SOFTWARE PRODUCT. The SOFTWARE PRODUCT and any related documentation is provided "as is" without warranty of any kind, either expressed or implied, including, but not limited to, the implied warranties or merchantability, fitness for a particular purpose, or non-infringement. The entire risk arising out of use or performance of the SOFTWARE PRODUCT remains with the LICENSEE.

LICENSOR shall not be liable for any direct, indirect, special, incidental or consequential damages (including damages for loss of business, loss of profits, or the like), arising out of the use or inability to use the SOFTWARE PRODUCT, whether based on breach of contract, tort (including negligence), product liability or otherwise, even if LICENSOR or its representatives have been advised of the possibility of such damages and even if a remedy set forth herein is found to have failed of its essential

purpose. To the extent provided by applicable law, the foregoing limitations of damages do not apply to damages for personal injury to you, if any. In the event that any other term of this License Agreement is found to be unconscionable or unenforceable for any reason, the foregoing waiver by agreement of direct, indirect, special, incidental or consequential damages (including damages for loss of business, loss of profits, or the like) shall continue in full force and effect.

7. TRANSFER: You may not sell, lease, assign, sublicense or otherwise transfer any of your rights under this License Agreement without the prior written consent of LICENSOR in connection with the transfer of your Franchised Business.

8. TERM, RENEWAL AND TERMINATION

8.1. The license granted by this License Agreement will expire on August 1 of the year following the date of this License Agreement and on each August 1st thereafter unless, on or before such date, you renew this license by paying a renewal fee. The renewal fee shall be paid in the manner established by LICENSOR.

8.2. Provided that the license is renewed each year as described above, the term of this License Agreement shall be co-extensive with the term of your Franchise Agreement identified on the signature page to this License Agreement ("Franchise Agreement"), including any renewal of the Franchise Agreement, unless earlier terminated in accordance with Section 8.3 below.

8.3 Expiration or termination of the Franchise Agreement for whatever reason shall automatically terminate this License Agreement and the right granted by it to use the SOFTWARE PRODUCT, without notice to you. In addition, without prejudice to any other rights, we may terminate this License Agreement immediately, without notice, upon your failure to comply with any of the terms and conditions herein, including, without limitation, your failure to renew the license as provided in Section 8.1.

8.4 Upon termination of this License Agreement, you must immediately cease to use the SOFTWARE PRODUCT, erase the SOFTWARE PRODUCT from your computer system, and destroy or return to us (at our direction) all copies of the SOFTWARE PRODUCT and all of its component parts. You must also return the PC provided by TDG, if applicable (but only in the event that you fail to renew at the end of the initial term of this Agreement).

9. NOTICES

Notice under this License Agreement shall be provided as indicated in the Franchise Agreement.

10. GOVERNING LAW

This License Agreement shall be interpreted by and construed under the laws of the state of Texas, except for Texas choice of law rules.

In Witness Whereof, the parties have duly executed and delivered this License Agreement as of the effective date of the Franchise Agreement.

LICENSOR:

The Decor Group, Inc.

By: _____

Name: _____

Title: _____

LICENSEE:

Name: _____

Title: _____

Franchise Agreement dated _____, _____

For _____

SOFTWARE PRODUCT VERSION

___ Multi-User
___ Single User
(check one)

FORM OF GENERAL RELEASE

EXHIBIT F

FORM OF GENERAL RELEASE
MUTUAL RELEASE AGREEMENT

This Mutual Release Agreement (the “Agreement”) is made and entered into this ____ day of _____ 20__ (the “Effective Date”), by and between The Decor Group, Inc. a Texas corporation (“Franchisor”), _____, a _____ **[insert state of incorporation, formation or organization of franchisee entity]** and _____ **[insert name of owner or owners of the franchisee entity]**, individually (collectively, the “Franchisee”; reference to “Franchisee” in this Agreement shall include the parties individually and collectively). Capitalized terms used but not defined herein shall have the meanings attributable to them under the Franchise Agreement (defined below).

RECITALS:

Franchisor and Franchisee entered into a Franchise Agreement (“Franchise Agreement”) dated _____ under which Franchisee obtained the right to establish and operate one (1) Franchised Business (the “Business”) under the System and Marks.

In connection with the **[termination; non-renewal; transfer]** of the Franchise Agreement, Franchisor and Franchisee desire to enter into this Mutual Release Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the parties agree as follows:

1. Franchisee’s Release and Covenant Not to Sue.

a. Release. As of the Effective Date of this Agreement, Franchisee and its respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on its behalf or claiming under it (“Franchisee Covenantors”), hereby release and forever discharge Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, successors, and assigns, past and present (“Franchisor Released Parties”), from any claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vested or contingent, which any of them have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the Franchise Agreement from the beginning of the world through the date of this Agreement, except for the obligations of the Franchisor under this Agreement.

b. Covenant Not To Sue. Franchisee further covenants and agrees for itself and for Franchisee Covenantors not to bring or allow to be brought on behalf of any Franchisee Covenantor, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against the Franchisor Released

Parties arising out of, resulting from, or in any manner related to the matters released in Paragraph 1.a.

2. Franchisor's Release and Covenant Not to Sue.

a. Release. As of the Effective Date of this Agreement, Franchisor, its affiliates and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them ("Franchisor Covenantors"), hereby release and forever discharge Franchisee, and its respective predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, employees, successors, and assigns, past and present ("Franchisee Released Parties"), from any claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vested or contingent, which any of them have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the Franchise Agreement from the beginning of the world through the date of this Agreement, except for the obligations of Franchisee under this Agreement and those obligations of Franchisee that survive the expiration, transfer or termination of the Franchise Agreement (including, without limitation, the confidentiality of proprietary information, the surrender of customer lists, indemnification, and the covenants against competition and the diversion of business).

b. Covenant Not To Sue. Franchisor further covenants and agrees for itself and for all Franchisor Covenantors not to bring or allow to be brought on behalf of any Franchisor Covenantor, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against the Franchisee Released Parties arising out of, resulting from, or in any manner related to the matters released in Paragraph 2.a.

3. Continuing Liability of Franchisee. Notwithstanding anything to the contrary in this Agreement, following the Effective Date, Franchisee will continue to be responsible for the following:

a. Unpaid Fees. All accrued but unpaid royalty fees, marketing development fees or contributions, and other amounts owed to Franchisor or its affiliates as of the Effective Date, as detailed on Attachment A to this Agreement.

b. Indemnity. All of its respective obligations and/or liabilities to Franchisor arising under the Franchise Agreement through the Effective Date, including, without limitation, the obligation to indemnify Franchisor for any claims arising from the operation of the Business through the Effective Date.

c. Covenants Against Competition and Use of Confidential Information. All of its respective obligations that survive the termination, expiration or transfer of the Franchise Agreement, including, without limitation, the covenants against competition and use of Franchisor's confidential information set forth in the Franchise Agreement.

4. Franchisee's Acknowledgements and Agreements. By affixing its signature to this Agreement, Franchisee represents, warrants, acknowledges and agrees that:

a. Knowing and Voluntary Release. Franchisee has carefully read and fully understands the provisions of this Agreement, including, specifically, Franchisee's release of claims and covenant not to sue set forth in Paragraphs 1.a. and 1.b. of this Agreement, and that the release of such claims and covenant not to sue is knowing and voluntary.

b. No Assignment of Claims. Franchisee has not assigned or transferred, or purported to assign or transfer, to any person or entity, any suit, claim, controversy, liability, demand, action, or cause of action released under Paragraph 1. of this Agreement, and since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the franchised business, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

c. Complete Defense. This Agreement and the release in Paragraph 1.a. above shall be a complete defense to any claim released under Paragraph 1.a. and Franchisee hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

d. California Waiver. If Franchisee is in California, Franchisee expressly waives and relinquishes all rights and benefits which Franchisee may now or in the future have under and by virtue of California Civil Code Section 1542. Franchisee does so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Paragraph 1.a. above, Franchisee expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims described in Paragraph 1.a. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

e. Washington Law Exception. If Franchisee is in Washington, this Mutual Release Agreement does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

5. Indemnification. Franchisee agrees to indemnify Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, successors, and assigns, past and present, for any losses, damages, liability, costs and expenses (including reasonable attorneys' fees and disbursements and court costs) (i) incurred as a result of any breach by Franchisee of any of the representations and/or warranties contained in this Agreement, or (ii) incurred in defending against, or seeking an injunction to end the assertion of, any claim released under Paragraph 1.a. above, or (iii) arising out of, resulting from, or related in any way to the Business or of any other business conducted by Franchisee in

connection with the Business or the Franchise Agreement or because of any act or omission by Franchisee under the Franchise Agreement.

6. General Provisions.

a. Amounts Due. Franchisee warrants and represents that all fees and other amounts payable to Franchisor or its affiliates under the Franchise Agreement are current as of the date of this Agreement.

b. Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

c. Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.

d. Authority. By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein, and further warrants that this Agreement is being executed without reliance on any representation of any kind or character not expressly set forth herein. Each party warrants that it has read this Agreement and has had the opportunity to consult with legal counsel as to its effect.

e. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

f. Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

g. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by certified, registered or express mail, postage prepaid to the parties at their respective addresses set forth below or to such other address as any party may hereafter specify in writing and deliver in accordance with this Paragraph 6.g. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission or, if mailed, three (3) days after the date of deposit in the United States mail, to:

If to Franchisee: _____

Telephone: _____

If to Franchisor: The Decor Group, Inc.
 2301 Crown Court
 Irving, Texas 75038
 Attn: Brandon Stephens
 Telephone: (806) 722-1225

h. Gender. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable.

i. Confidentiality. Franchisee shall at all times treat as strictly confidential and refrain from disclosing the terms and conditions of this Agreement to any third party, except Franchisee’s attorney. If Franchisee violates this Paragraph 8.i., Franchisor shall be entitled to seek all legal and equitable remedies, including, without limitation, the return of the full Agreed Amount and any additional damages, as well as injunctive relief.

j. Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date.

FRANCHISOR:

The Decor Group, Inc.,
a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

_____, Individually

_____, Individually

ACH AUTHORIZATION AGREEMENT

EXHIBIT H

ACH Authorization Agreement

Payment for: ☐ Christmas Decor Franchise Fee ☐ Option payment
☐ Minimum Royalty fees ☐ Minimum MDF
☐ Renewal Payment
☐ Product ☐ Other (please specify) _____

Type of Debit: ☐ One-time payment ☐ Ongoing Monthly Payment for the term of the Franchise Agreement

Company _____ Company _____
 Name: _____ Tax ID Number: _____
 Mailing Address: _____
 City: _____ State: _____ Zip Code: _____

I (We) hereby authorize The Decor Group, Inc. hereafter called COMPANY, to initiate debit entries to my (our) (☐) Checking (☐) Savings Account (select one) indicated below at the depository financial institution named below, hereinafter called BANK and to debit the same to such account. This authorization is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY AND BANK a reasonable opportunity to act on it. I agree that a photocopy of this authorization is to be considered valid as the original.

Bank
Name: _____ Branch: _____

City: _____ State: _____

Routing Number: _____ Account Number: _____

Names(s): _____

Signed: _____ TIN or SS# _____

Date: _____

Signed: _____ TIN or SS# _____

Date: _____

Note: All written debit authorizations must provide that the receiver may revoke the authorization only by notifying the originator in the manner specified in the authorization.

Attach Voided Check to this Authorization

CREDIT CARD AUTHORIZATION AGREEMENT

EXHIBIT I

Credit Card Authorization Agreement

Company Name:	Phone Number:	Date:
----------------------	----------------------	--------------

<input type="checkbox"/>	THE DECOR GROUP, INC. - CHRISTMAS DECOR
<input type="checkbox"/>	OTHER – PLEASE SPECIFY _____

Card Type (please check one):		Card Number:	Expiration Date:
<input type="checkbox"/>	VISA		
<input type="checkbox"/>	MASTERCARD		
<input type="checkbox"/>	AMERICAN EXPRESS		
<input type="checkbox"/>	DISCOVER		

** Please include 3-digit authorization code: _____
(this is found on the back of your card in the signature block at the end of the acct #)

Name on Card (Please print):

Credit Card Billing Address:

_____ **City:** _____ **State:** _____ **Zip:** _____

- ☐ Option Fee \$ _____
- ☐ Recurring Option Payment \$ _____
Date Range: from ____/____/____ to ____/____/____
- ☐ Franchise Fee \$ _____
- ☐ Minimum Marketing Development Fund \$50.00/monthly Feb-Sept & Oct-Dec balloon payments per Agreement
- ☐ Minimum Royalty Payment \$250.00/monthly Feb-Sept & Oct-Dec balloon payments per Agreement
- ☐ Product _____
- ☐ Other (please specify) _____

Authorization is for (please check all that apply):

TOTAL AMOUNT AUTHORIZED: \$ _____

AUTHORIZATION IS FOR (Please check one):

- ☐ Monthly beginning on February 1 of the 2nd Franchise year through the expiration date of the Franchise Agreement
- ☐ One time only

AUTHORIZED SIGNATURE:

THANK YOU!

I AGREE TO PAY ABOVE TOTAL AMOUNT ACCORDING TO CARD ISSUER AGREEMENT.
RETURN THIS COPY; MAKE A COPY FOR YOUR RECORDS.

PROMISSORY NOTE, SECURITY AGREEMENT, GUARANTY AGREEMENT

EXHIBIT J

PROMISSORY NOTE

Date _____

1. **FOR VALUE RECEIVED**, the undersigned _____, hereafter "Maker/s," promises to pay to the order of The Decor Group, Inc., a Texas corporation, 2301 Crown Court, Irving, TX 75038, hereafter "Payee," (\$ _____) in lawful money of the United States of America, together with interest from the date of this Note on the principal amount from time to time remaining unpaid, at the rate per annum described below.

2. **Interest.** This Note shall bear interest at ten percent (10%) per annum unless not paid as per the payment schedule. At that time, the interest rate may be raised to eighteen percent (18%) per annum or the maximum allowed by law.

3. **Payment of Note.** Maker/s hereby agrees to pay to Payee the following installment payments to repay, with interest, Payee the monies loaned to Maker/s by Payee:

- (a) Commencing on _____, and continuing on each succeeding month on the 1st day of each said successive month and thereafter for a period of eighteen (18) months, Maker/s shall pay to Payee installment payments of _____ DOLLARS AND _____ CENTS (\$ _____.__) per month until the principal and interest owed to Payee is paid.
- (b) Any draft, money order or other instrument given in payment of all or any portion of this Note may be accepted by payee and handled in collection in the customary manner, but the same shall not constitute payment under this Note or diminish any rights of Payee except to the extent that actual cash proceeds of such instrument are unconditionally received by the Payee.

4. **Prepayment.** Maker/s may at any time prepay, in whole in part, and without any premium or penalty therefore, the principal amount of this Note then remaining unpaid, together with all accrued interest payable on the Note, and interest shall cease to run from the date of payment of such part on all of the principal amount of this Note as shall be so prepaid. Any such prepayment under this Note shall be applied first to accrued interest and the balance to principal, but no part prepayment shall, until this Note is fully paid and satisfied, affect the obligation to continue to pay the regular installments required under this Note until the entire indebtedness has been paid.

5. **Default.** If (i) Maker/s shall fail to pay this Note or any installment of this Note, whether principal or interest, when due, and if Maker/s shall not have cured such default in the payment of principal and interest, or either, within five (5) days after Maker/s shall have received from Payee written notice of such Payee's intent to accelerate the maturity of this Note, or (ii) there shall be a default of that certain Security Agreement of even date herein between Maker/s (as Debtor) and Payee (as Secured Party), then Payee may, without further demand, notice or presentment, all of which are hereby severally waived by Maker/s, and waived by any and all sureties, guarantors, and endorsers of this Note, may accelerate the maturity of this Note, upon which the entire unpaid balance of the principal of this Note, together with all accrued but unpaid interest on the Note, shall be at once due and payable.

6. **Collection.** If this Note is not paid at maturity, and after maturity this Note is placed in the hands of an attorney for collection, or if any amounts owed under this Note are collected through any legal proceedings, including but not limited to probate, insolvency, or bankruptcy proceedings, or if suit is brought on the same, Maker/s agrees to pay a reasonable amount as attorney's fees and expenses of collection.

Usury Exclusion. All agreements between Maker/s and Holder are expressly limited such that in no contingency or event shall the amount paid or agreed to be paid to Holder for the use, forbearance, or detention of the money to be lent under this Note exceed the maximum amount permissible under the applicable Federal and State Usury laws. It is the intention of Maker/s and Holder to conform strictly to the State and Federal Usury laws applicable to this loan transaction, and to permit the highest rate of interest according to law.

Therefore, in this Note, or in any of the documents securing payment of this Note or otherwise relating to this Note, the aggregate of all interest and any other charges constituting interest under the applicable law, whether contracted for, chargeable, or receivable under this Note or otherwise in connection with this loan transaction, shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest is provided for, or is adjudicated to be so provided for, in this Note or in any of the documents securing payment of this Note or otherwise relating to this Note, then in such event:

- (a) the provisions of this paragraph shall govern and control;
- (b) neither Maker/s nor Maker/s's heirs, legal representatives, successors, assigns or any other party liable for the payment of this Note shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;
- (c) any excess of interest shall be deemed a mistake and is hereby canceled automatically, and any excess of interest paid shall, at the option of Payee, be refunded to Maker/s or credited to the principal amount of the Note;
- (d) the effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under applicable law, as it now or may later be construed by courts of appropriate jurisdiction;
- (e) the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from Maker/s in connection with the loan.

7. Personal Liability. This Note shall be the joint and several obligation of all Makers and endorsers and shall be binding upon them, individually and severally, their heirs, legal representatives, successors, and assigns. Each Maker and endorser hereby, jointly and severally, waive presentment for payment, demand, protest, and notice hereof, and diligence in collecting on notice of exercise of the option to accelerate the maturity of this Note, and the time of the payment may be extended from time to time without notice and without releasing any of the parties.

8. Assignment. This instrument, and all rights and powers under this instrument, together with the property so secured, if any, may be transferred and assigned by Payee on such time and on such terms as Payee may deem advisable, and assignee shall succeed to all the rights and powers of Payee under this instrument.

9. Construction. This Note shall be governed by and construed under the laws of the State of Texas and the laws of the United States of America.

IN WITNESS WHEREOF, the undersigned has executed this Note on the date first written above.

Maker/s:

SECURITY AGREEMENT

_____, of _____
hereafter "DEBTOR," and The Decor Group, Inc., hereafter "SECURED PARTY," agree as follows:

CREATION OF SECURITY INTEREST

DEBTOR hereby grants to SECURED PARTY a security interest in that certain Franchise Agreement between Debtor and SECURED PARTY dated _____ to secure the performance and payment of all obligations and indebtedness, of whatever kind and whenever or however created or incurred, of DEBTOR to SECURED PARTY.

COLLATERAL

The COLLATERAL to this SECURITY AGREEMENT shall be that certain Franchise Agreement between DEBTOR and SECURED PARTY dated _____, the original of which is attached to this SECURITY AGREEMENT and SECURED PARTY'S superior lien is hereby perfected.

DEBTOR'S OBLIGATIONS

DEBTOR shall pay to SECURED PARTY any sum or sums due, or which may become due, pursuant to any promissory note or notes now or hereafter executed by DEBTOR to evidence DEBTOR's indebtedness to SECURED PARTY, in accordance with the terms of such promissory note or notes and the terms of this security agreement.

DEBTOR shall pay to SECURED PARTY on demand all expenses and expenditures, including reasonable attorney's fees and other legal expenses incurred or paid by SECURED PARTY in exercising or protecting its interests, rights, and remedies under this Security Agreement.

DEBTOR shall pay immediately, without notice, the entire unpaid indebtedness of DEBTOR to SECURED PARTY, whether created or incurred pursuant to this security agreement or otherwise, upon DEBTOR's default under this security agreement.

DEBTOR REPRESENTS, WARRANTS, AND AGREES THAT:

DEBTOR's _____	NAME
_____	ADDRESS
_____	CITY, ST ZIP

All information supplied and statements made by DEBTOR in any accounting, credit, or financial statement or loan application prior to, contemporaneously with, or subsequent to the execution of this security agreement are and shall be complete, true, and correct.

No financing statement covering the Collateral or its process is on file in any public office. Except for the security interest granted in this security agreement, there is no lien, security interest, or encumbrance in or on the Collateral. DEBTOR is the owner of the Collateral.

DEBTOR shall pay, prior to delinquency, all taxes, charges, liens and assessments against the Collateral, and upon DEBTOR's failure to do so, SECURED PARTY at its option may pay any of these and shall be sole judge of the legality or validity of these obligations and the amount necessary to discharge them.

DEBTOR will execute any financing statement, or other instrument or document, deemed necessary by SECURED PARTY to protect the security interest under this security agreement against the rights or interests of third persons.

If in SECURED PARTY's judgment the Collateral has materially decreased in value, or if SECURED PARTY shall at any time deem that SECURED PARTY is insecure, DEBTOR will either provide enough additional collateral to satisfy SECURED PARTY or reduce the total indebtedness by an amount sufficient to satisfy SECURED PARTY.

DEBTOR hereby appoints SECURED PARTY as DEBTOR's attorney-in-fact to do any and every act that DEBTOR is obligated by this security agreement to do, and to exercise all rights of DEBTOR in the Collateral, and to execute any and all papers and instruments to do all other things necessary to preserve and protect the Collateral and to protect SECURED PARTY's security interest in the Collateral.

At SECURED PARTY's option, SECURED PARTY may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, and all sums so expended, including, but not limited to, attorney's fees, court costs, agent's fees, commissions, or any other costs or expenses, shall bear interest from the date of payment at the rate of eighteen percent (18 %) per annum and shall be payable at the place designated in the note or notes secured by this security agreement.

DEBTOR agrees to reimburse SECURED PARTY for any payment made, or expense incurred by SECURED PARTY pursuant to the foregoing authorization.

DEFAULT

DEBTOR shall be in default under this security agreement and promissory note upon the happening of any of the following events or conditions:

- (1) DEBTOR's failure to pay when due any indebtedness secured by this security agreement, either principal or interest;
- (2) any warranty, representation or statement made or furnished to SECURED PARTY by or in behalf of DEBTOR proves to have been false in any material respect when made or furnished;
- (3) default in the performance of any obligation, covenant, or liability contained or referred to in this security agreement and promissory note;
- (4) the making of any levy, seizure or attachment of or on the Collateral;
- (5) dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the Collateral, assignment for the benefit of creditors, or the commencement of any proceedings under any bankruptcy or insolvency law, of, by, or against DEBTOR;
- (6) any time the Collateral becomes, in the judgment of the SECURED PARTY, unsatisfactory or insufficient in character or value;
- (7) any time the SECURED PARTY believes the payment of the indebtedness secured hereby, or the performance of this security agreement, is impaired;

RIGHTS IN EVENT OF DEFAULT

Upon the occurrence of an event of default, or if SECURED PARTY deems payment of DEBTOR's obligations to SECURED PARTY to be insecure, and at any time thereafter, SECURED PARTY may declare all obligations secured hereby immediately due and payable, and shall have the rights and remedies of a SECURED PARTY under the Uniform Commercial Code of Texas, including, without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral, and the right to take possession of the Collateral, SECURED PARTY will send or otherwise make available to

DEBTOR reasonable notice of the time and place of any public sale of the Collateral, or of the time after which any private sale or other disposition of the Collateral is to be made. The requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, to DEBTOR at the address designated at the beginning of this Security Agreement, or if notice is otherwise posted on the door of the premises of DEBTOR, or any public place, at least five (5) days before the time of the sale or disposition. It is expressly understood and agreed by DEBTOR that SECURED PARTY's right to take possession of the Collateral upon the happening of the events of default specified in this Agreement may be exercised without resort to any court proceeding or judicial process whatever, and without any hearing whatever. In this connection, DEBTOR expressly waives any right to any judicial process or to any hearing prior to the exercise of SECURED PARTY's right to take possession of the collateral upon the happening of any such events of default. Expenses of retaking, holding, preparing for sale, or selling, or the like, of any Collateral shall include SECURED PARTY's reasonable attorney's fees and legal expenses, plus interest thereon at the rate of eighteen percent (18%) per annum. DEBTOR shall remain liable for any deficiency.

SECURED PARTY may remedy any default or may waive any default. Any such waiver does not waive other prior or subsequent default.

The remedies of SECURED PARTY under this Agreement are cumulative, and the exercise of any one or more of the remedies provided for in this Agreement shall not be construed as a waiver of any of the other remedies of SECURED PARTY.

ADDITIONAL AGREEMENTS

The term "DEBTOR" as used in this instrument includes the successors, representatives, receivers, trustees and assigns of the party specifically named as DEBTOR under this agreement.

Terms used in this security agreement that are defined in the Texas Uniform Commercial Code are used with the meanings as therein defined.

The law governing this secured transaction shall be that of the State of Texas in force at the date of this Security Agreement.

EXECUTED this _____ Day of _____ 20__.

DEBTOR:

_____	NAME	Accepted – The Decor Group, Inc.
_____	ADDRESS	_____
_____	CITY, ST ZIP	Date _____

SPECIFIC GUARANTY AGREEMENT

FOR VALUE RECEIVED, the undersigned (whether one or more, hereafter called "Undersigned" or "Guarantor") jointly, severally and unconditionally guarantee the full and punctual payment when due of the following described indebtedness of _____ (whether one or more, hereinafter called "Borrower") to The Decor Group, Inc. (hereafter called "Lending Party"):

One certain promissory note in the original principal amount of _____ DOLLARS AND _____ CENTS (\$ _____), dated _____ executed by Borrower and payable to the order of Lending Party, bearing interest at ten percent per annum (10%) and payable in monthly installments of principal and interest beginning (sixty (60) days from Franchise date) _____, and continuing thereafter until paid in full, together with all renewals and extensions thereof, even though represented by new instruments or occurring after the death of any Borrower or Undersigned, and together with all interest, attorney's fees, and court costs for which Borrower may become payable in connection therewith.

The undersigned further, jointly and severally, agree to pay to Lending Party or to Lending Party's successors or assigns, all reasonable attorney's fees incurred by Lending Party in enforcing this agreement, if the indebtedness and obligations guaranteed under this Agreement are not paid by the undersigned upon demand when due as required in this Agreement or if this Agreement is enforced by suit or through probate or bankruptcy court or through any judicial proceedings whatsoever. Should it be necessary to reduce Lending Party's claim to judgment, said judgment shall bear interest at the rate of eighteen percent (18%) per year.

The undersigned waive notice of acceptance of this guaranty and of any liability to which it applies or may apply and waive presentment and demand for payment of any amounts guaranteed, notice of dishonor or nonpayment thereof, collection or instigation of suit, or any other action by Lending Party in collection thereof, including any notice of default in payment thereof, or other notice or demand of payment therefor on any party.

Lending Party may, at Lending Party's option, at any time, without the consent of or notice to the undersigned, without incurring responsibility to the undersigned, without impairing or releasing the obligations of the undersigned on this Agreement, and without any terms or conditions, and in whole or in part (1) change the manner, place or terms of payment, or change or extend the time of payment of, renew, or alter any liability of Borrower guaranteed by this Agreement, or any liabilities incurred directly or indirectly under this Agreement, and the guaranty made in this Agreement shall apply to the liabilities of the Borrower, changed, extended, renewed or altered in any manner; (2) sell, exchange, release, subordinate its lien on, surrender, realize upon, or otherwise deal with in any manner and in any order any property at any time pledged or mortgaged to secure or securing the liabilities; (3) exercise or refrain from exercising any rights against Borrower or others, or otherwise act or refrain from acting; (4) settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities that may be due to Lending Party or others; and (5) apply any sums paid to any liability or liabilities of Borrower to Lending Party, regardless of which liability or liabilities of Borrower to Lending Party remain unpaid.

It is the intention of the parties to this Agreement to comply with the usury laws of the State of Texas. Accordingly, it is agreed that notwithstanding any provision to the contrary in this instrument, or in any note or other instrument, or in any of the other documents securing payment of this Agreement, or otherwise relating to this Agreement, no such provision shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any such excess of interest is provided for, or shall be adjudged to be so provided for, then in such event (a) the provisions of this paragraph shall govern and control; (b) neither the person executing this instrument nor his heirs, successors or assigns or any other party liable for the payment of this Agreement shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount permitted by law; (c) any such excess that may have been collected shall be, at Lending Party's option, either applied as a credit against the

then unpaid principal amount owing on the obligations, or refunded; and (d) the effective rate of interest covered by this Guaranty Agreement shall be automatically subject to reduction to the maximum lawful contract rate allowed under the usury laws of the State of Texas as such laws may now or later be construed by the courts having jurisdiction.

Suit may be brought against the Guarantors, jointly and severally, or against one or more of them, but less than all, without impairing the rights of Lending Party, or Lending Party's successors or assigns, against any of the other Guarantors; and Lending Party may release one or more of the Guarantors, or settle with such person or persons, as Lending Party deems fit, without releasing or impairing the rights of Lending Party to demand and collect the balance of such indebtedness from the other remaining Guarantors not so released. It is agreed among the Guarantors, however, that such settlement and release shall not impair the rights of the Guarantors as among themselves.

This Agreement is for the benefit of Lending Party, and for such other persons as may from time to time be or become the holders of any indebtedness guaranteed by this Agreement. This Agreement shall be transferable and negotiable, with the same force and effect and to the same extent as the indebtedness that it guarantees may be transferable. It is agreed that upon the assignment or transfer by Lending Party of any indebtedness guaranteed by this Agreement, the legal holder of such indebtedness shall have all of the rights granted to Lending Party under this guaranty.

Lending Party, and Lending Party's successors and assigns, shall not be liable for failure to use diligence in the collection of any indebtedness guaranteed by this Agreement, or in preserving the liability of any person liable on the indebtedness, and the Guarantors hereby waive presentment for payment, notice of nonpayment, protest, notice thereof, and diligence in bringing suit against any person liable for any indebtedness guaranteed by this Agreement.

This instrument is a specific guaranty of indebtedness evidenced by the above-described promissory notes and all renewals and extensions thereof and shall not be wholly or partially satisfied or extinguished by Guarantor's partial payment of any amount thereunder but shall continue in full force and effect as against each of the respective Guarantors for the full amount of the indebtedness specified above until the payment in full of the indebtedness. Guarantors, or any one or more of them, may give to Lending Party written notice that the Guarantor or Guarantors giving such notice will not be liable under this Agreement for any obligations renewed or extended by Lending Party after the giving of such notice, and such notice will be effective as to the Guarantor or Guarantors who give such notice from and after, but not before, such time as the written notice is actually delivered to and received by and acknowledged in writing by Lending Party; provided, that such notice shall not in any way affect, impair or limit the liability and responsibility of any other of the Guarantors under this Agreement with respect to any obligations previously existing or thereafter arising, and Lending Party shall have the right to renew and extend such indebtedness without notice to the remaining Guarantors under this Agreement. In the event of the death of any Guarantor under this Agreement, the obligations of the deceased shall continue in full force and effect as to all indebtedness guaranteed by this Agreement prior to the time when Lending Party shall have received notice, in writing, of termination of this guarantee as set forth above. The release by Lending Party of one or more Guarantors under this Agreement shall not affect the remaining Guarantors under this Agreement, who shall remain fully liable in accordance with the terms of this Agreement.

EXECUTED this _____ Day of _____ 20____.

_____, Guarantor

_____, Guarantor

LIST OF STATE ADMINISTRATORS

ATTACHMENT A

LIST OF STATE ADMINISTRATORS

CALIFORNIA

Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-1105
866-275-2677

MICHIGAN

Franchise Administrator
Consumer Protection Division
Antitrust and Franchising Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913

FLORIDA

Department of Agriculture and Consumer
Services
Mayo Building, 2nd Floor
Tallahassee, Florida 32399

MINNESOTA

Securities Unit
Minnesota Department of Commerce
85 Seventh Place East
Suite 280
St. Paul, Minnesota 55101

HAWAII

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

NEBRASKA

Nebraska Department of
Banking and Finance
1200 N. Street
P.O. Box 95006
Lincoln, Nebraska 68509-5006

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

NEW YORK

Assistant Attorney General
NYS Department of Law
Investment Protection Bureau
28 Liberty St, 21st Floor
New York, New York 10005

INDIANA

Securities Commissioner
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

NORTH DAKOTA

Franchise Examiner
North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

OREGON

Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Chief Securities Examiner
Division of Securities
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02910

SOUTH DAKOTA

Franchise Administrator
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84145

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Administrator
Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

AGENTS FOR SERVICE OF PROCESS

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013

HAWAII

Director
Hawaii Department of Commerce
and Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce,
Corporations and Securities Bureau
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Commissioner of Commerce
85 Seventh Place East
Suite 280
St. Paul, Minnesota 55101

NEW YORK

Secretary of State of
the State of New York
99 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Division
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON

Director
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director
Division of Securities
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02910

SOUTH DAKOTA

Director
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

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

WASHINGTON

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

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
345 West Washington Avenue
Madison, Wisconsin 53703

New York Insert
(To be inserted immediately before the Acknowledgement of Receipt)

This Disclosure Document is amended by the addition of the following sentence:

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date below:

State	Effective Date
California	pending
Illinois	pending
Indiana	pending
Maryland	pending
Michigan	October 3, 2024
Minnesota	pending
New York	pending
North Dakota	pending
Rhode Island	pending
South Dakota	pending
Virginia	pending
Washington	pending
Wisconsin	pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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 The Decor Group, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state law in (a) Connecticut and Michigan, require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (b) Iowa, Maine, New York and Rhode Island require us to provide you the disclosure document the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If The Decor Group, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Attachment A to this disclosure document). We authorize the agents listed in Attachment B to receive service of process for us.

The name, principal business address, and telephone number of each franchise seller offering the franchise follow:

Name	Principal Business Address	Telephone Number

I received a The Decor Group, Inc. disclosure document with an FTC issuance date of October 3, 2024. (See the state effective date summary page for state effective dates.) The disclosure document included the following Exhibits and Attachments:

EXHIBITS

Exhibit A	Franchise Agreement
Exhibit A-1	State Addenda to Franchise Agreement
Exhibit A-2	Option Agreement
Exhibit B	Table of Contents of Operations Manual
Exhibit C	Financial Statements
Exhibit D-1	Franchisee List
Exhibit D-2	List of Franchisees Who Have Left the System
Exhibit E	End User License Agreement
Exhibit F	Form of General Release
Exhibit G	State Addenda to Franchise Disclosure Document
Exhibit H	ACH Authorization Agreement
Exhibit I	Credit Card Authorization Agreement
Exhibit J	Promissory Note, Security Agreement, Guaranty Agreement

ATTACHMENTS

Attachment A	List of State Administrators
Attachment B	Agents for Service of Process

State Effective Dates Page

Dated: _____

Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

Printed Name

of _____
(a _____ Corporation)
(a _____ Partnership)
(a _____ Limited Liability Company)

[Sign and return this page]

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of _____
(a) _____ Corporation)
(a) _____ Partnership)
(a) _____ Limited Liability Company)

[Keep this page for your records]