

## FRANCHISE DISCLOSURE DOCUMENT



### LIME FRANCHISE SYSTEMS, LLC

A Colorado Limited Liability Company

4950 S Yosemite St F2 #171

Greenwood Village, Colorado 80111

(720) 708-7807

[www.LIMEpainting.com](http://www.LIMEpainting.com)

[franchise@LIMEpainting.com](mailto:franchise@LIMEpainting.com)

We offer a franchise for the right to independently own and operate a business that offers and provides project management services to prospective clients in connection with painting services and solutions, as well as other ancillary services in the field of home maintenance and improvement services utilizing third-party licensed painters and subcontractors.

The total investment necessary to begin operation of a Lime Painting franchise in one Territory is \$126,700 to \$227,075. This includes \$90,700 to \$103,400 that must be paid to the franchisor or an affiliate.

We also offer qualified parties the right to develop a Lime Painting franchise in multiple territories under a multi-territory addendum. The minimum number of territories required to be opened under the multi-territory addendum is one (for a total of two).

The total investment necessary to begin operation of a Lime Painting franchise in two territories is \$176,700 to \$277,075. This includes \$140,700 to \$153,400 that must be paid to the franchisor or an affiliate. The total investment necessary to begin operation of a Lime Painting franchise in three territories is \$211,700 to \$312,075. This includes \$175,700 to \$188,400 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Nick Lopez, c/o LIME Franchise Systems, LLC, 4950 S. Yosemite Street F2 #121, Greenwood Village, CO 80111, or at (720) 708-7807.

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

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

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

Issuance Date: April 29, 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 E.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only LIME business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchise have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a LIME franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 that franchise or has verified the information in this document. To find out if your state has a registration requirements, or to contact your state, use the agency information in Exhibit A.

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 Colorado. Out-of-state mediation and/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 Colorado than in your own states.
2. **Spousal Liability.** Your spouse must sign a document that makes your 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.
3. **Sales Performance Required.** 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.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's ability to provide services and support to you.
5. **Mandatory Minimum Payments.** You must make minimum royalty or 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.

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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## **ADDENDUM REQUIRED BY 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 OF 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 EACH 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, MATERIALS, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, MATERIALS, 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 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 QUALIFICATION OR STANDARDS.

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

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

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

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN. FRANCHISE SECTION, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913, 517-373-7117.

## ITEM 1

### THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language of this Disclosure Document, “LIME,” “LFS,” “Franchisor,” “we,” “us,” or “our” refers to us, LIME Franchise Systems, LLC, as the franchisor.

“Franchisee,” “you,” or “your” refers to the franchisee who enters into a franchise agreement and, if applicable, multi-territory addendum with us.

The franchisee may be a person, corporation, partnership, or limited liability company. If the franchisee is a corporation, partnership, limited liability company, or other entity, “you” and “your” includes the principals of the corporation, partnership, limited liability company, or other entity.

#### Franchisor

We are a Colorado limited liability company formed on August 30, 2017, with a principal business address at 4950 S Yosemite St F2 #121 Greenwood Village, CO 80111. We do business under our corporate name and our then-current Proprietary Marks, the latter of which includes our current primary mark LIME PAINTING.

We commenced the offer and sale of franchises for the Businesses in February 2018.

We do not currently own or operate any Businesses directly, but we reserve the right to do so. We have never offered franchises in any other line of business.

Except as provided in this Item and Disclosure Document below, we do not and have not engaged in any business activities or any other line of business. Our agents for service of process are listed in Exhibit A.

#### Franchise Being Offered

##### *Franchised Business and Franchisee Services*

We grant franchises for the right to independently own and operate a franchised Business(es) (each, a “Franchised Business”) that: (i) market and advertise project management services to prospective clients (each, a “Client”) in connection with painting services and solutions, as well as substrate and/or other ancillary services in the field of home maintenance and improvements services (the “Approved Services”) to prospective Clients that own or manage high-end residential properties within the territory we award you under the Franchise Agreement as described more fully below in this Disclosure Document (your “Designated Territory”); (ii) enter into a form of services agreement that we approve with such Clients (each, a “Services Contract”) for the provision of the Approved Services in connection with their Client Property within the Designated Territory; (iii) engage and work with third-party contractors (“Third-Party Contractors” or “Subcontractors”) that have the appropriate licensing, permits and credentials to provide the Approved Services at issue at the Client Property and managing such Client project(s) (each, a “Client Project”) to completion; and (iv) offer and provide any other services to prospective and existing Client(s) that we authorize (collectively, the “Franchisee Services”).

##### *Approved Services (to be Provided by Third-Party Contractors Engaged for a Client Project)*

As of the Issuance Date, there are various Approved Services that can be offered and provided as part of a Client Project, including: (i) high-quality substrate restoration; (ii) preparation and application of high-end

quality paints, stains and other coatings designed to support a large range and variety of substrates and related products (collectively, the “Coating Products”); and (iii) other services such as gutter removal and cleaning and exterior power-washing that are ancillary or related to the application of the paint or other Coating Products at issue. We may condition your right to offer certain Approved Services on your ability to demonstrate you have engaged the appropriate Subcontractor(s) and/or obtained all required consents/permitting to provide the same at a given Client Property.

Our standard franchise offering assumes that you will not actually provide the painting, substrate and other Approved Services in the field of home improvement at Client Properties and will instead engage or otherwise employ (if and as required by applicable law where the Franchised Business is located) third-party Subcontractors or licensed personnel to provide such services, utilizing the System methods, practices, criteria and Required Software that we designate for use in connection with your Business.

#### *Premises and Mobile Unit(s); Client Properties*

Your Franchised Business must be operated from a home office or other location that we approve in writing (your “Premises”), which our standard franchise offering assumes will be (a) located within your Designated Territory, and (b) a home office or other space you already own or have the right to use as the premises of your Franchised Business. Your Premises must be located within the Designated Territory we award to you, unless we agree otherwise in a separate writing.

Our standard franchise offering further expects and requires that your Mobile Unit will be a leased truck that is white and has a bed length of six (6) feet or more that must (a) be wrapped or otherwise branded with our then-current Proprietary Marks and trade dress, and (b) otherwise meet our then-current System standards.

Such Client Properties typically include duplexes, triplexes, row homes, townhomes, condominiums, stand-alone homes, vacation homes, family-owned rental homes, and similar abodes that meet the minimum-value and other characteristics that we designate from time to time.

We may also authorize you to provide the Franchisee Services in connection with Client Projects that involve the provision of painting, substrate and/or other Approved Services to commercial businesses and properties (each, a “Designated Commercial Facility”). As of the Issuance Date, a Designated Commercial Facility is eligible for the Approved Services, provided: (i) such Facility is not more than three (3) stories high; (ii) located within your Designated Territory or neighboring territory not awarded to committed to another System franchisee; and (iii) the provision of Approved Services at that Facility does not require the Franchised Business to acquire any tools, equipment or insurance beyond that which is required for the provision of the Franchisee Services and overall Approved Services in connection with Designated Residence. As of the Issuance Date, examples of a potential Designated Commercial Facility include, but are not necessarily limited to all businesses, organizations, or institutional facilities, and multi-unit dwellings, such as apartments, dormitories, hotels, motels, inns, or other short-term lodging facilities. We may modify the criteria for an eligible Designated Commercial Facility via the Manuals or otherwise in writing.

#### *Form of Franchise Agreement and Designated Territory*

Our current form of franchise agreement (the “Franchise Agreement”) is attached to this Disclosure Document as Exhibit B, and you must enter into our then-current form of franchise agreement for each Franchised Business we grant you the right to operate.

### *Multi-Territory Operations pursuant to Multi-Territory Addendum*

Our standard franchise offering expects and assumes that you will enter into our current form of Multi-Territory Addendum, attached as Exhibit C, to memorialize your right to operate the Franchised Business within one (1) or more Additional Territories at the same time you enter into your Franchise Agreement governing that Franchised Business.

As of the Issuance Date, we expect and intend that: (i) the Multi-Territory Addendum will only apply to territories that are contiguous to a Designated Territory that has been mutually agreed upon and designated in your Franchise Agreement with awarded under your Franchise Agreement; and (ii) you will be awarded the right to operate between one (1) and two (2) Additional Territories under your addendum with us.

If you wish to operate in geographical areas that are in different markets and/or otherwise not contiguous/adjacent to the Designated Territory as described above, then you will be required you enter into a separate form of franchise agreement with us for the right to operate a distinct and additional Franchised Business in that market/region – and pay the appropriate Initial Franchise Fee and any Additional Territory Fee in connection with that separate operations and agreement. In certain situations, we may award a System franchisee the right to operate in more than two (2) Additional Territories that are contiguous to the Designated Territory under the Franchise Agreement for a given Franchised Business, but this is not part of our standard franchise offering.

### Predecessor(s), Parent(s) and Affiliates

Our parent company is LIME Holdings, LLC (“Holdings”), is a Colorado limited liability company formed on August 30, 2017, with the same principal address as us. Holdings has not (a) been involved with the offer or sale of franchise in any line of business, (b) directly owned or operated any business that is substantially similar to the Franchised Business being offering in this Disclosure Document, or (c) conducted any other material business activities that must be disclosed in this Item.

Our affiliate, LIME IP, LLC (the “TM Owner”), is a Colorado limited liability company with the same address as us that was formed on August 30, 2017, that owns our Proprietary Marks that we have a license to use, and sublicense our System franchisees the right to use, as disclosed more fully in Item 13.

Our affiliate, LIME Painting, LLC (“LP”), was also formed under the laws of Colorado on November 1, 2013, and has the same principal place of business as us. LP has owned and operated one (1) or more Business(es) that are substantially similar to the Franchised Business since January 1, 2014 (each, an “Affiliate-Owned Business”).

A third affiliate, LIME Light Outreach, Inc. (“LLO”), is a Colorado non-profit organization organized on November 11, 2015, with the same business address as us. To date, LLO has been associated with our customer loyalty program (the “Loyalty Membership Program”) but System franchisees are not currently required to purchase or acquire any item from this affiliate other than payment of an annual fee as consideration for managing the Loyalty Membership Program with respect to the Clients of your Franchised Business.

Except as provided above, none of the affiliates listed in this Item above have (a) offered or sold franchises or licenses in any line of business, (b) operated a Business that is substantially similar to the Franchised Business, or (c) been involved in any other material business activities that require disclosure in this Item.

## General Description of the Market and Competition

The market for painting services is fully developed. You will target your services to owners and managers of homes and apartments. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar products or services to customers. You may also encounter competition from other franchises. While our interior services are not seasonal, some of our exterior services might be seasonal depending on where your franchise is located.

## Regulations Specific to the Industry

Most states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your business, including those that: (a) establish general standards, specifications and requirements for the construction, design and maintenance of the business premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as restrictions on smoking and availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) regulate matters affecting requirements for accommodations for disabled persons; (e) set standards and requirements for fire safety and general emergency preparedness; and (f) set standards and regulations regarding the licenses and permits necessary to provide installation services as a contractor.

In particular, you are solely responsible for determining what, if any, licenses/permits/approvals you or the Franchised Business will need in order to (a) offer, sell and provide the Franchisee Services you must provide in connection with your Business, and (b) engage Subcontractors to provide the Approved Services and corresponding paint and other home improvement products to Clients consistent with the needs of each Client Project (collectively, the “Project Materials”), within your Designated Territory.

In addition to your independent responsibility to assure full compliance with all applicable laws, the laws where you operate your Business may require that you and/or certain of your Subcontractors demonstrate completion of a Lead Renovator (RRP) Initial Certification course through an EPA approved trainer or applicable EPA authorized state program. You must demonstrate successful completion of this course by providing a Renovation, Repair and Painting (RRP) Certification and registration designating that you are a Lead-Safe Certified Firm. In certain states, including California, we understand that current regulations and laws may require that the Franchisee entity is owned or managed by an individual that has appropriate licensing to manage and provide the Approved Services in connection with the Franchised Business.

The United States enacted the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (the “USA Patriot Act”). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you, nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at <http://www.ustreas.gov/offices/enforcement/ofac/programs>.

You must consult with your own attorney to ensure that the laws of the state where your Franchised Business is located permits you to provide each of the Approved Products and Services from your Premises. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a Business generally.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Nickolas Lopez: Founder and President**

Mr. Lopez has served as our President and Founder since we were formed in September 2017, and has primarily performed these duties in Greenwood Village, Colorado since we launched our franchise program and franchising-related activities. Mr. Lopez has also served as the President of (a) Holdings since October 2017, (b) IP Holder since October 2017, and (c) Lime Painting since 2014, and has primarily performed its functions in connection with these companies in Greenwood Village, Colorado.

#### **Gavri Grossman: Director of Franchise Development**

Mr. Grossman has served as our Director of Franchise Development since February 2024 in Denver, Colorado. Mr. Grossman also serves as the Principal of Quorum Solutions in Denver, Colorado and has held that position since September 2022. Prior to that time, Mr. Grossman served as the (i) VP of Business Development of SRFC Bio, Inc. in Dallas Texas from April 2020 to July 2022, and (ii) the Director of Business Development of SRFC Bio, Inc. in Dallas, Texas from May 2018 to April 2020 in Dallas, Texas.

## **ITEM 3**

### **LITIGATION**

No litigation information is required to be disclosed by this Item.

## **ITEM 4**

### **BANKRUPTCY**

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

## **ITEM 5**

### **INITIAL FEES**

#### **Franchise Agreement**

##### *Initial Franchise Fee*

You must pay us an initial franchise fee amounting to \$60,000 (the “Initial Franchise Fee”) in a lump sum at the time you enter into your Franchise Agreement with us, which is deemed fully earned when paid and is non-refundable upon payment.

##### *Veterans Discount*

We are proud to offer a \$5,000 on the Initial Franchise Fee to honorably discharged veterans of U.S. Armed Forces who otherwise meet our requirements. This discount will be only applicable for the first Franchised Business you are awarded. You qualify for a veteran discount if you or your majority owners (those individuals who own and control more than 50% of the equitable interest and voting rights in you if you are any type of legal entity) are a member of any branch of the United States or Canadian military or are a

veteran of any such military branch who has received an honorable discharge.

*Other Pre-Opening Fees in Connection with a Franchised Business*

In addition to the Initial Franchise Fee, the following amounts are due at the time you execute your Franchise Agreement or otherwise prior to the opening of your Franchised Business, unless we agree otherwise in writing:

<b>Fee or Payment</b>	<b>Amount</b>
The fee we charge in connection with the provision of the on-site assistance and training our training personnel provides at your Franchised Business prior to and/or around the time of the contemplated soft opening of your Franchised Business (the “Initial On-Site Training Fee”).	\$8,000
Initial Technology Package (as further described in Item 7)	\$10,000
Technology Fee (3 to 6 months)	\$2,700 to \$5,400
Initial Marketing Spend (as further described in Item 7), which we reserve the right to collect and expend on one (1) or more Approved Suppliers commencing 1-2 months prior to your contemplated opening and ending around the time you commence operations of your Franchised Business	\$10,000 to \$20,000

Each of the amounts above will be deemed fully earned and non-refundable upon payment.

Multi-Territory Addendum: Additional Territory Fee(s)

If you are awarded the right to operate a given Franchised Business within multiple territories, you will be required to pay us an Additional Territory Fee that will vary based on how many Additional Territories we award you the right to operate that business. Currently, our standard franchise offering expects and assumes that we will award you the right to operate your Franchised Business in up to two (2) or more Additional Territories that are contiguous to the Designated Territory you are awarded under your Franchise Agreement, and (b) not comprised of any geographical area that has been awarded territorial rights in connection with a System Business. The minimum number of territories required to be opened under the Multi-Territory Addendum is one (for a total of two territories).

Your Additional Territory Fee will be calculated as follows: (i) \$50,000 for the first Additional Territory you are awarded; and (ii) \$35,000 for the second and each Additional Territory you are awarded under your Multi-Territory Addendum.

The Additional Territory Fee will be deemed fully earned and non-refundable upon payment, and we expect to impose this fee moving forward with regards to new multi-Territory franchise operators.

As disclosed in Item 1, the Multi-Territory Addendum will only apply to territories that are contiguous to your Designated Territory that will be agreed-upon and designated in your Franchise Agreement prior to executing the same. If you wish to operate in geographical areas that are in different markets and/or

otherwise not contiguous/adjacent to the Designated Territory, our standard franchise offering expects and assume that you enter into a separate form of franchise agreement with us for the right to operate a different Franchised Business in that non-contiguous market/region.

Other Relevant Disclosures

Except as provided above in this Item, we expect and intend to impose the fees above uniformly on our new System franchisees.

**ITEM 6**

**OTHER FEES**

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	<p>The Royalty Fee is the greater of (i) the percentage listed below, or (ii) the required Minimum Royalty payment.</p> <p>The Royalty Fee is based upon total annual Gross Sales in any Calendar Year and is tiered based on the tier that you are currently in during the calendar year.</p> <p>On your first \$2,500,000 in annual Gross Sales, the Royalty Fee is 7% of Gross Sales.</p> <p>The Royalty Fee is 5% of Gross Sales on your Gross Sales between \$2,500,000.01 and \$5,000,000</p> <p>The Royalty Fee on Gross Sales of \$5,000,000.01 or greater is 4% of Gross Sales.</p> <p>The Minimum Royalty starts once your Franchised Business has been operating for a period of six months, and is: (i) \$500/month starting in your 6<sup>th</sup> full calendar month of operation and continuing through your 11<sup>th</sup> full month of operation; (ii) \$1,500/month in months 12 through 17 of operation after your initial launch; and (iii) \$3,000/month in your 18<sup>th</sup> and each subsequent calendar month of operation of your franchise term in</p>	<p>Weekly based on the Gross Sales generated by a Franchised Business from when it opens on Monday and closes on Sunday (a “Business Week”).</p>	<p>Your Royalty Fee will begin once your Franchised Business opens. We may require you to pay your Royalty Fee and other reoccurring amounts via electronic funds transfer (“EFT”).</p> <p>You will not have any kind of minimum Royalty Fee during the first 6 months you are open and operating your Franchised Business, regardless of whether you operate in a single Designated Territory or also in one (1) or more Additional Territories.</p> <p>Each month, we will have the right to collect the difference between (a) any monthly minimum Royalty owed, and (b) the Royalty Fee actually collected based on the Gross Sales of the Franchised Business each week comprising that month (the “Shortfall Payment”), from your designated EFT bank account.</p> <p>Please see Notes 1, 2 and 3 below.</p>

Name of Fee	Amount	Due Date	Remarks
	<p>connection with that Franchised Business.</p> <p>Your Royalty Fee is calculated on a per franchisee basis and not on a per Territory basis.</p>		
Fund Contribution	<p>Brand Fund Contributions are based upon your annual Gross Sales and are tiered based on the tier that you are currently in during the calendar year.</p> <p>If your annual Gross Sales are \$2,500,000 or less, then your contribution to the Brand Fund is 100% of the then-current amount.</p> <p>If your annual Gross Sales are greater than \$2,500,000, but less than \$5,000,000, then your contribution to the Brand Fund is the then-current amount, less 1%.</p> <p>Only if the Brand Fund Contribution is set at 3% and you generate \$5,000,000 or more in annual Gross Sales, then your contribution to the Brand Fund will be 1% of Gross Sales.</p> <p>We reserve the right to require you to contribute an amount equal to up to three percent (3%) of the Gross Sales of your Franchised Business.</p>	Payable weekly at the same time and in the same manner as the Royalty.	<p>We may modify your required Fund Contribution, upon 30 days' prior written notice to you.</p> <p>Please see Notes 1 through 4 below.</p>
Technology Fee	Our then-current technology fee, which is currently, \$900/month (the "Technology Fee") for a Franchised Business authorized to operate in one (1) to three (3) total Designated Territories (assuming up to three users)	Payable monthly on the date we designate and collected in the same manner as the Royalty.	<p>We collect a Technology Fee in connection with technology products or services we determine to (a) associate or utilize in connection with the System, and (b) use the Technology Fee to cover all or certain portion of the corresponding costs.</p> <p>We will commence collection of this Technology Fee in the first month following</p>

Name of Fee	Amount	Due Date	Remarks
			<p>the opening of your Franchised Business.</p> <p>Currently, a portion of the Technology Fee covers the license fees associated with our customized software that you must be used to record and report (a) all prospective and existing Client Data, including lead generation and contact information, (b) sales calls and other lead generation/conversion activities, (c) Client contracts and Subcontractor contracts/files and information, (d) the progression of Franchisee Services and Client Projects, as well as various other information we designate/require and that we will have the right to access electronically and independently.</p> <p>If we modify the Technology Fee, we will provide you with 30 days' prior written notice.</p> <p>If a System franchisee is operating in multiple Designated Territories from the approved Premises of the Franchised Business, that franchisee will only be required to pay a single Technology Fee in relation to that Franchised Business. If you have more than three users, then you will be required to pay additional fees.</p>
Digital Marketing Requirement (or comparable marketing)	<p>Then-current requirement based on the number of Territory(ies) in which you have the right to operate your Franchised Business</p> <p>Currently, the requirement is \$1,500/month (or \$375 per week) for a Franchised Business operating in one (1) to three (3) total Designated Territories</p>	As agreed.	<p>Currently, we expect that you will pay your Digital Marketing Requirement to us, and that we will use these funds to pay one (1) or more third party Approved Supplier(s) for digital marketing services, including management and placement services.</p> <p>If you are operating in Additional Territory(ies), we recommend you implement digital marketing in each of these territories, as you determine appropriate to maximize visibility, after your initial operational period.</p> <p>We may modify your Digital Marketing Requirement upon 30 days' prior written notice.</p>

Name of Fee	Amount	Due Date	Remarks
Local Advertising Requirement	A minimum of (i) \$500/month for a Franchised Business operating in one (1) to three (3) total Designated Territories	As agreed.	<p>Your Local Advertising Requirement is the minimum amount you must expend on the promotion, marketing and advertising of your Franchised Business within your Designated Territory.</p> <p>As of the Issuance Date, we expect that most or all of your Local Advertising Requirement will be paid directly to our designated Approved Supplier for digital marketing and/or similar marketing/advertising services.</p> <p>Please be advised that we may: (i) designate our affiliate or ourselves as an Approved Supplier for certain of the materials/services you will be required to expend all or some portion of your Local Advertising Requirement funds on at some point in the future; and (ii) upon written notice, require you to provide us with copies of all invoices and other documentation necessary to demonstrate you are expending the Local Advertising Requirement each month in accordance with our then-current System directives.</p> <p>If you are operating in Additional Territory(ies), we recommend you implement digital marketing in each of these territories, as you determine appropriate to maximize visibility, after your initial operational period.</p>
Advertising Cooperative Fee	If such a Cooperative is established and involves your Franchised Business, then your contribution to such a Cooperative will not exceed your then-current Local Advertising Requirement	As arranged.	Payable to us if we assign your Franchised Business to an Advertising Cooperative. Any payments made towards or in connection with an Advertising Cooperative we establish and/or approve will be credited against your Local Advertising Requirement. If there is an affiliate-owned Business in your Cooperative, then our Affiliate will be able to vote on all matters that you and the other Cooperative members have the right to vote on.
Call Center Fee(s)	<p>Varies based on usage</p> <p>If established, \$275/month plus the then-current appointment setup fee, which is currently \$50 per appointment setup</p>	As invoiced each month.	We reserve the right to have our Approved Supplier provide call center services such as (a) intaking prospective Client calls, (b) routing those calls to your Franchised Business or another Franchised Business based on where the potential Client Project is

Name of Fee	Amount	Due Date	Remarks
			located. We may require that you link the telephone number(s) you advertise and use in connection with your Franchised Business to the call center so that incoming calls to that number are received and fielded by the call center.
Client Project Analysis and Proposal Preparation Services	<p>This is an optional service that System franchisees can engage us to provide in connection with prospective Client Projects</p> <p>Currently, we provide these services at a rate of \$50/hour</p>	As invoiced each month.	<p>This is an optional service that System franchisees may, but are not obligated, to engage our then-current Approved Supplier to provide.</p> <p>Currently, we and/or our affiliate are the Approved Supplier for these optional services.</p>
LIME LIGHT OUTREACH Program Management Fee	Not currently a required fee, but our Approved Supplier reserves the right to collect up to \$500 per year in connection with each Franchised Business you own and operate	Annually as agreed.	This annual fee is paid to our affiliate after you have commenced operations and commenced generating Gross Sales and/or Client solicitation/engagement activities as consideration for managing the Loyalty Membership Program information on behalf of applicable Clients of your Franchised Business.
Annual Conference Registration Fee	<p>Our then-current registration fee that we charge in connection with any annual conference we determine to conduct</p> <p>Currently, we expect our conference registration fee to be \$1,000 to \$2,000</p>	As incurred.	<p>We may schedule and hold an annual conference, as we deem advisable in our sole discretion, and require that you attend such conference.</p> <p>If you do not attend the Annual Conference, we reserve the right to charge you a non-attendance fee amounting to the then-current registration fee.</p> <p>You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.), and we reserve the right to charge you our then-current registration fee.</p>
Training Fee(s)	<p>Our then-current training fee for the kind of training being provided (the “Training Fee”).</p> <p>Currently, our Training Fees are as follows:</p> <ol style="list-style-type: none"> <li>\$1,000/day for any additional</li> </ol>	Prior to trainers being sent and/or providing training.	We reserve the right to charge our then-current Training Fee in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchisee owner and/or Designated Manager, (b) any training we require you to complete to cure a default under your Franchise Agreement with us (“Remedial Training”), (c) additional training

Name of Fee	Amount	Due Date	Remarks
	<p>Initial Training Program provided in connection with re-attendance or replacement management or other personnel</p> <p>2. \$2,500 for the complete salesperson training associated with the System; and</p> <p>3. \$500/day for all other training for which we reserve the right to charge a training fee.</p>		<p>you request we provide (other than the kind of day-to-day assistance described below), or (d) training we provide on-site at your Franchised Business.</p> <p>We will not charge any training fee in connection with minor, day-to-day assistance that we provide remotely over the phone or via email, subject to our availability.</p> <p>In addition to the then-current Training Fee for the training at issue, you will always be responsible for the costs and expenses that are incurred in connection with you and your personnel attending any training.</p>
Transfer Fee  (Franchise Agreement and Multi-Territory Addendum)	\$10,000  (per Designated Territory being assigned)	Payable prior to obtaining our consent to your proposed transfer.	<p>There are other conditions that you and the proposed transferee must meet in order for us to approve any proposed transfer/assignment.</p> <p>You may not transfer an Additional Territory awarded in connection with a Franchised Business separate and apart from the Franchise Agreement and entire Franchised Business, unless we specifically approve such a request in writing and the proposed transferee signs our then-current form of franchise agreement for that Territory.</p>
Renewal Fee	\$10,000 (per Designated Territory wherein the Franchised Business can operate as of the renewal of the governing Franchise Agreement)	Payable prior to us approving your renewal request	There are other conditions that you must meet in order for us to grant your request to renew your franchise.
Relocation Fee	\$1,000, plus the costs and expenses we incur in connection with evaluating and, if applicable, approving your relocation request	As arranged	We will evaluate any proposed relocation of your Premises of a given Franchised Business as discussed more fully in Item 12 of this Disclosure Document.
Audit Fees	Actual cost of Audit.	Within 30 days of receiving invoice	<p>Payable if audit reveals that you have underreported the Gross Sales of your Franchised Business by 2% or more for any designated reporting period.</p> <p>See Note 1.</p>

Name of Fee	Amount	Due Date	Remarks
New Product or Supplier Testing	Up to \$500	As incurred	<p>If you propose an alternate supplier or product/service that we have not already authorized for use in connection with your Franchised Business.</p> <p>Please see Item 8 of this Disclosure Document for additional information.</p>
Violation in Connection with Mystery or “Secret” Shopper Program and/or other Quality Control or Quality Assurance Program	<p>Then-current fee charged by our Approved Supplier for such program services</p> <p>Currently, we reserve the right to be reimbursed any costs incurred if you fail a “mystery shop” inspection (currently, we estimate these to be between \$175 and \$350 per evaluation)</p>	As Incurred	<p>If we establish a mystery shopper or “secret shopper” to (a) assess customer satisfaction with the Franchised Business based on surveys and/or on-site visits that we or our designee conduct, and (b) determine whether the products/services utilized and offered/provided by you and/or other System franchisees meet all of you then-current quality control requirements, you will be responsible for the third-party costs of conducting such surveys or quality assurances in connection with your Franchised Business if such a program reveals a deficiency in operations.</p>
Interest	The greater of (a) 1.5% per month (18% per year), or (b) highest commercial contract interest rate applicable laws permit	Upon demand.	<p>Payable on all delinquent payments.</p> <p>In California, the highest permitted interest rate is 10% per annum.</p>
Collection Charges	Varies	Upon demand.	<p>You must pay all collection charges associated with our efforts in collecting any amounts owed to you or us under the Franchise Agreement.</p>
Attorneys’ Fees and Costs	Will vary according to circumstance.	Upon demand.	<p>You must reimburse us for our attorneys’ fees and any court costs that we incur in connection with attempting to (or actually) enforcing or protecting our rights under your Franchise Agreement (and, if applicable, Multi-Territory Addendum).</p>
Fees on Default and Indemnity	Attorneys’ fees, costs, interest, audit costs, default fees.	Upon demand.	<p>Payable in addition to other payments to us.</p>
Indemnification	Will vary according to circumstance.	Upon demand.	<p>You must reimburse us for our attorneys’ fees and other costs that we incur in connection with any third-party claims brought against us that arise out of, or are related to, the operation of your Franchised Business.</p>

Name of Fee	Amount	Due Date	Remarks
Insurance	Will vary according to circumstance.	Upon demand.	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you a service fee to do so. Otherwise, these payments are made directly to your third-party insurance provider.
Non-Sufficient Fund (NSF) or Dishonored Check Charge	\$100	Upon demand.	Payable if a check you provide to us is returned or dishonored by the bank, or if your EFT Account does not have sufficient funds to cover amounts you owe under the Franchise Agreement as they become due and owing to us.  This provision is subject to any state-specific laws regarding NSF-related fees, including laws that may limit the amount that we can collect as an NSF charge.
Late Reporting Fee	We reserve the right to charge you \$200 per delinquent report		In the event you fail to send us any required reports on time, we may charge you this fee in addition to any other remedies we might have.
Warranty Claim and Customer Complaint Costs and Expenses	Varies according to loss	On demand	You must pay us any fees, costs, or expenses we incur if we manage any warranty claims or customer complaints, or any disputes (including arbitration or litigation) relating to customer complaints or warranty claims.
Management Fee	Up to 8% of the Gross Sales of your Franchised Business during the period of time we or our representative manages your Franchised Business on your behalf (the "Management Fee"), plus the costs and expenses we incur.	As incurred	The Management Fee will only be due to us if (a) you are in material default under your Franchise Agreement or become disable (and unable to perform as the "Franchisee" under your Franchise Agreement), and (b) we exercise our right to temporarily operate your Franchised Business in an effort to assist in getting the operations of the Franchised Business back into compliance with the Franchise Agreement and System standards.

**Explanatory Notes**

**Generally.** Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item.

1. **Definition of Gross Sales.** “Gross Sales” means the total revenue generated by your Franchised Business, including all revenue generated from the sale and provision of any and all gift cards and other Approved Services and Approved Services at or through your Franchised Business (via Subcontractor work or the Franchisee Services), and all proceeds from any business interruption insurance related to the non-operation of your Franchised Business in all authorized Designated Territory(ies), whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Sales” does not include (a) tips received by Subcontractors and that is not payable or otherwise remitted to Franchisee or the Franchised Business, (b) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Approved Services. The definition of “Gross Sales” may also exclude amounts charged to a customer that purchases a gift card, other electronic stored value card or gift certificate from the Premises, if and as consistent with our then-current System policies, standards and specifications regarding such cards or certificates (as we may update and modify as it determines appropriate via the Manuals or otherwise in writing).
2. **Royalty Fee and Other Fees.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
3. **Collection Interval.** We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a monthly rather than weekly basis. Regardless, you are required to provide us with a weekly Gross Sales report detailing your Gross Sales from the preceding Business Week, along with your calculated Royalty Fee, Fund Contribution (if appropriate) and other information that we reasonably require (the “Gross Sales Report”) on Monday of each week. We may also require you to use a Computer System and/or related software that provide us with automatic access to such Gross Sales Reports.
4. **Fund Contributions.** You will be required to make a Fund Contribution. The Fund may be used for (among other things): product and technology development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Business; agency and consulting services; research; and any expenses approved by us and associated with your Business. We have sole discretion over all matters relating to the Fund. You must pay for your own local advertising. Please note you will also be required to expend minimum amounts on local advertising and promotion of your Business as disclosed more fully in Item 11 of this Disclosure Document.
5. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement.

6. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. Single Franchised Business**

<b>Type of Expenditure</b>	<b>Amount (Low)</b>	<b>Amount (High)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>1</sup>	\$60,000	\$60,000	Lump sum	At signing of Franchise Agreement	Us
Initial On-Site Training Fee <sup>2</sup>	\$8,000	\$8,000	Lump sum	At signing of Franchise Agreement	Us
Travel Expenses to Corporate Training <sup>3</sup>	\$2,000	\$3,000	As arranged	As incurred	Airlines, Hotels, Businesses
Start-Up Package <sup>4</sup>	\$2,500	\$3,500	Lump sum	At signing of Franchise Agreement	Approved Supplier(s)
Mobile Unit and Vehicle Wrap Package <sup>5</sup>	\$6,000	\$8,500	As arranged	As incurred	Third-Party Dealer or Private Seller
Initial Technology Package (including pre-opening Technology Fees) <sup>6</sup>	\$10,000	\$10,000	Lump sum	At signing of Franchise Agreement	Us
Technology Fee(s) – 3 to 6 months post-opening <sup>7</sup>	\$2,700	\$5,400	As arranged	As incurred	Us
Initial Marketing Spend <sup>8</sup>	\$10,000	\$20,000	As arranged	As incurred	Us
Digital Marketing Requirement – 3 to 6 months post-opening <sup>9</sup>	\$4,500	\$9,000	Via EFT or as otherwise arranged	As incurred each month or week, as we designate in writing	Us and Approved Supplier
Licenses and Certifications <sup>10</sup>	\$250	\$675	As arranged	As incurred	Third-Party Agencies

Type of Expenditure	Amount (Low)	Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Insurance – Initial Premium(s) <sup>11</sup>	\$3,500	\$5,000	As arranged	As arranged	Third-Party Insurance Provider
Professional Fees <sup>12</sup>	\$2,000	\$4,000	Lump sum	Before or upon signing of lease	Third-Party Professionals
Additional Funds - 3 to 6 Months <sup>13</sup>	\$15,250	\$90,000	As arranged	As incurred	Business personnel; Approved Suppliers and other Third-Party Suppliers; Us
<b>TOTAL<sup>14</sup></b>	<b>\$126,700</b>	<b>\$227,075</b>			

**Explanatory Notes to Charts 7(A) Above:**

**Generally.** Unless negotiated with a third-party, non-affiliated supplier, all payments disclosed in this Item are generally non-refundable. Please note that the estimates above are, in part, based on (a) our experience establishing, operating and franchising Businesses in Colorado, the experience of our System franchisees in establishing and launching Franchised Business operations since we commenced franchising, (c) estimates we have received from our Approved Suppliers and certain other third-party suppliers, and (d) the experience of certain of our business advisors in working with franchise brands that have a business with a similar footprint and/or business concept as the Franchised Business offered in this Disclosure Document.

1. **Initial Franchise Fee.** The Initial Franchise Fee is payable upon execution of the Franchise Agreement, and this fee is deemed fully earned and is not refundable upon payment.
2. **Initial On-Site Training Fee.** The Initial On-Site Training Fee is the fee we charge in connection with the provision of the on-site assistance and training our training personnel provides at your Franchised Business prior to and/or around the time of the contemplated soft opening of your Franchised Business
3. **Travel Expenses to Corporate Training.** This is our estimated range of costs to cover the travel and living expenses, including airfare, lodging and meals, which you will incur when you and your employees attend the portion of our Initial Training Program that takes place at our corporate headquarters in Greenwood Village, Colorado or other designated training facility we designate (the “Corporate Training”). We expect that the Corporate Training will typically last between four (4) and five (5) days in duration.

The cost you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. This estimate does not include any wages or salary for you or your trainees during training.

The low end of this estimate assumes that you will be attending the Corporate Training and that you will not need to purchase a flight to attend, while the high end assumes that a total of two (2) individuals will attend the Corporate Training and will be required to purchase a flight to/from that

training in order to attend. This cost does not include salaries or wages owed to employees of your Business, which are covered under the “Additional Funds” estimated range.

4. **Start-Up Package.** This estimate is designed to cover the initial package of supplies and uniforms that you will need to acquire from our Approved Supplier in order to initially establish and commence operations of your Franchised Business, and which you must acquire and have on-site at the Premises prior to launching operations. This estimate includes your start-up signage and promotional items in addition to the uniforms.
5. **Mobile Unit and Vehicle Wrap Package.** This estimated range is designed to cover the costs you will incur in connection with acquiring a package comprised of certain equipment necessary to equip your home office and Mobile Unit for initial operations.
6. **Initial Technology Package (Including Pre-Opening Technology Fees).** This estimate includes the cost of acquiring (a) the necessary hardware and other primary components of the computer system you are required to utilize in connection with the Required Software and otherwise in connection with your Franchised Business operations, and (b) the Technology Fees that you will be required to pay to use prior to the launch of your Franchised Business (which will vary based on the number of months it takes for you to be in position to launch your franchise).
7. **Technology Fee(s) – 3 months following opening of Business.** This estimate is designed to cover the Technology Fees you will be required to pay to our Approved Supplier (currently us) for certain technology services that we have currently designated for use in connection with the System and a Franchised Business. You will not be required to pay us a Technology Fee prior to your opening, provided you timely open within the 90-day period required in your Franchise Agreement.
8. **Initial Marketing Spend.** This range is the estimated amounts that you will typically pay to us in connection with (a) the initial marketing plan you develop and implement to promote the opening and initial launch of your Business, and (b) other amounts you will incur in connection with certain pre-opening sales activities designed to generate clientele and/or the Initial On-Site Training that we provide to you and your Initial Training Team via the Initial On-Site Training session(s). You may be required to expend all or some portion of these funds on marketing materials and/or services that we specify or require you to engage an Approved Supplier to provide such materials or services.
9. **Digital Marketing Requirement.** This estimate accounts for the amounts you must pay as your Digital Marketing Requirement, which commences in the month the Franchised Business timely launches and commences operations under the Franchise Agreement.
10. **Licenses and Certifications.** You are required to obtain all business licenses, permits, certificates or approvals before you start business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. As discussed in Item 1, you are solely responsible for researching all laws applicable to where your Franchised Business is operated to determine whether or not you must obtain such a bond under such laws.
11. **Insurance - Initial Premiums.** This is an estimate of insurance premiums over the initial ramp-up period of operations detailed above. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors.
12. **Professional Fees.** We respectfully suggest that you consult with an attorney, accountant and/or other business advisors regarding the purchase and operation of the Franchised Business. This item

includes an estimate of the cost to incorporate as an entity and an initial consultation with an accountant.

13. **Additional Funds – 3 to 6 Months.** You will need additional capital to support on-going expenses during the initial three (3) to six (6) months after you open your Franchised Business. The estimate may include items such as payroll, royalty, local advertising and additional advertising/marketing activities, expected call center fees, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items. This range does not include any draw or salary for you. These figures are estimates and we cannot guarantee that you will not have additional expenses in the first three to six months you are operating your Franchised Business. In calculating this estimate, we relied on (a) the experience of our affiliate-owned Businesses that are operated in a substantially similar manner to a Franchised Business while utilizing the Proprietary Marks and System within territories in Denver, Colorado, (b) the experience of our System franchisees based on the information they report to us, and (c) estimates we received from our Approved Suppliers and other third-party suppliers.

**B. Operation of a Franchised Business in Multiple Territories (Using 2 and 3 Total Territories as an Example)**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is to be Made</b>
Additional Territory Fee (for 1 Additional Territory)	\$50,000	Lump Sum	Upon signing of Addendum	Us
Additional Territory Fee (for 2 Additional Territories)	\$85,000	Lump Sum	Upon signing of Addendum	Us
Initial Investment to Open Initial Franchised Business	\$126,700 to \$227,075_	See Chart 7(A) above.		
<b>TOTAL (1 Additional Territory)</b>	<b>\$176,700 to \$277,075</b>	This is the total estimated initial investment to enter into a Franchise Agreement and Multi-Territory Addendum to operate a Franchised Business in a total of 2 Designated Territories. The minimum number of territories you are required to open under the Multi-Territory Addendum is one (for a total of two)		
<b>TOTAL (2 Additional Territories)</b>	<b>\$211,700 to \$312,075</b>	This is the total estimated initial investment to enter into a Franchise Agreement and Multi-Territory Addendum to operate a Franchised Business in a total of 3 Designated Territories.		

## **ITEM 8**

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

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards, and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, which we will notify you of in writing, and you will be solely responsible for costs associated with complying with any modifications to the System.

#### **Approved Products and Approved Services**

You may only market, offer, sell, and provide the Approved Services and Approved Products to the prospective and existing Clients of your Franchised Business.

You may only directly provide the Franchisee Services in connection with your Franchised Business that are primarily designed to generate Clients and manage Client Projects.

We will provide you with a list of our then-current Approved Services and Approved Products, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

#### **Approved Suppliers**

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our Affiliate. We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

Currently, we have Approved Suppliers for the following items: (i) starter/opening kit of initial supplies, inventory and other required items; (ii) uniforms and other branded merchandise; (iii) the initial equipment package that you must purchase and utilize to establish your Franchised Business and/or build out your home office or other approved Premises; (iv) certain components of the Computer System, as well as the software and other technology provided as part of the Technology Fee and/or certain third-party software we require (collectively, the “Required Software”); (v) call center services (if established); (vi) certain Project Materials if such materials are appropriate for a Client Project and/or provision of Approved Services; (vii) ongoing digital marketing and/or comparable marketing/technology in the future, including the services that must be acquired from our Approved Suppliers via payment of the then-current Digital Marketing Requirement and/or Local Advertising Requirement as well as the Initial Marketing Spend; (viii) insurance; (ix) bookkeeping; and (x) recruiting.

As of the Issuance Date, we are the Approved Supplier for: (i) Required Software access and other technology services/access that you receive in connection with the current Technology Fee; (ii) the on-site training we provide on-site at your Franchised Business that is covered by the On-Site Training Fee; (iii) Digital Marketing services; and (iv) Initial Marketing Spend. We are also currently an Approved Supplier for analyzing and preparing proposals for Client Projects, which is an optional service that we make available to our System franchisees at our then-current hourly rate (currently, \$50 per hour invoiced).

If and when we establish a System Call Center, we will have a designated Approved Supplier (which could

be us or our affiliate) to provide these Call Center services. In the future, we reserve the right to designate us or any affiliate/parent of ours as the Approved Supplier for any additional or other item or service that you are required to purchase and/or utilize in connection with your Franchised Business. This includes any proprietary products we develop or have developed for use in your Franchised Business, including private-label products that bear our Proprietary Marks.

Currently, none of our officers own an interest in any Approved Supplier (other than us and our affiliate supplier(s) noted above) from which you must directly purchase or lease in connection with your Franchised Business.

#### Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.” We estimate that your Required Purchases will account for approximately 75% to 90% of your total costs incurred in establishing your Franchised Business, and approximately 40% to 75% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

We reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business.

As of our fiscal year ending December 31, 2023, we derived \$88,405 in revenue from rebates (in which we receive 1% - 3% based on the volume of paint purchased) and \$54,558 from franchisees’ required purchases, or 6% of the \$2,295,475 in total revenue we generated in our past fiscal year.

#### Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request. We do not currently charge any evaluation fee but reserve the right to do so in the future (in an amount not to exceed \$500 per request). We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier’s production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier’s facilities and test its products and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 120 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any

supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

### Gift Card Policies

In the event we establish a gift card program online or make such gift cards available for purchase to Clients, then you will be required to (a) acquire and make sure cards available, and (b) honor such gift cards that prospective and existing Clientele present as consideration for a given Client Project, in accordance with our then-current System standards and specifications as set forth in our Manuals or otherwise in writing. As of the Issuance Date, we do not yet utilize gift cards or authorize the offer/sale of such cards as part of our offering – but we reserve the right to do so in the future.

### Customer Service Policies and Warranty Programs

You are required to follow all customer service policies as we identify and modify them from time to time in our Manuals or otherwise in writing. Our then-current System policies regarding refunds and/or the provision of “make up” services may be set forth and/or modified upon written notice.

You must issue the warranties to your customers for all products and services sold or delivered by the Franchised Business that we prescribe in the Manuals or otherwise in writing (the “Warranty”). You must comply with the policies relating to Warranties that we designate from time to time. You must refrain from issuing or offering any Warranty of which we have not approved.

Under our current System and Warranty program(s), we may require you to issue to customers and perform under an extended (either in duration or scope) Warranty (the “Extended Warranty”). You must comply with the policies and procedures relating to the Extended Warranty that we may specify in the Manuals or otherwise in writing, which may include the requirement that you offer the Extended Warranty only in connection with a loyalty program or other promotion. We may require that you deliver products or services in connection with your performance under an Extended Warranty (“Extended Warranty Work”) on the terms and conditions that we prescribe, including pricing. Your remuneration for Extended Warranty Work may be limited to an allocation of the revenue from customers’ Extended Warranty purchases that we designate. You must not charge customers for Extended Warranty Work without our prior written consent. We may require that you offer the Extended Warranty to customers only in connection with the Loyalty Membership Program.

You must promptly, fully, and courteously perform under all Warranties, including all Extended Warranty Work, to our reasonable satisfaction. We have the right, but not the obligation, to respond to and settle or otherwise resolve any warranty claims, to manage all disputes and to control all arbitration and litigation (including any settlement or other resolution) relating to Warranty claims as we deem appropriate. However, you must reimburse us for all fees, costs, and expenses that we incur in connection with such warranty claims, disputes, arbitration, and litigation within 30 days of your receipt of our invoice.

### Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of

the Businesses in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our parent and/or affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions, or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our parent, Affiliate or other affiliate(s) may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services, and other items at a price that will benefit us and our franchisees.

We currently have purchasing-related agreements, but no formal cooperative(s), with certain of our Approved Supplier(s), but we reserve the right to create such purchasing cooperatives in the future.

### Material Benefits

We do not provide any material benefits to you (for example, renewal or granting additional franchises) based on your purchases of particular products or services or use of particular suppliers.

### Advertising

All advertising and promotional materials and other items we designate must bear the Proprietary Marks in the form, color, location, and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements we prescribe in the Manuals or otherwise. You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Franchised Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use.

### Premises and Lease

You must obtain our approval of the Premises for your Franchised Business before you acquire the site. You must also obtain our approval of any contract of sale or lease for the Premises before you execute the contract or lease, and we may condition our approval of any such lease on you and your landlord's execution of our prescribed form of Collateral Assignment of Lease (attached as Exhibit C to our current form of Franchise Agreement). You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at the Premises.

### Insurance

You must obtain and maintain the insurance coverages and policies that we prescribe in the Franchise Agreement and/or our Manuals. Each insurance policy must be issued by an issuer we approve, who must have an A.M. Best Rating of not less than A-VII. We may require that these policies name us as an additional insured and contain a waiver of subrogation in our favor. The policies must provide us with written statutory cancellation notice and non-renewal. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we

may require from time to time. As of the Issuance Date of this Disclosure Document, the current minimum coverages and limits associated with our System are:

- (A) Worker’s Compensation coverage of \$500,000 per occurrence;
- (B) General Liability coverage of \$1,000,000 per occurrence and \$2,000,000 General Aggregate;
- (C) Umbrella Liability Insurance including \$2,000,000 per occurrence;
- (D) Commercial Auto Liability insurance of \$500,000; and
- (E) Any additional insurance required by the owner of any Third-Party Premises.

Please be advised that these are just our minimum requirements and that some commercial projects may require you to obtain additional insurance or insurance that has additional coverage.

Computer Hardware and Software

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. We may require you to purchase any of these items from one of our Approved Suppliers. We may require you to purchase any of these items from one of our Approved Suppliers, and we currently have an Approved Supplier in connection with the software you must use at your Franchised Business (and maintenance/support associated with this software). You will only need a single Computer System for the right to operate a Franchised Business, whether in one (1) or up to three (3) total Designated Territories.

**ITEM 9**

**FRANCHISEE’S OBLIGATIONS**

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

	<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in Multi-Territory Addendum</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Sections 2, 5, and 6	Section 1	Item 11, 12
b.	Pre-opening purchases/leases	Sections 5 and 6	See Franchise Agreement	Items 7, 8, 11, 12
c.	Site development and other pre-opening requirements	Sections 2, 5, and 6	See Franchise Agreement	Items 6, 7, 11
d.	Initial and ongoing training	Sections 5 and 6	See Franchise Agreement	Item 11
e.	Opening	Sections 5 and 6	See Franchise Agreement	Item 11
f.	Fees	Sections 3, 4, 9, and 13(E)	Section 2	Items 5, 6, 7, 11, 12
g.	Compliance with standards and policies/Confidential Operations Manual	Sections 5 and 6	See Franchise Agreement	Items 6, 11

	<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in Multi-Territory Addendum</b>	<b>Disclosure Document Item</b>
h.	Trademarks and proprietary information	Section 7	See Franchise Agreement	Items 13, 14
i.	Restrictions on products/services offered	Sections 5 and 6	See Franchise Agreement signed	Items 8, 11, 16
j.	Warranty and customer service requirements	Section 6	See Franchise Agreement	Item 8
k.	Territorial development and sales quotas	Sections 2 and 6	Section 4	Item 12
l.	Ongoing product/service purchases	Sections 5 and 6	See Franchise Agreement	Items 8, 16
m.	Maintenance, appearance and remodeling requirements	Section 6	See Franchise Agreement	Items 8, 11
n.	Insurance	Sections 6 and 11	See Franchise Agreement	Items 6, 7, 11
o.	Advertising	Sections 4, 5, 6, and 9	Section 5	Items 6, 11
p.	Indemnification	Section 11	See Franchise Agreement	Item 9
q.	Owner's participation/management/staffing	Section 6	See Franchise Agreement	Item 15
r.	Records and reports	Sections 4, 6, and 10	Section 6	Items 6, 9, 21
s.	Inspections and Audits	Section 5 and 10	See Franchise Agreement signed	Items 6, 11, 21
t.	Transfer	Section 13	Section 6	Item 17
u.	Renewal	Section 3	Section 2	Item 17
v.	Post-termination obligations	Sections 14(B) and 16	Section 8	Item 17
w.	Non-competition covenants	Section 14	Section 9	Items 15, 17
x.	Dispute resolution	Sections 19 and 21	Section 10	Item 17
y.	Personal guaranty	Exhibit B	Nothing Additional (see Franchise Agreement)	Items 15, 17

**ITEM 10**  
**FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

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

A. Pre-Opening Obligations

Prior to the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We will designate and set forth your (a) approved home office or other Premises of your Franchised Business, and (b) the immediate geographical area around that Premises that will serve as your Designated Territory, under and in your Franchise Agreement with us. If we cannot agree on a site for the Franchised Business, then your Franchise Agreement may be subject to termination. (Franchise Agreement, Section 2(D));

2. If you are operating from a third-party Premises of any kind, then we will: (i) provide site selection guidelines and assistance (as described more fully below in this Item 11) in the manner we determine appropriate in connection with your Premises; and (ii) review any proposed lease or purchase agreement for each location that you propose as a Premises and otherwise evaluate and approve/reject any site you propose. We do not typically own a premises which is then leased to you. (Franchise Agreement, Section 2(B));

3. We will provide you with access to a copy of our confidential and proprietary Manuals. The table of contents for our Manual(s) as of the Issuance Date of this Disclosure Document is attached to this Disclosure Document as Exhibit D, and the Manuals are collectively a total of approximately 113 pages. Please note that certain portions of the Manuals may be provided via update or communications from a website or web portal that is controlled and/or registered to us (each, a "System Site"), and you will be solely responsible for ensuring compliance with these "online" portions of the Manuals as well. (Franchise Agreement, Section 5(D));

4. We will provide you with a list of our Approved Products and Approved Suppliers (to the extent we have designated them) and specifications for the Required Items (to the extent we have them), either as part of the Manuals or otherwise in writing. You will be responsible for sourcing equipment, signs, fixtures, opening inventory, and supplies from our Approved Suppliers or other suppliers as set forth in the Manuals. The Manuals will provide written specifications for all such equipment, signs, fixtures, opening inventory, and supplies. We do not currently deliver or install any items for you. (Franchise Agreement, Section 5(D));

5. We will review and approve the proposed layout and design of your Premises as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 5(D)); and

6. As permitted by applicable law, we will provide you with our general pricing guidelines, which may include minimum, maximum, or promotional pricing. (Franchise Agreement, Section 6(S));

7. We will provide our initial training program in connection with the initial Franchised Business you are awarded the right to open and operate which must be completed to our satisfaction (the "Initial Training Program"), provided you pay the Initial Training Fee of \$8,000, that is comprised of:

- a. certain “Classroom Training” that you and your management will have remote access to and must complete online via webinar or other learning management system we designate to (a) monitor/track participation and progress, and/or (b) test competency levels, if and as we determine appropriate (collectively, the “Remote Training”);
- b. additional “Classroom Training” and hands-on training that we will provide to you and your initial management over a period of typically four (4) to five (5) days at our corporate headquarters or other designated training location (in Colorado or otherwise) (which we refer to as our Corporate Training); and
- c. on-site training, assistance and support that you and your initial manager and/or sales team (the “Initial Trainee Team”) must participate and complete to our satisfaction (the “Initial On-Site Training”). We typically provide the first Initial On-Site Training session within 45-90 days after your grand opening. We typically provide the second Initial On-Site Training session within 90-120 days after your grand opening. The Initial On-Site Training sessions are typically provided at your home office or other location within your Territory that last around two (2) to three (3) days each (subject to availability and schedules of our training personnel).
- d. Please note that certain portions of the Classroom Training may involve instruction provided by video or other digital technology while you are attending Corporate Training.
- e. You are also solely responsible for all costs and expenses you (and your personnel) incur in connection with completing the appropriate Remote Training, Corporate Training and Initial On-Site Training, including employee wages.
- f. We do not currently have a set training schedule, but we expect and intend to provide (a) a given franchisee with access to certain Remote Training within one (1) month of the date that franchisee signs a Franchise Agreement with us, (b) Corporate Training on an as-needed basis once each franchisee has completed the Remote Training and otherwise complied with the Pre-Training Conditions, and (c) Initial On-Site Training on an as-needed basis to each franchisee and its Initial Trainee Team after the franchisee at issue has completed the Corporate Training and otherwise demonstrated that all other pre-opening requirements under that franchisee’s Franchise Agreement have been satisfied.
- g. No Franchised Business may open until (a) it has completed all training described in this Item, unless we agree to provide and have your Initial Trainee Team complete the on-site training sessions associated with our Initial On-Site Training after the Franchised Business has commenced operations, and (b) we have otherwise approved such opening in writing.
- h. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Initial Training Program. The initial training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well as changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained.
- i. We typically require that you and your management and other required trainees complete (i) Corporate Training and all Remote Training within 90 days of executing your Franchise Agreement, and (ii) Initial On-Site Training prior to or around the opening of your Franchised Business. Failure to complete the training we require prior to the opening of your Franchised Business may result in termination of the Franchise Agreement, unless we

agree otherwise that some or all of the Initial On-Site Training will be provided and completed after you actively commence operations of the Franchised Business (including solicitation of prospective Client(s)).

- j. Our training program will be supervised by our President, Nick Lopez, who has: (i) been with us since our inception; and (ii) approximately 16 years of experience in the industry and topics of instruction comprising the Initial Training Program via his experience as principal of our Affiliate-Owned Businesses since the first such Business commenced operations in 2009. Erica Sicre will also supervise the training program and Erica has: (i) been with us since September 2023; and (ii) 14+ years of franchise training experience.
- k. We will provide you with access with one (1) copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop.
- l. Once we provide you and your Initial Training Team with On-Site Training at your Premises, you and/or any Designated Manager will be solely responsible for training all subsequent personnel that works at your Franchised Business. We reserve the right to provide any portion of the On-Site Training virtually.
- m. If you are operating a Franchised Business in one (1) or more Additional Territory(ies), we do not require (and are not obligated) to attend/provide the Initial Training Program once you have attended and completed all Initial Training Program requirements in connection with the Franchised Business generally, even if you enter into a Multi-Territory Addendum after you have entered into your Franchise Agreement;
- n. Below please find the details of our (a) Corporate Training that takes place at our then-current headquarters (currently in Colorado) or other designated training location we establish for System training, and (b) our Remote Training:

### **TRAINING PROGRAM**

#### **Corporate Training**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING<sup>1</sup></b>	<b>HOURS OF ON-THE-JOB TRAINING<sup>2</sup></b>	<b>LOCATION</b>
Brand Introduction	6	0	Denver, Colorado or other designated training location
Marketing	8	0	Denver, Colorado or other designated training location
Leadership and Stewardship	6	0	Denver, Colorado or other designated training location
Technology	7	0	Denver, Colorado or other designated training location
Color Consulting, Use of Subcontractors, Warranty(ies)	4	0	Denver, Colorado or other designated training location
Finance	1	0	Denver, Colorado or other designated training location
The LIME	8	0	Denver, Colorado or other designated training location

SUBJECT	HOURS OF CLASSROOM TRAINING <sup>1</sup>	HOURS OF ON-THE-JOB TRAINING <sup>2</sup>	LOCATION
<b>TOTAL</b>	<b>40</b>	<b>0</b>	

**Remote Training**

SUBJECT	HOURS OF CLASSROOM TRAINING <sup>1</sup>	HOURS OF ON-THE-JOB TRAINING <sup>2</sup>	LOCATION
Production Review	6	0	Remote Training
Prospecting/Estimating	8	0	Remote Training
Learning Management System*	40	0	Remote
Business Blueprint	12	0	Remote Training
Marketing	6	0	Remote Training
Technology (including Required Software)	6	0	Remote Training
Reporting	2	0	Remote Training
<b>TOTAL</b>	<b>80</b>	<b>0</b>	

\*We provide approximately 40 hours’ worth of remote training through our Learning Management System that we recommend that you complete prior to opening.

**Explanatory Notes**

1. Portions of any “Classroom” training described within the Corporate Training chart above may be provided to you via webinar or other online/electronic method that allows us to administer, provide, track report and deliver e-learning education courses and training via a software application (and, if applicable, confirm that you have passed any corresponding test in connection with such training).
2. In addition to the remote instruction/classes and the Corporate Training that is provided at our training facility or corporate offices as described in the Training Chart above, we will send one (1) or more of our trainers to your Franchised Business to provide additional on-site instruction and assistance. This on-site assistance will typically take place at or close to the time you are authorized to open your Franchised Business and may involve traveling to prospective Client(s) for sales calls and/or visits.
3. Please note, however, that (a) certain of the “On-the-Job” training may be provided or covered during the training we provide at our designated training facility or corporate offices, and (b) certain portions of the instruction typically provided during Initial On-Site Training may be provided instead by remote instruction.
4. You will be required to pay our then-current Training Fee for any additional training provided in connection with re-attendance or replacement management or other personnel. Our current fee for this training is \$1,000 per day plus any additional fees and expenses incurred providing the same.

5. We may offer, and require you and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that you and your Designated Manager attend up to five (5) days of Additional Training each year at our headquarters in Colorado or other location we designate. You will be required to pay our then-current Additional Training Fee for any Additional Training you and your employees request to attend and any Remedial Training that we require. You will also be solely responsible for all expenses incurred in attending Additional Training (currently \$500/day per trainer).

**B. Site Selection**

Our standard franchise offering assumes that you will operate your Franchised Business, at least an initial matter, from your home office or other dedicated space that you already possess.

Unless we agree otherwise in writing, we will designate and approve your home office as the Premises of your Franchised Business in the Data Sheet attached to your Franchise Agreement at the same time you sign that agreement, provided you have provided the proper assurances and any corresponding evidence we reasonably request to demonstrate that your home office or similar space within your possession is of sufficient size and can be dedicated to the Franchised Business operations.

If you are operating multiple Franchised Businesses or otherwise wish to operate from a third-party space that you lease, you must (a) obtain our prior written approval, and (b) ensure that your proposed third-party space is consistent with any site selection guidelines to the extent they have been reduced to writing and provided to you at the time you submit your request to operate from a third-party space. If you operate multiple Franchised Businesses in multiple Designated Territories, then you will only be required to operate from a single approved Premises for that Franchised Business.

We may evaluate any third-party space you propose and will typically consider the following: accessibility via various modes of transportation, typical foot traffic and vehicle traffic in the area, proximity to home improvement stores, delivery and parking accommodations, area security, and other factors. We may also condition our approval of an proposed Location on the landlord for such space agreeing to (a) afford us a collateral assignment of lease and certain other rights in connection with the leased space that are set forth in the form of lease addendum attached to your Franchise Agreement as Exhibit C. (Franchise Agreement, Sections 2(B) and 5(E));

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing the Premises your Franchised Business; and (ii) equipping and, if you determine appropriate in connection with a third-party space, constructing, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. We may require you to use our Approved Supplier for site-selection assistance. (Franchise Agreement, Section 5(F)).

In deciding whether to approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar services and/or products within the area, along with the proximity of the Premises

to these businesses and the nature of all other businesses in proximity to the proposed site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site.

We will use reasonable efforts to approve or reject any proposed third-party space you propose within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected.

Given our standard franchise offering assumes you will be operating from a home office, we expect and assume that you will have the Premises of your Franchised Business and be able to designate the same in your Data Sheet when your Franchise Agreement is signed. Unless we agree otherwise in writing, we expect that your Premises will be located within the Designated Territory you are awarded under your Franchise Agreement.

#### C. Time to Open

We estimate that it will take between 45 and 120 days to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to (a) attend and complete all training, (b) develop, plan and commence executing (with our approval) your initial marketing plan (via your expenditures from the Initial Marketing Spend discussed below in this Item), (c) equipping your Premises and any Mobile Units that must be acquired and utilized, and (d) acquire all inventory and marketing materials necessary for your initial period of operations.

#### D. Post-Opening Obligations

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). (Franchise Agreement, Section 5(A));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, intranet communication, ZOOM®, SKYPE®, via SMS or other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 5(G-H));

3. We may also provide you with additional on-site assistance and/or training, subject to the availability of our field representatives and, upon our request, payment of our then-current Training Fee in connection with any: (i) additional training or on-site assistance that you request; (ii) Remedial Training you or your personnel are required to attend; and/or (iii) training that we provide to any replacement personnel, including any Corporate Training that such personnel must receive prior to undertaking any

corresponding duties or responsibilities at your Business. (Franchise Agreement, Section 5(H));

4. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(I));

5. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(K));

6. We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year, and it may be combined with our affiliate’s annual System conference for Business owners. You will be responsible for the costs and expenses you incur in connection with any franchise conference and you will be required to pay our then-current attendance/registration fee, which we currently estimate to be between \$1,000 and \$2,000 (Franchise Agreement, Section 5(Q));

7. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote the brand, our Proprietary Marks and other Business locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information.

8. Once established, we will administer and maintain the Fund as we determine appropriate. (Franchise Agreement, Section 9(F));

9. We may, as we deem appropriate in our discretion, establish and maintain a website or other online portal of any kind that will be accessible by our franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manual, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (collectively, the “System Site”). (Franchise Agreement, Section 5(E));

10. We may conduct, as we deem advisable in our sole discretion, inspections of the Premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of a System franchise, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(L));

11. We may supplement, revise or otherwise modify the Manuals and/or a System Site as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet. (Franchise Agreement, Section 5(D-E)); and

12. We may: (i) research new services, products and equipment and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and services to be offered or provided

as Approved Services and/or Approved Products (including Project Materials) that can be made available and offered to prospective and existing Client(s), including proprietary products and services that may be sold under the trademarks we designate. (Franchise Agreement, Section 5(K)).

#### E. Advertising

All advertising and promotion that you use in connection with your Franchised Business must be approved by us in advance and in writing and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. We are not required to spend any amount on advertising in your Designated Territory. (Franchise Agreement, Section 9(B)).

*Initial Marketing Spend.* In addition to the Local Advertising Requirement, you will be required to expend a minimum of \$10,000 to \$20,000 in connection with the initial marketing and other necessary activities for you and the personnel of your Franchised Business to be ready to open your Business and/or generate Client(s) or prospective Client(s) for potential conversion into Client Project prior to and around the time you initially launch and commence operating your Franchised Business (with our approval). We expect you will expend these amounts within the period that typically commences around 30-60 days prior to the contemplated opening of your Franchised Business and typically ends around 15-30 days following your initial launch with our approval. You will typically pay this amount to us, but we may require that you expend any portion of these funds on products and services that you must purchase from our Approved Suppliers.

*Local Advertising Requirement.* We require that a System franchisee spend at least \$500 per month on local advertising and promotions (the “Local Advertising Requirement”). (Franchise Agreement, Section 9(D)). You may be required to spend all or any portion of your Local Advertising Requirement on materials, products and services that are provided by one (1) or more of our Approved Suppliers (which may be us or our affiliate in the future).

*Digital Marketing Requirement.* As of the Issuance Date, we require that you pay us a Digital Marketing Requirement amounting to \$1,500 per month as consideration for certain digital marketing management and placement services that are provided on an ongoing basis in connection with your Franchised Business, System, and brand generally. In the future, we reserve the right to require that the Digital Marketing Requirement funds be paid, in whole or in part, to any Approved Supplier we designate. (Franchise Agreement, Section 9(E)).

*Brand Development Fund.* You are required to contribute up to three percent (3%) of weekly Gross Sales to the Brand Development Fund. Your actual contribution depends on your annual Gross Sales. If your annual Gross Sales are \$2,500,000 or less, then your contribution to the Brand Fund is 100% of the then-current amount. If your annual Gross Sales are greater than \$2,500,000, then your contribution to the Brand Fund is the then-current amount, less 1%. Only if the Brand Fund Contribution is set at 3% and you generate \$5,000,000 or more in annual Gross Sales, then your contribution to the Brand Fund will be 1% of Gross Sales. (Franchise Agreement, Section 9(F)).

We will administer and use the Fund to meet certain costs related to maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System. We will designate all programs that the Fund finances, with sole control over the creative concepts, materials, and

endorsements used and their geographic, market, and media placement and allocation. The Fund may also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; developing franchisee remote training tools and/or other technology tools designated to further develop the brand and/or our then-current System; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing.

We will account for the Fund contributions separately from our other funds and not use the Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions. The Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing, or administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest, determined from time to time by us, which provides us with a return commensurate with the prevailing interest rate charged by persons in the business of lending money under similar circumstances) to cover deficits, or invest any surplus for future use. We will use interest earned on Fund contributions to pay costs before spending the Fund's other assets. We will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises, except that we may use/display the phrase "Franchises Available" on any and all advertising/marketing that is covered by the Fund. We may incorporate the Fund or operate it through a separate entity if we deem appropriate.

Our Affiliate-owned Businesses may, but will not be required to, contribute to the Fund in the same manner that each Franchised Business is required to contribute.

We are not required to spend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an accounting of the Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we do not spend all Fund Contributions in a given year, we may rollover any excess contributions into the Fund for use during the following year. We will have the right to modify or discontinue the Fund, as we deem appropriate in our sole discretion. (Franchise Agreement, Section 9(F)).

We established the Brand Development Fund in 2024 and did not collect or spend any contributions during the 2023 calendar year.

*Advertising Council.* Currently, we have not established an advertising council (the "Advertising Council"), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund (if established in the future). At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 9(G)).

*Regional Advertising Cooperatives (“Cooperatives”).* We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Businesses (whether a Franchised Business or Affiliate-owned) (each a “Cooperative”). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Business owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Businesses within the geographical boundaries of the Cooperative. If you are designated as a member of a Cooperative, you may be required to contribute to the Cooperative in an amount not to exceed the then-current Local Advertising Requirement. All amounts paid to a Cooperative will be credited toward your Local Advertising Requirement. We have not established any Cooperatives as of the Issuance Date of this Disclosure Document. We reserve the right to establish the governing rules, terms, and operating procedures of any Cooperative and make them available for Franchisee’s review. (Franchise Agreement, Section 9(I)). If there is an affiliate-owned Business that is located within the Cooperative’s geographical boundaries, then that Business will be permitted to vote on Cooperative matters and, in the event they are involved in the Cooperative vote, such Business(es) will make the same Cooperative contributions made by the other System Businesses in that Cooperative – otherwise, these Businesses will have the option, but not the obligation, to contribute.

*Online Directories.* As another means of advertising, you must ensure that the Franchised Business is listed in appropriate Internet-based telephone directories that we designate. You must ensure that your Franchised Business has a dedicated telephone line that is not used for any other purpose.

#### F. Computer System

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, which currently includes: (i) a computer or laptop that is capable of running all Required Software, including without limitation, the software associated with POS, CRM, Client Data and Client Project recording/reporting/tracking/management, and other functions; (ii) a printer/scanner/copier (all in one); and (iii) one (1) tablet for mobile use for each Approved Vehicle used in connection with the Business (collectively, the “Computer System”). You must also use all Required Software we designate that is not provided as part of your Technology Fee at a given time, and we expect to typically have Approved Suppliers for any software that involves any Client Information or other Confidential Information that is owned by us or part of the System. (Franchise Agreement, Sections 4(C) and 10(C)).

You must ensure that all Client Data, including all sales calls, visits, and other pre-engagement activity with prospective Client(s), is promptly entered and records into the Required Software.

We reserve the right to approve all of the foregoing hardware before it is used in connection with your Franchised Business, and none of the foregoing hardware may be used for any other purpose other than operating your Franchised Business. You will also need to maintain Internet access via DSL or cable broadband connection. (Franchise Agreement, Sections 4(C) and 10(C)).

We estimate the costs to purchase our current Initial Technology Package to be around \$10,000, which includes (a) the costs of the computer hardware and peripherals above, (b) your Technology Fees that are payable to us prior to the commencement of your Franchised Business (as described more fully in Item 5 of this Disclosure Document), (c) any other initial setup or installation fees associated with the Required Software we designate for use by a new System franchisee, and (d) the initial integration of your Computer System and Required Software with our System and franchise network. Once you have commenced operations, you must pay us our then-current Technology Fee (currently, \$900/month).

You are obligated to keep your Computer System in good maintenance and repair and install such additions,

changes, modifications, substitutions, upgrades, updates, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. We estimate that you will spend approximately \$500 to \$1,500 annually on maintenance and support contracts for your Computer System, which includes any upgrades/updates to the Computer System.

Neither we nor our affiliates are obligated to provide any ongoing maintenance, repairs, upgrades, or updates to the Computer System, but we each reserve the right to be an Approved Supplier for such services in the future.

You must have the components necessary to ensure that the entire Premises of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System, including all Required Software, be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary). There are no contractual limitations on our right to access the information and data on any component of your Computer System. We may also require you to use a Computer System and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Computer System and/or software, including any security camera footage. (Franchise Agreement, Section 6(R)).

You are also required to participate in any System-wide area computer network, including any System Site that you are provided access to as our System franchisee, that we implement, and may be required to use such networks or System Site to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, Section 4(C)).

#### G. Website and Internet Use

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Instagram, LinkedIn, Instagram, Pinterest, Twitter, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must: (i) establish and operate your World Wide Web or Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s).

We have the right to establish and maintain a primary website, that may, without limitation, promote the Proprietary Marks and/or the System (the “Website”), including the contact information of your Franchised Business. Provided you pay us the Business Technology Setup Fee and for so long as you remain compliant with your obligations under the governing Franchise Agreement, we agree to establish an interior or other page on our brand Website to display the contact information associated with the Franchised Business.

We will have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time without notice to you. We have the right to modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate in the best interest of the System. We (or our Affiliate) are

the sole registrant of the Internet domain names www.LIMEpainting.com, www.LimePaintingFranchise.com, www.LimeLightOutreach.org, as well as any other Internet domain names that we or our affiliates register for in the future. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation, or visual variation of those words.

You will access and utilize any System Site we establish for use in connection with the System, including without limitation, to publish and circulate updates to the System Manual(s).

## **ITEM 12** **TERRITORY**

### *Designated Territory*

Your Designated Territory will typically be comprised of a radius or other area surrounding your approved Premises, which will be designated by us in the Data Sheet to your Franchise Agreement prior to the time you enter into that agreement with us.

We will determine and designate your Designated Territory as we deem appropriate in our discretion. The size of your Designated Territory will likely vary from the territory granted to other franchisees based on the location and demographics surrounding your Business. The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map.

If we determine, in our discretion, to base your Designated Territory on (a) population, (b) number of residential buildings and/or other potential Client(s), and/or (c) any other demographic-related “count” within a given region, then the sources we use to determine the population within your Designated Territory will be supplied by (i) the territory mapping software we determine to license or otherwise use, or (ii) publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

If you execute a Multi-Territory Addendum with us, we will detail each Additional Territory under the Multi-Territory Addendum prior to executing the Multi-Territory Addendum.

### *Minimum Territory*

There is no minimum territory granted to you under the Franchise Agreement or Multi-Territory Addendum.

### *Relocation; Establishment of Additional Franchised Businesses*

You will not be permitted to relocate your Franchised Business without our prior written approval, which may be withheld at our discretion. You will be assessed a relocation fee of \$1,000 at the time you submit the proposed location for your relocated Business. Generally, we do not approve requests to relocate your Business after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.

Should you determine to (a) move your home office, or (b) propose a relocation of your Premises from a home office to a third-party space (once you have been actively operating for a period of at least 12 months),

then (a) you must send us prior written notice of your proposed relocation, and (b) afford us a period of 30 days to review your proposal and accept/reject the same. We will not unreasonably withhold the kind of relocation request set forth herein, provided the proposed relocation is within your Designated Territory and the location (and, if appropriate, lessor) have satisfied our then-current criteria for an approved Premises.

We will approve the purchase of additional Franchised Businesses consistent with our then-current requirements at the time that you wish to purchase such additional Franchised Businesses.

*Options; Right of First Refusal; Or Similar Rights to Acquire Additional Franchises*

Neither the Franchise Agreement nor the Multi-Territory Addendum provides you with any option, right of first refusal, or similar rights to acquire and operate additional Franchised Businesses.

*Exclusivity; Reserved Accounts; Minimum Performance Levels*

We will not open and operate a Franchised Business, or license any third party the right to own and operate a Franchised Business, utilizing the Proprietary Marks and System within (a) the Designated Territory awarded under your Franchise Agreement for so long as your Franchise Agreement is not expired, terminated or subject to termination, and (b) each Additional Territory for so long as the Franchise Agreement and governing Multi-Territory Addendum have not expired, been terminated or is subject to termination.

Except as provided in this Item, we do not have any right to modify your Designated Territory once it has been awarded except by way of written agreement signed by both you and us.

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.

Notwithstanding the above, under contracts with companies that have locations in more than one territory (each, a “Reserved Account”), we have the right to offer, sell, and perform the Approved Services at Client Properties under such Reserved Accounts to Client Properties located both within and outside of the Designated Territory. Before we perform the Approved Services in accordance with a Reserved Account at a Client Property within your Designated Territory, we will first offer you the opportunity to provide that product or service if the following criteria have been satisfied: (a) you are qualified, able, and willing to provide such product or service on the terms and conditions prescribed by us or the Reserved Account; and (b) you are not in default under the Franchise Agreement, including any MPL and/or Multi-Territory Addendum obligations (if applicable), or any other agreement with us or our affiliates.

You must respond to such offer in the manner that we prescribe within the time period that we designate. If you are ineligible, unable, decline, or fail to perform the Approved Services in accordance with a Reserved Account within the period of time that we designate and on the terms and conditions required by us or the Reserved Account, we or our designee (which may be another Business that we authorize) may provide the Approved Services to the Reserved Account within your Designated Territory.

Regardless of whether you are operating in a single Designated Territory or Additional Territory(ies), your Franchise Agreement required that a Franchised Business generate certain minimum levels of Gross Sales in such Territory(ies) once your Franchised Business has been open and operating for a period of one (1) year in accordance with the following schedule(s):

<b>Month of Operations following Opening of Franchised Business When MPL Becomes Applicable</b>	<b>Minimum Performance Level (“MPL”)</b>
Month 18  (applicable to all Franchised Businesses)	\$500,000 in each 12-month period of operations following the Trigger Month (each, an “MPL Operational Period”)
Month 30  (for those operating in two (2) Territories or more)	\$700,000 in each MPL Operational Period if your Franchised Business is authorized to operate in two (2) total Designated Territories
Month 42  (for those operating in three (3) or more Territories )	\$900,000 in each MPL Operational Period if your Franchised Business is authorized to operate in three (3) total Designated Territories

In the event a System franchisee does not meet the applicable MPL for an applicable MPL Operational Period, then we may terminate Franchisee’s rights (or territorial rights) within any Designated Territory (including any Additional Territory) wherein the Franchised Business did not generate at least \$200,000 in Gross Sales over that one (1) year measurement period (each, a “Deficient Territory”) – based on the Client Project locations and Client information that System franchisees are required to submit to us as part of the reporting obligations under the Franchise Agreement.

Upon receipt of written notice that we are terminating your rights within a Deficient Territory, you will no longer have any operational or, if applicable, territorial rights within that Deficient Territory.

*Reserved Rights; Restrictions*

We and our parent/affiliate also reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Multi-Territory Addendum (as appropriate): (i) establish and operate, and license any third party the right to establish and operate, other Businesses and Franchised Businesses using the Marks and System at any location outside of your Designated Territory(ies) and, if applicable, Additional Territory(ies); (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and, if applicable, any Additional Territory; (iii) use the Marks and System, as well as other such marks we designate, to distribute any Approved Products and/or Services in any alternative channel of distribution, within or outside the Designated Territory and any Additional Territory (including the Internet, mail order, catalog sales, toll-free numbers, wholesale stores, etc.), as further described below; (iv) to (a) acquire, merge with, be acquired by, or otherwise affiliate with, any other company, and (b) have us or any successor/acquiring entity own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside your Designated Territory and, if applicable, any Additional Territory; (v) market, offer and provide the Approved Services directly to personnel in their respective residence, office or other location of choice and not from a Business location, anywhere inside or outside of the Designated Territory and, if applicable, any Additional Territory; (vi) own and operate Businesses in “Non-Traditional Locations” including, but not limited to, airports, malls, any captive venue that requires a ticket or other membership to access, military bases, academic institutions, hospitals, commercial and/or corporate parks, high-rise and/or other larger, multi-unit buildings, home improvement retailers (i.e., Home Depot® and Lowe’s®) and any other captive venue, both within or outside your Designated Territory(ies) and, if applicable, any Additional Territory; and (vii) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if applicable, any Multi-Territory Addendum.

Neither the Franchise Agreement nor Multi-Territory Addendum grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our parent/affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you with any compensation for soliciting or accepting orders (via alternate channels of distribution) within any territory you are awarded.

You may not solicit or accept orders outside of the Designated Territory without our prior written consent. You do not have the right to use other channels of distribution (such as the Internet, catalog sales, telemarketing, or other direct marketing) to make sales outside of the Designated Territory without our prior written consent.

Your rights under the Franchise Agreement and Multi-Territory Addendum do not include: (i) any right to offer any Lime Painting product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; (iii) any right to sell Approved Products via wholesale; (iv) any right to otherwise distribute, market, or implement our products and services in any channel of distribution not specifically identified in this Agreement; (v) the right to sub-license the franchise (or franchise development) rights you are awarded in any manner; or (vi) the right to sell and or all of your territorial rights independent of your entire Franchised Business to another person or franchisee without our written permission.

*Additional Disclosures*

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor our affiliates have established, nor do we presently intend to establish, other franchised or company-owned businesses that are similar to the Franchised Business and that provide the Approved Services and/or Approved Products under a different trade name or trademark, but we and our affiliate(s) reserve the right to do so in the future without your consent.

**ITEM 13**  
**TRADEMARKS**

We grant you a limited, non-exclusive license to use our then-current Proprietary Marks in connection with the operation of your Franchised Business only at your Premises and within your Designated Territory, provided you use these Proprietary Marks as outlined in your Franchise Agreement(s) and our Manuals. Our affiliate, TM Owner, is the owner of the following Proprietary Marks, which are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date
LIME PAINTING	5,404,154	February 20, 2018
LOVE. INTEGRITY. MISSION. EXCELLENCE	5,335,114	November 14, 2017
	5,339,105	November 21, 2017

	5,456,346	May 1, 2018
GET LIMED	5,329,755	November 7, 2017
LIME	6,254,735	January 26, 2021
LIME LOYALTY MEMBERSHIP	5,339,948	November 21, 2017
LIME LIGHT OUTREACH, INC	5,339,952	November 21, 2017
	5,244,841	July 18, 2017
	5,349,857	December 5, 2017
	5,250,066	July 25, 2017
INSPIRE LOVE	6,369,459	June 1, 2021

We have worked with, and will continue to work with, the TM Owner to file all required affidavits and other documents with the USPTO to maintain the federal registrations described above.

We are licensed to use, as well as sublicense our System franchisees the right to use, the Proprietary Marks pursuant to a form of trademark license agreement we have with the TM Owner dated November 27, 2017. We have a perpetual, royalty-free license to use such Proprietary Marks under this agreement, which has a perpetual term unless and until terminated by either party. In the event the agreement terminates, the parties have agreed to work in good faith together to ensure that System franchisees continue to have the right to use the then-current Proprietary Marks we designate in connection with their respective franchised Businesses. Other than this agreement, we are not aware of any other agreement that might materially affect your use of the Proprietary Marks in connection with a Franchised Business.

We and TM Owner reserve the right in its sole discretion to cease use of any trademark. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending infringement, opposition, or cancellation proceedings involving the Proprietary Marks. There is no pending material federal or state court litigation regarding our use or ownership rights in any of the Proprietary Marks. To our knowledge, there are no infringing uses that could materially affect your use or our ownership rights in the Proprietary Marks or our rights in the Proprietary Marks.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our affiliate's ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and

control any administrative proceeding or litigation involving the Proprietary Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement.

We reserve the right, at our sole discretion, to modify, add to, or discontinue use of the Proprietary Marks, or to substitute different proprietary marks for use in identifying the System and the businesses operating under these marks. You must comply with any changes, revisions and/or substitutions at your sole cost and expense.

## **ITEM 14**

### **PATENTS, COPYRIGHTS AND OTHER PROPRIETARY INFORMATION**

We do not own and do not license to you the ability to use any patent in the operation of the Franchised Business. We do claim common law copyright ownership to our Operations Manual and the materials in the Operations Manual that we license you the right to use in the operation of the Franchised Business.

We have no registered copyrights, nor are there any pending patent applications that are material to the franchise. However, we claim copyrights on certain forms, advertisements, promotional materials, software source code and other Confidential Information as defined below.

There are no effective determinations of the U.S. Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

We may revise our System and any of our copyrighted materials in our discretion and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

In general, our proprietary information includes “Confidential Information” as defined in our current Franchise Agreement, some of which is contained in our Manual, and includes, among other things, all information (current and future) relating to the operation of the Business or the System, including, among other things, all: (i) manuals, training, techniques, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation and franchising of the Business; (ii) designs, specifications and information about products and services and (iii) all information regarding members and suppliers, including any statistical and/or financial information and all lists. We disclose to you Confidential Information needed for the operation of a Business, and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

Both during and after the term of your Franchise Agreement, you must use the Confidential Information only for the operation of your Business under a Franchise Agreement with us; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and (iii) follow all prescribed

procedures for prevention of unauthorized use or disclosure of the Confidential Information.

We have the right to use and authorize others to use all ideas, techniques, methods, and processes relating to the Business that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to the franchise business that are conceived or developed by you and/or your employees.

We will have a perpetual right to use, and to authorize others to use, all ideas, techniques, and other similar information relating to the Franchised Business that are conceived or developed by you and/or your employees without compensation or other obligation.

## **ITEM 15**

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

While we recommend that you personally participate and manage the day-to-day operations of your Franchised Business, you may hire a Designated Manager to manage daily operations with our approval. Both you and your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities).

We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has completed our Initial Training Program and otherwise demonstrated that he/she a good handle on our System standards and specifications for daily operations of a Business. If the franchisee is a business entity, the Designated Manager must have at least a 20% phantom stock interest or other 20% interest in the business entity. The Designated Manager must sign a Confidentiality and Non-Competition Agreement.

Your Franchised Business must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our entire Initial Training Program, including Initial On-Site Training materials (including any remote content).

In the event that you operate more than one Franchised Business, we may require that you have a properly trained Designated Manager to manage the operations of each Business (and corresponding Designated Territory) you have developed. You must keep us informed at all times of the identity of any personnel acting as Designated Manager and obtain our approval before substituting a new Designated Manager at any of your locations.

We are not your employer. You control all decisions related to recruiting, hiring, or firing any personnel, including personnel or subcontractors that must be independently licensed to perform certain of the Approved Services in connection with a given Client Project.

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, the form of Personal Guaranty attached to the Franchise Agreement as an Exhibit (the "Guaranty"). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the "Owners"), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must (1) sell or offer for sale only those products, merchandise, and services as we have expressly approved for sale in writing, (2) sell or offer for sale all types of products, merchandise, and services we specify, (3) refrain from any deviation from our standards and specifications without our prior written consent, and (4) discontinue selling and offering for sale any products, merchandise, and services which we may, in our discretion, disapprove in writing at any time. You must only offer and sell the Approved Products at retail, and you are not permitted to sell such Approved Products (including all retail merchandise) at wholesale or for re-sale of any other kind. All Approved Products, including inventory used in connection with the Approved Services, that are sold or offered for sale at the Business must meet our then-current standards and specifications, as established in the Manuals or otherwise in writing. See Item 8.

Any painting, substrate-related services or other Approved Services or Approved Products that have an installation method, that requires any kind of contractor's license or other license/permitting/approval from a third-party agency in order for an individual to provide such services under the laws of the state where the Franchised Business is located must be provided by your personnel that have such appropriate licensing/permitting/approval(s). Our standard franchise offering expects and assumes that any Subcontractors or other personnel you engage or hire will have the appropriate state and/or other licensing, insurance, and certifications to provide the Approved Services for which they have been engaged or hired.

The Franchise Agreement does not limit our right to make changes in the types of authorized products, merchandise, and services. As permitted by applicable law, you must follow our general pricing guidelines, including any promotional prices set by us.

You must comply with all of our policies regarding advertising and promotion, including the use and acceptance of coupons, gift cards or incentive programs. We do not limit your access to customers in that customers may patronize your Business even if they are not located within your Designated Territory, provided you comply with your advertising and solicitation obligations under your Franchise Agreement.

## **ITEM 17**

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

#### **THE FRANCHISE RELATIONSHIP**

**The following tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

**A. Franchise Agreement**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the Franchise Term	Section 3	10 years from the signing of Franchise Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
b. Renewal or Extension of the Term	Section 3	If Franchisee satisfies all of the requirements of the Franchise Agreement, Franchisee will have an option to renew the franchise relationship for two (2), consecutive 10-year periods.
c. Requirements for Franchisee to Renew or Extend	Section 3	Give timely notice; complete to Franchisor's satisfaction all maintenance, refurbishing, renovating and remodeling that Franchisor requires of the premises of the Franchise Business; not be in default of the Franchise Agreement or any other agreement and have complied with the standards and operating procedures prescribed by Franchisor; satisfy all monetary obligations owed to Franchisor or its affiliate; execution of the then-current form of franchise agreement, which may contain materially different terms and conditions than your original contract; pay to Franchisor the renewal fee; sign a release subject to state law; and remain in possession of the premises of the Franchised Business.
d. Termination by Franchisee	Not Applicable	Franchisee may terminate under any grounds permitted by law.
e. Termination by Franchisor Without Cause	Not Applicable	Not Applicable.
f. Termination by Franchisor With Cause	Section 15	We have the right to terminate with cause.
g. "Cause" Defined – Curable Defaults	Section 15(C)	Curable defaults include: Franchisees failure to pay Franchisor amounts owed when due (10 days to cure); Franchisee fails to perform any of its obligations under the Franchise Agreement or any other Agreement between Franchisee and Franchisor or its Affiliates; Franchisee fails to furnish reports, financial statements, tax returns, or any other documentation required by the Franchise Agreement; or Franchisee engages in any conduct or practice which, in the reasonable opinion of the Franchisor, reflects unfavorably upon or is detrimental to the Marks, to the good name, goodwill or reputation of the Franchisor.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" Defined – Non-Curable Defaults	Section 15(A) and Section 15(B)	Non-curable defaults include: material misrepresentation on Franchisee's application for the Franchise Agreement; understatement of Gross Sales; Franchisee loses the right to possession of the premises or the Lease; if a guarantor or the manager fails to satisfactorily complete the initial training program; unauthorized transfers by Franchisee; Franchisee receives 3 or more notices of default in any consecutive 12 month period; Franchisee is adjudicated as bankrupt, insolvent, or commits any affirmative act of insolvency, or files any action or petition for insolvency; if the Franchisee ceases or takes any steps to cease the operation of the Franchised Business; or if the Franchisee or Franchisee's principal does not timely cure a default within the applicable cure period under a different franchise agreement or other agreement with Franchisor (including the Multi-Territory Addendum) or such an agreement becomes subject to termination or is terminated.
i. Franchisee's Obligations on Termination/Non-Renewal	Section 16	Obligations include: cease operations of the Business; de-identification; payment of amounts due to Franchisor and its affiliates; return the Manuals and all other confidential information or items imprinted with any of the Marks; sell to Franchisor products, furnishings, equipment, signs, fixtures, stationery, forms, packaging, and advertising materials at Franchisor's option; modify the interior and exterior of the premises of the Business; if termination is a result of Franchisee's default Franchisee must pay to the Franchisor all costs and expenses incurred as a result of that default; compliance with post-termination non-competition agreement; transfer all telephone and facsimile numbers, all listings and email addresses and social media accounts; and others.
j. Assignment of Contract by Franchisor	Section 13	The Franchisor may assign any or all of its rights arising from the Franchise Agreement, provided that the assignee agrees in writing to assume all obligations undertaken by the Franchisor.
k. "Transfer" by Franchisee – Defined	Sections 13(A) and 13(C)	Franchisee shall not sell, assign, transfer, mortgage, charge, grant a security interest in or otherwise encumber any of the Franchisee's right and interest hereunder or in any assets of the Franchised Business, nor shall any of the guarantors transfer any of their shares in the capital of the Franchisee nor shall the Franchisee amalgamate, merge, reorganize, or engage in any similar proceeding, without in each case obtaining the prior written approval of the Franchisor.
l. Franchisor Approval of Transfer by Franchisee	Section 13(A)	All transfers require our prior written consent, which will not be unreasonably withheld, and we have a right of first refusal to acquire any proposed transfer of interest.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m. Conditions for Franchisor Approval of Transfer	Section 13(E)	Conditions of approval include: submit a copy of the offer relating to the Transfer, information relating to the character and business background of the proposed transfer; Franchisee's monetary and other obligations have been satisfied; Franchisee is not in default of any provision of any agreement with Franchisor or its affiliates; transferor signs a general release; transferee enters into a written assignment and guaranty, if applicable; transferee meets our qualifications; transferee signs our then-current form of franchise agreement; transferee completes all required training programs; Franchisee pays a transfer fee to Franchisor; Transfer is in compliance with applicable bulk sales legislation; and others.
n. Franchisor's Right of First Refusal to Acquire Franchisee's Business	Section 13(D)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party <i>bona fide</i> offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o. Franchisor's Option to Purchase Franchisee's Business	16(G)	Upon termination or expiration of the Franchise Agreement, Franchisor has the option, but not the obligation, to purchase Franchisor's equipment and furnishings, inventory and supplies owned and used by the Franchisee in connection with the operation of the Franchised Business at a price equal to the lesser of the book value and the fair market value of the property in question; Franchisor also has the option to have Franchisee assign its lease to Franchisor.
p. Death or Disability of Franchisee	Section 13(B)	Upon the death or mental incapacity of any person holding any interest in the Franchise Agreement, in Franchisee, or in all or substantially all of the assets of the Business, an approved transfer must occur within 120 days.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
q. Non-Competition Covenants During the Term of the Franchise	Section 14(A)	During the term of the Franchise Agreement, Franchisee, nor any officer, director, executive, manager, or member of the professional staff, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person: (i) divert or attempt to divert any business or customer of the Business to any competing business (as defined in the Franchise Agreement), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or (ii) own an interest in, manage, operate, or perform services for any Competing Business (a business that (i) offers, provides or sells products or services in connection with (a) painting, substrate and/or other ancillary services in the field of home maintenance and improvement services, and (b) any Approved Products or Approved Services that are offered or provided by the Franchised Business or other franchised businesses) from any location.
r. Non-Competition Covenants After the Franchise Is Terminated or Expires	Section 14(B)(1)  Section 14(B)(2)	<p>For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising, or establishing of joint ventures for the operation, of any Competing Business.</p> <p>For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with a Competing Business: (i) at the Premises or within your Designated Territory; (ii) within a 25- mile radius of your Designated Territory; or (iii) within a 25-mile radius of any other designated territory franchised or licensed by us in connection with a Business as of the date of expiration/termination of your Franchise Agreement.</p> <p>During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; or (ii) contacting any of our suppliers/vendors for a competitive business purpose.</p>
s. Modification of the Agreement	Section 18(D)	All amendments, changes, or variances from the Franchise Agreement must be in writing.

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
t. Integration / Merger Clause	Sections 18 and 22	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.
u. Dispute Resolution by Mediation or Arbitration	Section 21(B)  Section 21(C)	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.  At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place, at our option, in (a) Denver, CO or (b) our then-current corporate headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated or arbitrated, the parties will split the fees and bear all of their other respective costs of the mediation/arbitration.  (subject to applicable state law)
v. Choice of Forum	Section 21(D) and 21(E)	Subject to the other dispute resolution provisions set forth in the Franchise Agreement and disclosed above in this Item, all claims and causes of action arising out of the Franchise Agreement must be brought in the state or, if appropriate, federal court of general jurisdiction that is closest to (a) Arapahoe County, Colorado or, if appropriate the United States District Court for the District of Colorado, or the (b) city and state where we have notified you in writing we have established our then-current corporate headquarters.  (subject to applicable state law)
w. Choice of Law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Colorado without reference to this state's conflict of laws principles (subject to state law).

**B. Multi-Territory Addendum**

	<b>Provision</b>	<b>Section in Addendum</b>	<b>Summary</b>
a.	Term of the Franchise	Section 6.1, Exhibit A	The Addendum term in connection with a given Additional Territory will expire at the same time as your Franchise Agreement.
b.	Renewal or extension of the term	Not Applicable	See subpart (b) of Chart 17(A) above.

	<b>Provision</b>	<b>Section in Addendum</b>	<b>Summary</b>
c.	Requirements for franchisee to renew or extend	Not Applicable	Must: (i) satisfy all conditions associated with renewal of the Franchise Agreement; and (ii) pay additional Renewal Fee(s) amounting to \$10,000 per Additional Territory.
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable.
f.	Termination by franchisor with “cause”	Section 6.2	We may terminate the rights awarded in connection with one (1) or more Additional Territories if (a) your Franchise Agreement is terminated or subject to termination, or (b) you fail to meet the minimum performance levels in connection with that Additional Territory and failure to cure such default, or (c) you fail to pay the minimum amounts due under the Franchise Agreement and Multi-Territory Addendum in connection with that Addendum and fail to cure that default within 10 days of the date we provide you with notice.
g.	“Cause” defined – curable defaults	Section 6.2	See subpart (g) of the Chart 17(A) in this Item above, and subpart (f) in this Table 17(B).
h.	“Cause” defined - defaults which cannot be cured	Section 6.2	See subpart (h) of the Chart 17(A) in this Item above, and subpart (f) in this Table 17(B).
i.	Franchisee’s obligations on termination/non-renewal	Not Applicable	The post-term obligations under the Franchise Agreement detailed in subpart (i) of Chart 17(A) above will apply to the Franchised Business and Franchisee within any Additional Territory that is terminated or not renewed.
j.	Assignment of contract by franchisor	Section 8	We have the right to assign our rights under the Addendum without condition.
k.	“Transfer” by franchisee – defined	Section 8	Any transfer in you (if you are an entity) or your rights/obligations in connection with the Addendum.
l.	Franchisor approval of transfer by franchisee	Section 8	You may not transfer any rights or obligations under the Addendum without meeting the conditions set forth in the Franchise Agreement.
m.	Conditions for franchisor approval of transfer	Section 8	Please see subpart (m) of Chart 17(A) above.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 8	Please see subpart (n) of Chart 17(A) above.
o.	Franchisor’s option to purchase franchisee’s business	Section 8	Please see subpart (o) of Chart 17(A) above.

	<b>Provision</b>	<b>Section in Addendum</b>	<b>Summary</b>
p.	Death or disability of franchisee	Section 8	Please see subpart (p) of Chart 17(A) above.
q.	Non-competition covenants during the term of the franchise	Not Applicable	The covenants detailed in subpart (q) of Chart 17(A) will apply to the Designated Territory and any Additional Territory (in terms of geographic scope) under this Addendum.
r.	Non- competition covenants after the franchise is terminated or expires	Section 9	For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with a Competing Business within any Additional Territory(ies) awarded.
s.	Modification of the agreement	Section 15	Your Addendum may not be modified, except by a writing signed by both parties.
t.	Integration/merger clause	Section 15	Only the terms of the Addendum and Franchise Agreement apply (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 14	Please see subpart (u) of Chart 17(A) above. (subject to state law)
v.	Choice of forum	Section 14	Please see subpart (v) of Chart 17(A) above. (subject to state law)
w.	Choice of law	Section 14	Please see subpart (w) of Chart 17(A) above. (subject to state law)

**ITEM 18**

**PUBLIC FIGURES**

We do not presently use any public figures to promote our franchises.

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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 possible performance at a particular location or under particular circumstances.

### **BACKGROUND**

As of December 31, 2023, we had 34 franchise owners in 79 Territories (each, a “Franchise Owner”) and three affiliates (each, an “Affiliate Owner”) open and operating.

This Financial Performance Representation includes data in connection with 14 Franchise Owners operating in 30 Territories.

This Financial Performance Representations set forth the Average, Median, High, and Low Total Projects Sold, Dollars Collected from Projects Sold, Average Project Amount, Gross Profit Margin, Wages, Certain Marketing and Operations Expenses, and Adjusted Net Income for the Franchise Owners, split into the top 25%, top 50%, bottom 50%, and bottom 25% during the 2023 calendar year (the “Measurement Period”).

This Financial Performance Representation excludes data in connection with (i) seven Franchise Owners operating in a total of 13 Territories since those owners opened during the Measurement Period and were not otherwise open the entire Measurement Period, (ii) one Franchise Owner that operates in four territories where that Franchise Owner opened in two of the four Territories during the Measurement Period and their other two Territories were inactive for at least 45 days during the Measurement Period as a result of staffing shortages, (iii) one Franchise Owner that operates in three Territories that received an assignment of those Territories during the Measurement Period, (iv) one Franchise owner that operates in two Territories that received an assignment of those Territories during the Measurement Period and was inactive for at least 45 days during the Measurement Period as a result of not staffing their business based on our recommendations, (v) one Franchise Owner operating in five Territories where the owner receiving an assignment of two Territories during the Measurement Period and was inactive for at least 45 days during the Measurement Period as a result of not staffing their business based on our recommendations, and (vi) nine Franchise Owners operating in 22 Territories where those owners were inactive for at least 45 days during the Measurement Period and not staffing their business based on our recommendations.

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<b>Projects Sold</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	\$2,577,944	\$1,959,400	\$3,896,727	\$1,877,703
Top 50% (7)	\$1,706,643	\$1,382,018	\$3,896,727	\$786,083
Bottom 50% (7)	\$1,484,259	\$404,080	\$683,268	\$349,607
Bottom 25% (4)	\$381,523	\$386,202	\$404,080	\$349,607
<b>All (14)</b>	<b>\$1,095,451</b>	<b>\$734,675</b>	<b>\$3,896,727</b>	<b>\$349,607</b>

1. Of the Top 25%, 1/3 or 33% met or exceeded the Average Amount.
2. Of the Top 50%, 3/7 or 43% met or exceeded the Average Amount.
3. Of the Bottom 50%, 3/7 or 43% met or exceeded the Average Amount.
4. Of the Bottom 25%, 2/4 or 50% met or exceeded the Average Amount.

<b>Percentage of Dollars Collected from Projects Sold</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	100%	100%	100%	100%
Top 50% (7)	98%	100%	100%	93%
Bottom 50% (7)	48%	49%	84%	9%
Bottom 25% (4)	29%	29%	49%	9%
<b>All (14)</b>	<b>73%</b>	<b>89%</b>	<b>100%</b>	<b>9%</b>

1. Of the Top 25%, 3/3 or 100% met or exceeded the Average Amount.
2. Of the Top 50%, 5/7 or 71% met or exceeded the Average Amount.
3. Of the Bottom 50%, 4/7 or 57% met or exceeded the Average Amount.
4. Of the Bottom 25%, 2/4 or 50% met or exceeded the Average Amount.

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

<b>Average Project Amount</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	\$88,267	\$36,110	\$194,836	\$33,856
Top 50% (7)	\$45,012	\$12,948	\$194,836	\$12,230
Bottom 50% (7)	\$8,829	\$8,247	\$12,219	\$5,355
Bottom 25% (4)	\$6,946	\$7,090	\$8,247	\$5,355
<b>All (14)</b>	<b>\$26,921</b>	<b>\$12,225</b>	<b>\$194,836</b>	<b>\$5,355</b>

1. Of the Top 25%, 1/3 or 33% met or exceeded the Average Amount.
2. Of the Top 50%, 1/7 or 14% met or exceeded the Average Amount.
3. Of the Bottom 50%, 3/7 or 43% met or exceeded the Average Amount.
4. Of the Bottom 25%, 2/4 or 50% met or exceeded the Average Amount.

<b>Gross Profit Margin</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	55%	52%	63%	51%
Top 50% (7)	51%	49%	63%	46%
Bottom 50% (7)	42%	41%	45%	38%
Bottom 25% (4)	40%	41%	41%	38%
<b>All (14)</b>	<b>46%</b>	<b>46%</b>	<b>63%</b>	<b>38%</b>

1. Of the Top 25%, 1/3 or 33% met or exceeded the Average Amount.
2. Of the Top 50%, 3/7 or 43% met or exceeded the Average Amount.
3. Of the Bottom 50%, 3/7 or 43% met or exceeded the Average Amount.
4. Of the Bottom 25%, 3/4 or 75% met or exceeded the Average Amount.

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

<b>Wage Margin</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	0%	0%	0%	0%
Top 50% (7)	3%	0%	10%	0%
Bottom 50% (7)	14%	11%	25%	10%
Bottom 25% (4)	17%	17%	25%	11%
<b>All (14)</b>	<b>9%</b>	<b>10%</b>	<b>25%</b>	<b>0%</b>

1. Of the Top 25%, 3/3 or 100% met or exceeded the Average Amount.
2. Of the Top 50%, 5/7 or 71% met or exceeded the Average Amount.
3. Of the Bottom 50%, 4/7 or 57% met or exceeded the Average Amount.
4. Of the Bottom 25%, 2/4 or 50% met or exceeded the Average Amount.

<b>Certain Marketing and Operations Expenses Margin</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	13%	13%	17%	8%
Top 50% (7)	16%	18%	20%	8%
Bottom 50% (7)	27%	28%	31%	23%
Bottom 25% (4)	30%	30%	31%	28%
<b>All (14)</b>	<b>22%</b>	<b>22%</b>	<b>31%</b>	<b>8%</b>

1. Of the Top 25%, 2/3 or 66% met or exceeded the Average Amount.
2. Of the Top 50%, 2/7 or 29% met or exceeded the Average Amount.
3. Of the Bottom 50%, 3/7 or 43% met or exceeded the Average Amount.
4. Of the Bottom 25%, 2/4 or 50% met or exceeded the Average Amount.

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

<b>Adjusted Earnings Margin</b>				
<b>Franchise Owners</b>	<b>Average Amount</b>	<b>Median Amount</b>	<b>High Amount</b>	<b>Low Amount</b>
Top 25% (3)	35%	32%	43%	30%
Top 50% (7)	29%	27%	43%	22%
Bottom 50% (7)	12%	9%	20%	7%
Bottom 25% (4)	8%	7%	9%	7%
<b>All (14)</b>	<b>20%</b>	<b>21%</b>	<b>43%</b>	<b>7%</b>

1. Of the Top 25%, 1/3 or 33% met or exceeded the Average Amount.
2. Of the Top 50%, 3/7 or 43% met or exceeded the Average Amount.
3. Of the Bottom 50%, 3/7 or 43% met or exceeded the Average Amount.
4. Of the Bottom 25%, 1/4 or 25% met or exceeded the Average Amount.

#### **Notes to Item 19**

1. “Average” which is also known as the “mean,” means the sum of all data points in a set, divided by the total number of data points in that set.
2. “Median” means the data point that is in the center of all data points used in a set. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.
3. “High” means the largest or highest number in a data set.
4. “Low” means the smallest or lowest number in a data set.
5. “Projects Sold” means the total number of projects that were booked.
6. “Percentage of Dollars Collected from Projects Sold” is calculated by taking the total dollars actually collected and dividing that number by the total Projects Sold.
7. “Average Project Amount” is calculated by taking the total Projects Sold and dividing that amount by the number of projects that were booked.
8. “Gross Profit Margin” is calculated by taking the Total Dollars Collected and subtracting the Materials and Subcontractor Labor from that amount. We then took the difference of those amounts and divided it by the Total Dollars Collected and multiplied it by 100 to get the Gross Profit Margin percentage.
9. “Wage Margin” includes costs such as payroll expenses, taxes, and processing. It does not include amounts paid to subcontractors. Wage Margin is calculated by adding together payroll expenses, taxes, and processing and dividing that amount by the Total Dollars Collected. We then took the

quotient of that amount and multiplied it by 100 to get the Wage Margin percentage.

10. “Certain Marketing and Operations Expenses Margin” is calculated by adding together the Royalty Fee, Fund Contribution, Technology Fee, Digital Marketing Requirement, Local Advertising Requirement, Call Center Fees, automobile expenses, insurance, supplies, and equipment and dividing that amount by the Total Dollars Collected by each franchisee.
11. “Adjusted Earnings Margin” is calculated by taking the Gross Profit and subtracting the Certain Marketing and Operation Expenses from that amount. We then took the product of that amount and divided it by the Total Dollars Collected and multiplied it by 100 to get the Adjusted Earnings Margin percentage.
12. Written substantiation for the financial performance representation will be made available upon reasonable request.
13. **Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

Other than the preceding financial performance representation, we do not make any financial performance representations. Franchisor also does not authorize our employees or representatives to make any such representations orally or in writing. If you are purchasing an existing Business, 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 our President, Nick Lopez, at 4950 S Yosemite St F2 #121 Greenwood Village, CO 80111, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20**

### **OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
SYSTEM-WIDE OUTLET SUMMARY  
FOR YEARS 2021 TO 2023**

<b>Outlet Type*</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	4	31	+27
	2022	31	65	+34
	2023	65	79	+14
Company-Owned	2021	2	2	0
	2022	2	2	0
	2023	2	3	+1
<b>Total Outlets</b>	<b>2021</b>	<b>6</b>	<b>33</b>	<b>+27</b>
	<b>2022</b>	<b>33</b>	<b>67</b>	<b>+34</b>
	<b>2023</b>	<b>67</b>	<b>82</b>	<b>+15</b>

*\*For purposes of this Item 20, Outlet is defined as a Territory.*

**Table 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR YEARS 2021 TO 2023**

State	Year	Number of Transfers
New Jersey	2021	0
	2022	0
	2023	2
North Carolina	2021	0
	2022	0
	2023	3
Texas	2021	0
	2022	2
	2023	0
Utah	2021	0
	2022	0
	2023	2
<b>TOTAL</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>2</b>
	<b>2023</b>	<b>7</b>

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

**Table 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FROM YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of Year
AZ	2021	0	3	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
CA	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
CO	2021	3	1	0	0	0	0	4
	2022	4 <sup>1</sup>	1	0	0	0	0	5
	2023	5	0	0	0	0	0	4
FL	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	1	0	0
	2023	0	3	0	0	0	0	3
GA	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
ID	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	2	0	0	0	0	4
IN	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
IL	2021	0	2	0	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	3	0	0	0	0	8
MA	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
MN	2021	1	0	0	0	0	0	1
	2022	1 <sup>2</sup>	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MO	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
NJ	2021	0	5	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
NC	2021	0	3	0	0	0	0	3
	2022	3	2	0	0	0	0	5

	2023	5 <sup>3</sup>	0	0	0	0	0	5
OH	2021	0	3	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
OK	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
OR	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
SC	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
TN	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
TX	2021	0	0	0	0	0	0	0
	2022	0	12	0	0	0	0	12
	2023	12 <sup>4</sup>	2	0	0	0	0	14
UT	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
WI	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	1	0	0
<b>Total</b>	<b>2021</b>	<b>4</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31</b>
	<b>2022</b>	<b>31</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>65</b>
	<b>2023</b>	<b>65</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>79</b>

1. One franchisee was reacquired and resold to a franchisee during 2022 as set forth in Table 4 below.
2. One franchisee was reacquired and resold to a franchisee during 2022 as set forth in Table 4 below. .
3. One franchisee operating in two Territories ceased operating in 2023 and these two Territories were resold and reopened in 2023 by a new franchisee.
4. One franchisee operating in two Territories was reacquired and resold back to a franchisee during 2023 as set forth in Table 4 below.

**Table 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
CO	2021	2	0	0	0	0	2
	2022	2	0	1	0	1	2
	2023	2	0	0	0	0	2
FL	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2023	0	2	0	0	2	0
MN	2021	0	0	0	0	0	0
	2022	0	0	1	0	1	0
	2023	0	0	0	0	0	0
TX	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	2	0	2	0
WI	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
Total	<b>2021</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2022</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>2</b>
	<b>2023</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>4</b>	<b>3</b>

**Table 5  
PROJECTED OPENINGS**

State	Franchise Agreement Signed for Franchised Business Not Yet Open as of 12/31/2023	Projected New Franchised Businesses Opening in The Next Fiscal Year	Projected New Company-Owned Territories in the Next Fiscal Year
FL	1	1	0
PA	1	1	0
TN	1	1	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

A list of the names, addresses and telephone numbers of our current franchisees as of the issuance date of this Disclosure Document, as well as a list of the names, addresses and telephone numbers of our franchisees who have had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this franchise disclosure document, are attached as Exhibit E. We do not currently have any franchisee or former franchisee information to disclose.

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

In the last three fiscal years, one (1) or more System franchisees have entered into confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

There are no trademark-specific franchisee organizations that require disclosure under this Item.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached as Exhibit F are our audited financial statements for our fiscal years ending December 31, 2023, December 31, 2022, and December 31, 2021. Also attached as Exhibit F is our unaudited balance sheet and unaudited profit and loss statement as of March 31, 2024. Our fiscal year end is December 31.

## **ITEM 22**

### **CONTRACTS**

Copies of the following contracts or documents are also attached as Exhibits to the Disclosure Document that you may be required to execute in connection with your franchise purchase:

Franchise Agreement (and Exhibits)	Exhibit B
Multi-Territory Addendum	Exhibit C
State Specific Addenda (if and as applicable)	Exhibit I
Confidentiality and Non-Disclosure Agreement (if an as required)	Exhibit G
Sample Form of General Release Agreement (example only)	Exhibit H
Franchisee Questionnaire	Exhibit J

## **ITEM 23**

### **RECEIPTS**

A receipt in duplicate is attached to this Disclosure Document as Exhibit L. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to us at: Attn: Nick Lopez, President, c/o LIME Franchise Systems, LLC, 4950 S Yosemite St F2 #121 Greenwood Village, CO 80111.

**EXHIBIT A TO  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE ADMINISTRATORS

### California

Department of Financial Protection and  
Innovation  
320 West 4<sup>th</sup> Street  
Suite 750  
Los Angeles, California 90013  
1-866-275-2677

### Florida

Florida Department of Agriculture &  
Consumer Services  
Division of Consumer Affairs  
PO Box 6700  
Tallahassee, Florida 32314-6700

### Hawaii

Business Registration Division  
Securities Compliance Branch  
Department of Commerce & Consumer Affairs  
335 Merchant Street  
Honolulu, Hawaii 96813

### Illinois

Office of Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706

### Indiana

Secretary of State  
Franchise Section  
Indiana Securities Division  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204

### Kentucky

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601

### Maryland

Office of the Attorney General  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### Michigan

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
525 W. Ottawa Street  
980. Mennen Williams Building, 1<sup>st</sup>  
Floor  
Lansing, Michigan 48913

### Minnesota

Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198

### Nebraska

Nebraska Department of Banking and Finance  
Bureau of Securities  
1526 K Street, Suite 300  
PO Box 95006  
Lincoln, NE 68508

### New York

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8236 Phone  
(212) 416-6042 Fax

### North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### Rhode Island

Division of Securities  
Department of Business Regulation  
John O. Pastore Center, Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920

### South Dakota

Department of Labor and Regulation  
Division of Securities  
124 S. Euclid Ave., Suite 104  
Pierre, South Dakota 57501

### Texas

Statutory Document Section  
Secretary of State  
P.O. Box 13550

Austin, Texas 78711

Virginia

State Corporation Commission  
Division of Securities and Retail Franchising  
Ninth Floor  
1300 East Main Street  
Richmond, Virginia 23219

Washington

Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

Wisconsin

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703

## LIST OF AGENTS FOR SERVICE OF PROCESS

### California

Commissioner of Department of Financial  
Protection and Innovation  
Department of Financial Protection and  
Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013  
1-866-275-2677

### Hawaii

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

### Illinois

Attorney General of the State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

### Indiana

Secretary of State  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204

### Kentucky

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
P.O. Box 2000  
Frankfort, Kentucky 40602

### Maryland

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

### Michigan

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
525 W. Ottawa Street  
980. Mennen Williams Building, 1<sup>st</sup>  
Floor  
Lansing, Michigan 48913

### Minnesota

Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198

### Nebraska

Nebraska Department of Banking and Finance  
Bureau of Securities  
1526 K Street, Suite 300  
PO Box 95006  
Lincoln, Nebraska 68508

### New York

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8236

### North Dakota

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### Rhode Island

Division of Securities  
Department of Business Regulation  
John O. Pastore Center, Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920

### South Dakota

Director of the Division of Securities  
Department of Labor and Regulation  
124 S. Euclid Ave., Suite 104  
Pierre, South Dakota 57501

### Texas

Statutory Documents Section  
Secretary of State  
P.O. Box 13550  
Austin, Texas 78711

Virginia

Clerk of the State Corporation Commission  
1<sup>st</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219

Washington

Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

Wisconsin

Administrator  
Division of Securities  
Department of Financial Institutions  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703

**EXHIBIT B TO  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

**LIME FRANCHISE SYSTEMS, LLC**  
**FRANCHISE AGREEMENT**

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**Exhibit A: Data Sheet**

**Exhibit B: Personal Guaranty**

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**Exhibit D: EFT Authorization Form**

**Exhibit E: Confidentiality and Restrictive Covenant Agreement (for use by Franchisee for Management Personnel of the Franchised Business and Officers/Directors of the Franchisee)**

**Exhibit F: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names**

**LIME FRANCHISE SYSTEMS, LLC**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made and entered into on this \_\_\_ day of \_\_\_\_\_, 202\_\_ (“Effective Date,”) by and between: (i) LIME Franchise Systems, LLC, a Colorado limited liability company, with its principal business address at 4950 S Yosemite Street, F2 #121, Greenwood Village, Colorado 80111 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee”).

**BACKGROUND**

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the development, opening, and ongoing operation of a business that offers and provides various types of painting-related products and services that Franchisor authorizes now or in the future (collectively, the “Approved Products” and “Approved Services”, as applicable), including proprietary products and the corresponding services to existing residential homes (each, a “Client”). For purposes of this Agreement, each such business will be referred to herein as a “System Business.”

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a System Business; standards and specifications for the supplies, inventory and methodology associated with storing, preparing, offering and providing each type of Approved Product and Approved Service; advertising; marketing; standards and specifications for equipment; customize designed chemicals, equipment, and other services; basic standards typically used as the premises for a System Business; standards and specifications for the furniture, fixtures and equipment, including computer hardware and system, that must be used in connection with an Franchised Business; established relationships with approved or designated suppliers for certain products and services that must be utilized in connection with an Franchised Business, including certain proprietary and/or branded items; proprietary training programs, courses and training materials; Franchisor’s confidential and proprietary operations manual and, at Franchisor’s option, other instructional manuals that have been reduced to writing (collectively, the “Manuals”); and standards and specifications for advertising, bookkeeping, sales and other aspects of operating an Franchised Business. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information that makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Franchised Businesses are certain trade names, trademarks, service marks and trade dress, including its current primary marks LIME PAINTING® and LIME®, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Franchised Business utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Franchised Business, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Franchised Business based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

### **AGREEMENT**

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

**1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE**

- A. The business venture contemplated by this Agreement involves business risks.
- B. Franchisee acknowledges that Franchisee's success in connection with the franchise granted hereunder will be largely dependent upon Franchisee's ability as an independent businessperson.
- C. Franchisee understands and agrees that the home services industries are highly competitive with constantly changing market conditions (some of which may be seasonal in nature depending on where the Designated Territory is located), including, but not limited to, the risks associated with local, state and federal regulatory agencies.
- D. Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Franchisee either has consulted with such advisors or has deliberately declined to do so.
- E. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).
- F. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing.
- G. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-

how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.

- H. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- I. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those related to the provision of any Approved Services, that are necessary to operate the Franchised Business within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located at all times during the term of this Agreement. Franchisee specifically agrees and acknowledges that it will determine whether or not any type of contractor license or similar license/certification is needed to conduct the Franchised Business and, if such a license is required, Franchisee will obtain such license/certification prior to operating the Franchised Business in any manner. Franchisor shall have no liability in the event the development or operation of the Franchised Business violates any law, ordinance or regulation.
- J. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of an Franchised Business; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.
- K. The parties agree and acknowledge that all provisions and information set forth in the "Background" portion of this Agreement above, including all definitions and representations set forth therein, are hereby incorporated by reference as if fully set forth herein,.
- L. Franchisee agrees and acknowledges as follows:
  - 1. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.
  - 2. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state

or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa.

## 2. **GRANT OF FRANCHISE**

- A. **Grant of Franchise**. Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single Franchised Business (the "Franchised Business").
- B. **Approved Premises; Site Selection Area Mobile Unit(s)**. Unless Franchisor approves otherwise in writing, Franchisee will be required to operate the Franchised Business at an approved location set forth on the Data Sheet attached to this Agreement (the "Premises") within the Designated Territory that meets Franchisor's current site-selection criteria for the premises of a Franchised Business (the "Premises"). Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor's prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below); (ii) pays Franchisor its then-current Relocation Fee (the "Relocation Fee"); and (iii) Franchisee reimburses Franchisor for the reasonable costs and expenses that Franchisor incurs in connection with evaluating and approving the proposed relocation. If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the "Site Selection Area") on the data sheet attached to this Agreement as Exhibit A (the "Data Sheet") wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their Franchised Business within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each Franchised Business, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis. Franchisee will also acquire and utilize a vehicle that (a) meets Franchisor's then-current System standards and specifications, and (b) is branded with the vehicle wrap and/or decals and/or other signage Franchisor designate that incorporates the current Proprietary Marks (each, a "Mobile Unit").
- C. **Designated Territory**.
1. Franchisee shall only have the right to operate the Franchised Business and offer/provide the Approved Services in connection with homes that are located within the designated territory set forth in Section 3 of the Data Sheet (the "Designated Territory").
  2. The parties agree and acknowledge that in the event Franchisee and Franchisor enter into the prescribed form of addendum to this Agreement (the "Multi-Territory Addendum") whereby Franchisee will be awarded the right to operate in up to two (2) additional territory(ies) (each an "Additional Territory"), then: (i) said Additional Territory(ies) will be considered a separate and distinct "Designated Territory" hereunder for all purposes; (ii) Franchisee will be required to comply with all provisions in this Agreement when operating in such Additional Territory(ies); and

(iii) any breach of the foregoing provision or any term of the Multi-Territory Addendum will also constitute a material default under this Agreement.

3. For so long as Franchisee is in compliance with this Agreement, Franchisor will not establish or operate, or license a third party the right to establish or operate, any other Business that utilizes the System and Proprietary Marks from a premises within the Designated Territory.

D. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not grant Franchisee any right or option to open any additional Franchised Businesses nor does this Agreement provide Franchisee with any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Franchised Businesses, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.

E. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) own and operate franchised businesses at any location(s) outside of the Designated Territory under the Proprietary Marks, or to license others the right to own and operate System Businesses at any location(s) outside of the Designated Territory under the Proprietary Marks and System; (ii) the right to own and operate businesses under different marks at any location(s) inside or outside of the Designated Territory, or license to others the right to own and operate such businesses, under different marks at any location(s) inside or outside of the Designated Territory (such businesses will not primarily provide painting products and services); (iii) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of any branded painting products in wholesale and retail stores, via the Internet, and through mail order catalog, without regard to location; (iv) offer, sell, and perform the Approved Services to Reserved Accounts (defined in Section 2(F)); and (v) market, offer and provide the Approved Services directly to personnel in their respective residence, office or other location of choice and not from a Business location, anywhere inside or outside of the Designated Territory; (vi) own and operate Businesses in "Non-Traditional Locations" including, but not limited to, airports, malls, any captive venue that requires a ticket or other membership to access, military bases, academic institutions, hospitals, commercial and/or corporate parks, high-rise and/or other larger, multi-unit buildings, home improvement retailers (i.e., Home Depot® and Lowes®) and any other captive venue, both within or outside Franchisee's Designated Territory; and (vii) use the Proprietary Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in this Agreement.

F. **Reserved Accounts.** Franchisor reserves the right to offer, sell, and perform the Approved Services for customers who have locations in more than one territory (each, a "Reserved Account"), at client properties under located both within and outside of the Designated Territory. Before Franchisor performs the Approved Services in accordance with a Reserved Account at a Client Property within Franchisee's Designated Territory, Franchisor will offer Franchisee the opportunity to provide that product or service if the following criteria have been satisfied: (a) Franchisee is qualified, able, and willing to provide such product or service on the terms and conditions prescribed by Franchisor or

the Reserved Account; and (b) Franchisee is not in default under this Agreement, Development Agreement (if applicable), or any other agreement with Franchisor or its affiliates. Franchisee must respond to such offer in the manner that Franchisor prescribes within the time period that Franchisor designates. If Franchisee is ineligible, unable, decline, or fail to perform the Approved Services in accordance with a Reserved Account within the period of time that Franchisor designates and on the terms and conditions required by Franchisor or the Reserved Account, Franchisor or its designee (which may be another business that Franchisor authorizes) may provide the Approved Services to the Reserved Account within Franchisee's Designated Territory.

- G. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Manuals or otherwise).

### 3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date.
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to two (2) additional, consecutive term of ten (10) years, and must provide the request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date.
  2. Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.
  3. Franchisee pays Franchisor a renewal fee amounting to Ten Thousand Dollars (\$10,000) prior to Franchisor entering into the renewal form of franchise agreement described in Section 3(B)(2) above. Franchisee will not be required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal.

4. At Franchisor's option, Franchisee and/or the Designated Manager (as defined in this Agreement and as applicable) attends a prescribed training refresher course at least thirty (30) days before the expiration of the then-current term of this Agreement. Franchisee will be responsible for all expenses incurred in connection with attending this refresher training.
5. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance.
6. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
7. Franchisee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Mobile Units (defined herein) and Franchised Business within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly opened Franchised Business.

#### 4. **FEES AND PAYMENTS**

- A. **Fees.** In consideration of the rights and license granted herein, Franchisee agrees and acknowledges that it must pay the following amounts to Franchisor or, as noted below, Franchisor's designated supplier:
  1. *Initial Franchise Fee.* Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee amounting to Sixty Thousand Dollars (\$60,000) (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
  2. *Initial Training Fee.* Franchisee must pay Franchisor an initial training fee of Eight Thousand Dollars (\$8,000) (the "Initial Training Fee") prior to or and around the time Franchisee initially launches its Franchised Business. The Initial Training Fee is deemed fully earned and non-refundable upon signing this Agreement.
  3. *Initial Technology Package.* Franchisee must pay Franchisor an initial technology package fee of Ten Thousand Dollars (\$10,000) (the "Initial Technology Package") prior to or around the time Franchisee initially launches its Franchised Business.
  4. *Initial Marketing Spend.* Upon execution of this Agreement, Franchisee must expend a minimum of \$10,000 (the "Initial Marketing Spend") that will be used on certain digital and other marketing efforts associated with the System. Currently, Franchisee must pay Franchisor this amount. Franchisor reserves the

right to require that Franchisee expend any portion of the Initial Marketing Spend to engage an Approved Supplier to provide marketing materials or services.

5. *Digital Marketing Requirement.* Franchisee must pay the current fee, which is currently \$1,500 per month (or \$375 per week) to Franchisor or Franchisor's Approved Supplier as consideration for (a) digital marketing management and placement services that Franchisor as Franchisor determines appropriate and in accordance with Franchisor's then-current System practices, standards and specifications (the "Digital Marketing Requirement"). The Digital Marketing Requirement will commence when Franchisee acquires a Certificate of Occupancy in connection with the Premises of the Franchised Business, unless Franchisor agrees otherwise in writing.
6. *Technology Fee.* Franchisee must pay Franchisor or its Approved Supplier its then-current technology fee in connection with technology products or services Franchisor determines to (a) associate or utilize in connection with the System, and (b) use the Technology Fee to cover all or certain portion of the corresponding costs (the "Technology Fee"). The Technology Fee is currently \$900 per month (for up to three users).
7. *Start-Up Package and Other Inventory Purchases.*
  - a. Franchisee must pay the then-current start-up package fee for the initial package of business supplies such as uniforms, marketing brochures, letterhead and business cards to use in the operation of its Franchised Business.
  - b. Franchisee will be required to purchase ongoing inventory, including certain proprietary and/or branded paint and other products necessary to provide the Approved Services (collectively, the "Proprietary Products"), as in the amounts initially required by Franchisor and otherwise as needed to meet client demand for the Approved Services.
8. *Definition of Gross Sales.* In addition to the fees above, Franchisee will be required to pay Franchisor certain ongoing fees that may be based on gross sales. As used in this Agreement, "Gross Sales" include all: (a) revenue from the sale of all products and performance of services from the Franchised Business, whether for cash, credit or barter, and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business; and (b) any rebates or other consideration that Franchisee receives from third-party vendors/suppliers. "Gross Sales" from customers will not include monies that are collected and submitted by Franchisee for the transmittal to the appropriate taxing authority. In computing the Gross Sales, the Franchisee shall be permitted to deduct the amount of cash refunds to, and coupons used by customers at or prior to the time the customer has paid the full balance owed to Franchisee, provided such amounts have been included in sales. In the event Franchisee participates in any discount program, including but not limited to Groupon (which Franchisor must approve in writing), Gross Sales will include the full retail value of the goods or services rendered to the customer before any discounts or commission.
9. *Royalty Fee.* The Royalty Fee is the greater of (i) the percentage listed below, or (ii) the required Minimum Royalty. The Royalty Fee is calculated on a "tiered"

basis and is based on the total annual Gross Sales in any Calendar Year. On Franchisee's first \$2,500,000 in annual Gross Sales, the Royalty Fee is 7% of Gross Sales. On Franchisee's Gross Sales between \$2,500,000.01 and \$5,000,000, the Royalty Fee is 5% of Gross Sales. On Franchisee's Gross Sales in excess of \$5,000,000.01, the Royalty Fee is 4% of Gross Sales.

Once the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee will pay Franchisor a Minimum Royalty Fee as follows: (i) \$500/month starting in Franchisee's 6<sup>th</sup> full calendar month of operation and continuing through Franchisee's 11<sup>th</sup> full month of operation; and (ii) \$1,500/month in months 12 through 17 of operation; and (iii) \$3,000 per month starting in the 18<sup>th</sup> month of operation and each subsequent month comprising the balance of the franchise term (the "Minimum Royalty Fee").

The Royalty Fee and Minimum Royalty Fee are calculated on a per franchisee basis and not a per Territory basis.

Each month, Franchisor will have the right to collect the difference between (a) any monthly Minimum Royalty owed, and (b) the Royalty Fee actually collected based on the Gross Sales of the Franchised Business each week comprising that month (the "Shortfall Payment"), from the designated EFT bank account. The Royalty Fee is payable each Monday afternoon following the end of the previous Business Week. The Royalty Fee is deemed fully earned and nonrefundable upon payment.

10. *Fund Contribution.* Franchisee is required to contribute up to three percent (3%) of weekly Gross Sales to the Brand Development Fund. Franchisee's actual contribution depends on Franchisee's annual Gross Sales. If Franchisee's annual Gross Sales are \$2,500,000 or less, then Franchisee's contribution to the Brand Fund is 100% of the then-current amount. If Franchisee's annual Gross Sales are greater than \$2,500,000, then Franchisee's contribution to the Brand Fund is the then-current amount, less 1%. Only if the Brand Fund Contribution is set at 3% and Franchisee generates \$5,000,000 or more in annual Gross Sales, then Franchisee's contribution to the Brand Fund will be 1% of Gross Sales. Franchisor reserves the right to change this payment schedule. Franchisor may modify these fund contribution requirements upon thirty (30) days written notice to Franchisee.
11. *Other Amounts.* Franchisee will also be responsible for the other costs associated with establishing and operating the Franchised Business in accordance with System standards and specifications that Franchisee may be required to pay to Franchisor's approved or designated supplier (which may include Franchisor or its affiliates): (a) local advertising and promotion of the Franchised Business; (b) training/tuition fees; (c) evaluation costs; (d) ongoing software licensing fees for software that Franchisor designates for use in connection with the Franchised Business, including the System-based required software (collectively, the "Required Software"); (g) certain marketing dollars that Franchisor may collect and expend on behalf of the Franchised Business in connection with territorial campaigns as described more fully in this Agreement, a marketing and advertising materials Franchisor may require Franchisee to purchase any of items or services that are required in connection with Franchised Business from such an approved

or designated supplier; and (h) the then-current annual outreach management fee, which is currently \$500 per year (the “Outreach Management Fee”).

**B. Method of Payment; Bank Accounts.**

1. *Method of Payment.* With the exception of the Initial Franchise Fee (which should be paid by bank check or wire transfer), Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the “EFT Program”), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the “EFT Account”). Upon Franchisor’s written request, Franchisee must make all such payments described in this Section by bank or certified check.
2. *Use of EFT Account for Operational Funds.* Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee’s bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee’s bank, all documents, including Franchisor’s form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor’s ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee’s banking relationship, including any change to the EFT Account.

- C. Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access any proprietary software program and the computer system that Franchisee is required to use in connection with the Franchised Business or will be required to use in the future (the “Computer System”), via the Internet or other electronic means, in order to obtain any financial and/or Client information that is related to the operation of the Franchised Business, including without limitation, Gross Sales and Client contact and property information. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement.

**D. Operational Reports; Right to Modify Payment Interval.**

1. Franchisee shall provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Sales report no later than noon on Monday of each week for Gross Sales generated during the immediately preceding week detailing the information from the preceding week, including (a)

Gross Sales of the Franchised Business, (b) Franchisee's calculated Royalty Fee, (c) Fund contributions (if applicable), (d) Cooperative contributions (if applicable), and such evidence that Franchisee has made its local advertising expenditures required by Franchisor under this Agreement, the Manual, policy, or otherwise in writing; (ii) on or before the twentieth (20<sup>th</sup>) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within sixty (60) days of each calendar quarter, an unaudited balance sheet reflecting the financial position of the Franchised Business as of the end of that calendar quarter; (iv) within sixty (60) days of Franchisor's request, a financial statement that details the total assets and liabilities of the Franchised Business (and, if appropriate Franchisee and personal guarantors under this Agreement); (v) within sixty (60) days after the close of each fiscal year of Franchisee, financial statements which must include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (vi) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.

2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a monthly rather than weekly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.
3. Franchisee hereby grants Franchisor permission to report and distribute Franchisee's gross sales, gross sales mix, cost of material and labor and other certain expenses to other existing franchisees of Franchisor with such additional information as Franchisor may deem appropriate, including the identification of Franchisee, the location of Franchisee's franchised premises, and such other information as may make the gross sales/gross sales mix information a useful business aid to Franchisee and other franchisees of Franchisor. Franchisee will save and hold harmless Franchisor against and from any and all claims, liabilities, or suits resulting from or in connection with any acts or omission of Franchisor in the aforementioned reporting of sales.

E. **Late Payments.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate of one and a half percent (1.5%), or higher, as permitted by applicable law in the state where the Franchised Business is located, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay One Hundred Dollars (\$100.00) for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.

F. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in

addition to the amounts due to Franchisor, including, but not limited to, all required lodging taxes.

- G. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises and/or the Mobile Unit(s) and any equipment located thereon caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.
- H. **Failure to Input Business Information.** If Franchisee fails to input all prospects, clients, sales appointments and visits, jobs, sales, leads, etc. in to its Required Software, then Franchisee will be charged a fee of \$200 per reporting infraction.

## 5. **DUTIES OF FRANCHISOR**

### A. **Initial Training.**

1. *Initial Training Prior to Opening Subject to Payment of the Initial Training Fee.* Franchisor will provide (a) its initial training program (the “Initial Training Program”) to Franchisee (or its operating principal if Franchisee is an entity) and, if applicable, the individual that Franchisee has designated and Franchisor has approved to handle the day-to-day management of the Franchised Business (a “Designated Manager”), and (b) the appropriate components of the Initial Training Program to each additional individual that Franchisee expects or intends to engage provide certain Approved Services and Approved Products through the Franchised Business. The parties agree and acknowledge that: (i) certain portions of the Initial Training Program will be provided by Franchisor remotely via telephone calls, webinars or other online learning management system/technology; (ii) other portions of the Initial Training Program must be attended and completed at Franchisor’s headquarters or other designated training facility for the time period Franchisor prescribes or otherwise approves; and (iii) Franchisee shall bear all its costs and expenses incurred by Franchisee and all other trainees in connection with the Initial Training Program, including without limitation, travel, lodging, meals, local transportation and wages for any personnel. Any Designated Manager that Franchisee retains must have at least a 20% phantom stock or other 20% interest in the Franchisee entity.
2. *Replacement Personnel.* Franchisor will also provide the Initial Training Program or appropriate portions thereof to any replacement personnel that will serve as Franchisee’s Designated Manager of the Franchised Business, provided Franchisee pays Franchisor’s then-current training fee for such initial training (as well as any costs and expenses incurred) and subject to the schedule and availability of Franchisor’s training staff.
3. *Training Pre-Conditions; Acknowledgement of Completion.* The parties agree and acknowledge that: (i) Franchisee must satisfy the training pre-conditions set forth in Section 6(N) of this Agreement (the “Training Pre-Conditions”) before Franchisee or any of its personnel can attend any portion of the Initial Training Program that is

provided at Franchisor's headquarters and/or other designated training facility; and (ii) upon completion of the Initial Training Program and/or any appropriate components thereof, Franchisee or the individual that completed such training may be required to sign an acknowledgement that it received such training from Franchisor consistent with this Agreement.

B. **On-Site Assistance.** Subject to Franchisee and its appropriate personnel attending and completing all necessary training to commence operations of the Franchised Business and satisfaction of all Training Pre-Conditions, Franchisor will provide on-site assistance at the Franchised Business or otherwise within the Designated Territory hereunder that typically lasts up to three (3) business days and is provided around the time that Franchisor approves Franchisee to commence operations of the Franchised Business.

C. **Additional and Refresher Training.**

1. *Required Additional Training.* Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its Designated Manager to attend up to five (5) days of additional training per year at our headquarters, or any other location or through any other medium Franchisor designates ("Additional Training"). Franchisor may require Franchisee to pay its then-current training fee in connection with any Additional Training that Franchisor requires under this Section. Franchisee will be responsible for the costs and expenses incurred in connection with Franchisee and its designated personnel attending such training, which may take place at a training facility that Franchisor designates.
2. *Requested Additional Training and/or On-Site Assistance.* Franchisor may also provide Additional Training or other on-site assistance at Franchisee's reasonable written request, subject to: (i) the schedule and availability of Franchisor's training personnel; and (ii) Franchisee paying Franchisor's then-current training fee for each trainer that is provided in connection with the requested Additional Training, as well as Franchisee covering the costs and expenses that such personnel incur in providing such training. Franchisor will provide Additional Training under this Section as it deems appropriate in its discretion.
3. *Remedial Training.* Franchisor may require Franchisee to attend up to five (5) days of remedial training that Franchisor reasonably determines Franchisee and appropriate personnel must undertake in response to (a) the failure of Franchisee or any other required personnel to sufficiently complete the Initial Training Program or any type of Additional Training that Franchisor requires under Section 5(C)(1) above, or (b) Franchisee's failure to operate the Franchised Business in accordance with the terms of the Franchise Agreement after Franchisor has provided Franchisee with written notice of such failure (each, an instance of "Remedial Training"). Franchisor reserves the right to charge its then-current training fee for any Remedial Training that is provided to Franchisee and/or its personnel at any location. Franchisee must cover the costs and expenses incurred by Franchisor and its personnel in providing such Remedial Training if such training is provided at a location other than Franchisor's headquarters.

D. **Manuals.** Franchisor will provide access to, or otherwise loan, Franchisee one (1) copy of the Manuals prior to the opening of the Franchised Business. Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other

items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the “Required Items”); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the “Approved Suppliers”); and (iii) a list of the Approved Products and Approved Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business, including membership programs and services. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to Franchisee. Franchisor may also establish and maintain a website portal or other intranet for use by Franchisee and other Franchised Business owners (the “LIME Painting Web Portal”), wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed on the LIME Painting Web Portal. In the event Franchisee or its personnel saves or prints out a hard copy of any Manual, then such electronic/hard versions of said Manuals must be immediately returned upon expiration or termination of this Agreement for any reason (and never used for any competitive purpose). The provisions of this Section shall survive the term of this Agreement

E. **Initial Marketing Assistance.** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Initial Marketing Spend (as defined and described more fully in Section 9 of this Agreement), which program will be conducted at Franchisee’s expense.

F. **Continuing Assistance.**

1. Franchisor may, as it deems appropriate and advisable in its sole discretion, provide continuing advisory assistance in the operation of the Franchised Business. Franchisor’s determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.
2. Franchisor may provide such assistance via telephone, fax, intranet communication, Skype or any other communication channel Franchisor deems appropriate, subject to the availability and schedules of Franchisor’s personnel.
3. Franchisor may make available to Franchisee information regarding any new product, service or suppliers or any updated methods of doing business.
4. In the event Franchisee requests that Franchisor provide any type of assistance or training on-site at the Franchised Business, then Franchisee may be required to pay Franchisor’s then-current training tuition fee in connection with such training (in addition to reimbursing Franchisor for any costs/expenses that Franchisor’s personnel incurs in connection with providing such assistance).

G. **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.

H. **Website.** For so long as Franchisor has an active website containing content designed to promote the LIME PAINTING brand, System and Proprietary Marks (collectively, the

“Website”), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement. The Website is discussed in greater detail in Section 9(H) of this Agreement.

- I. **Email Addresses.** Franchisor will provide Franchisee with at least one (1) email address, which: (i) Franchisee is required to use in connection with the Franchised Business; and (ii) must be the only email addresses used in connection with the Franchised Business.
- J. **Private Label Products.** Franchisor may directly, or indirectly through Franchisor’s affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be used by Franchisee and/or offered and sold by Franchisee as part of the Approved Services that are provided at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier that Franchisor designates.
- K. **Inspections of the Premises and Mobile Units.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and, upon 48 hours’ notice, of the Premises and/or Mobile Units to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include: (i) inspections of the Premises and/or Mobile Units and inspecting any and all books and records; (ii) conducting mystery shop services and/or inspections designed to evaluate the Approved Products and Approved Services provided by the Franchised Business and any pre-sale activities involved with the same. Inspections of the Premises and/or Mobile Units will only occur during normal business hours and, with respect to the Premises, will only involve the physical area that is specifically devoted to the Franchised Business. Franchisee is solely responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- L. **Administration of Fund.** Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- M. **No Assumption of Liability.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site approval or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its designee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.
- N. **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- O. **Pre-Opening Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within sixty (60) days following the opening of the

Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.

- P. **Annual Conference.** Franchisor may establish and conduct an annual conference for all franchise owners and may require Franchisee (or its Designated Manager) to attend this conference, but for no more than five (5) days each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages), and Franchisor reserves the right to require Franchisee to pay Franchisor its then-current convention contribution fee approximately 120 days prior to attending.
- Q. **Call Center.** Franchisor reserves the right, but is under no obligation, to establish a System-wide call center (the “Call Center”). If established, Franchisee will pay the then-current rate charged by Franchisor or Franchisor’s Approved Supplier, including any setup fee, for call center services.

## 6. **DUTIES OF FRANCHISEE**

### A. **Securing a Premises.**

1. The parties agree and acknowledge that: (i) Franchisor expects and assumes that Franchisee will operate the Franchised Business, at least during its initial period of operations, from Franchisee home office and/or residential property; (ii) in the event Franchisee is not permitted by the applicable laws where his home is located from parking the Mobile Unit and/or otherwise operating the Franchised Business, then Franchisee will be permitted to operate from a third-party premises that Franchisor previously approves in writing.
2. Regardless, Franchisee must secure a Premises for the operation of the Franchised Business within ninety (90) days of the execution of this Agreement that Franchisor approves in its sole discretion (if a Premises is not already identified and accepted by Franchisor at the time of execution of this Agreement).

- B. **Lease.** If Franchisee must enter into a lease for the Premises (the “Lease”), then Franchisor has the right to condition its approval of the proposed location on: (i) Franchisee and Franchisee’s landlord executing a Collateral Assignment of Lease (attached as Exhibit C to this Agreement) granting Franchisor the right, but not the obligation, to assume the Lease upon: (i) Franchisee’s default under the Lease; or (ii) the termination, transfer, or expiration of this Agreement. If Franchisor requires, the landlord under the Lease must expressly consent to the Collateral Assignment of Lease in writing.

### C. **Build-Out of Premises and Time to Open.**

1. Franchisee must ensure the Premises complies with all applicable laws necessary to serve as the premises of the Franchised Business.
2. Franchisor must provide its prior written approval before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the Premises, and vehicle that Franchisor must approve (the “Mobile Unit”) prior to the opening date.

3. Should Franchisee fail to open the Franchised Business for operation within the prescribed period or, if applicable, within an extension of time approved in writing by Franchisor, this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee, without the necessity of further action or documentation by either party.
  4. If ever required by applicable law in connection with a third-party space that Franchisee determines to establish as the Premises of the Franchised Business demonstrated operational compliance through its initial period of operations, Franchisee shall use a qualified licensed, general contractor or construction supervisor to oversee construction or modification of the Franchised Business and completion of all improvements.
  5. Franchisee must ensure the Premises is suitable for operations, complete all other pre-opening obligations under this Agreement and commence active operations no later than three (3) months from the date this Agreement is executed.
  6. If Franchisee fails to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice to Franchisee from Franchisor.
- D. **Licenses and Permits for Franchised Business.** Prior to actively soliciting prospective clientele and/or providing the Approved Services, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises and within the Designated Territory, including all required licenses and permits related to the offer and sale of the Approved Services.
- E. **Licensing Requirements for Personnel.** Franchisee must ensure that the applicable Approved Services provided at the Franchised Business are only conducted by individuals that have the necessary licenses and/or other certifications or approval, if any, necessary to provide the Approved Services at issue.
- F. **Approved Products and Approved Services.** Franchisee must only offer and sell only the Approved Products and Approved Services at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Services and Approved Products are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Services or Approved Products from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute.
- G. **Mobile Units, Signs, and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Mobile Units, the Franchised Business, and all equipment, fixtures, furnishings, signs, artwork, décor items

and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. At Franchisor's request, which shall not be more often than once every five (5) years, Franchisee shall refurbish and upgrade the Mobile Units, any equipment thereon, and other components of the Franchised Business at its expense, to conform to the building design, trade dress, color schemes, and presentation of Proprietary Marks consistent with Franchisor's then-current standards and conditions for the System, including without limitation, redecoration, remodeling, and modifications to existing improvements, but specifically excluding vehicle wraps, lettering, and/or trade dress for those vehicles used in the operation of the Franchised business that may be updated more frequently (collectively, the "Vehicle Updates"). Franchisee shall have twelve (12) months from its receipt of Franchisor's request to complete the change, except that Franchisee is required to complete any Vehicle Updates within four (4) months of Franchisor's request.

- H. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto.
- I. **Other Required Items.** Franchisee must: (i) purchase, lease, and/or maintain any and all Required Items that Franchisor designates for use in connection with the Franchised Business that may include, without limitation, the Computer System, equipment, supplies, inventory; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.

Franchisee shall cause the Mobile Unit(s) to be wrapped or painted in signage and artwork as approved by Franchisor prior to opening the Franchised Business. Franchisee agrees to maintain any Mobile Unit in good mechanical condition and an appearance that properly represents Franchisor's brand to the public and to improve vehicle appearance at the request of the Franchisor.

- J. **Required Purchases of Inventory and Supplies.** Franchisee must purchase all inventory and supplies required to sell and provide the Approved Products and Approved Services, as well as thereafter maintain such inventory/supply levels, as Franchisee deems reasonably necessary and appropriate to meet current customer demand and any anticipated customer demand in the near future.
- K. **Inspection of Items.** Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove from the Franchised Business samples of items without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent, certified laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor, or if the sample fails to conform to Franchisor's specifications.
- L. **Alternative Supplier Approval.** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier,

Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor may charge an evaluation fee in connection with evaluating an alternative supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within 120 days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

M. **Computer Issues**. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders in connection with the operation of the Franchised Business, including the any proprietary software used in connection with the System.

N. **Training Completion and Conference Attendance**.

1. Franchisee must ensure that Franchisee and, if appropriate, its Designated Manager and/or any other personnel that it wishes to provide Approved Services to the initial customers of the Franchised Business, must attend and successfully complete the Initial Training Program, or appropriate portions thereof as Franchisor approves, prior to opening the Franchised Business.

2. Franchisee agrees and acknowledges that Franchisor may require Franchisee and its personnel to complete the components of the Initial Training Program that are provided via remote participation within 30 days of the date this Agreement is executed.
3. Franchisee agrees and acknowledges that Franchisee must complete and/or satisfy the following Training Pre-Conditions before Franchisor will approve Franchisee or any of its designated trainees to attend the components of the Initial Training Program that are provided at Franchisor's headquarters or other designated training facility:
  - i. payment of the Initial Training Fee and submission of Franchisee's initial marketing spend amounting to \$10,000 as discussed more fully in Section 9 of this Agreement (the "Initial Marketing Spend");
  - ii. undertake all steps to establish the EFT Account, as described in Section 4(B) of this Agreement, including providing Franchisor and/or its designee with all authorizations and approvals necessary to access such EFT Account;
  - iii. demonstrate that Franchisee has obtained all required insurance coverages required by this Agreement and the Manuals; and
  - iv. provide Franchisor with completed copies of all agreements and contracts that are attached as Exhibits to this Agreement that are signed by Franchisee and/or appropriate third party(ies), to the extent such documents have not been signed, completed or need to be updated as of that date.
4. In addition to the Initial Training Program, Franchisee and any other management personnel of the Franchised Business may, at Franchisor's option, be required to attend a training program that is conducted by one (1) or more of Franchisor's Approved Suppliers and designed to provide further instruction and training regarding the operation of the Franchised Business and provision of certain Approved Services (the "Third-Party Training"). If such Third-Party Training is required by Franchisor, then Franchisee will be: (i) required to pay the then-current training fee for those that attend the Third-Party Training; and (ii) responsible for the costs and expenses associated with Franchisee and any other required trainees attending such training. Once the Franchised Business is open, Franchisor will have the right to make this kind of Third-Party Training part of any Additional Training or Remedial Training that Franchisor may require under this Agreement.
5. Franchisee must also ensure that Franchisee and if appropriate, its Designated Manager, attends and completes and Additional Training or Remedial Training that may be required pursuant to this Agreement.
6. Franchisee agrees and acknowledges that it will be solely responsible for: (i) all costs associated with Franchisee and/or its designated personnel attending any initial or ongoing training provided by Franchisor or any third-party trainer pursuant to this Agreement; and (ii) paying Franchisor its then-current Training

Fee for any (a) Additional Training requested by Franchisee, (b) Remedial Training that Franchisee is required to complete as part of its cure actions with respect to a default hereunder, or (c) any replacement or new personnel that needs to attend any portion of the Initial Training Program, as set forth in this Agreement.

7. Any failure by Franchisee, or its Designated Manager, to (a) attend and complete the Initial Training Program, or (b) any other training/conferences that such individual(s) are required to attend and/or complete hereunder will constitute a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement.
- O. **Training of Personnel.** Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the entire Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each individual's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one (1) person that has completed the entire Initial Training Program must manage the Franchised Business at all times.
- P. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- Q. **Image.** Franchisee shall maintain the image of any Mobile Units and other equipment, as well as the Premises used in connection with the Franchised Business, at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that each Mobile Unit and related components are routinely maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures used in connection with the Franchised Business remains in good, clean condition.
- R. **Customer Lists and Data/Agreements; Privacy Laws.**
1. Franchisee must (i) maintain a list of all of its current and former Clients, as well as their properties and any Approved Services contracts associated therewith (the "Client Information"), at the Premises; and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information to Franchisor upon expiration or termination of this Agreement for any reason. This Client Information is deemed "Confidential Information" (as later defined in this Agreement) and Franchisor's exclusive property hereunder, including all Approved Services contracts with such Clients. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.
  2. Franchisee agrees to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information ("Privacy Laws"). Franchisee further agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law,

Franchisee will: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent.

- S. **Promotional Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must use commercially reasonable efforts to follow Franchisor's general pricing guidelines, including any promotional prices set by Franchisor for a particular Approved Product or Approved Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of the Approved Products and Approved Services.
- T. **Operation of Franchised Business, Customer Service, and Warranty Programs.** Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing. Franchisee must issue the warranties to customers for all products and services sold or delivered by the Franchised Business that Franchisor prescribes in the Manuals or otherwise in writing (the "Warranty"). Franchisee must comply with the policies relating to Warranties that Franchisor designates from time to time. Franchisee must refrain from issuing or offering any Warranty of which Franchisor has not approved. Franchisor may require Franchisee to issue to customers and perform under an extended (either in duration or scope) Warranty (the "Extended Warranty"). Franchisee must comply with the policies and procedures relating to the Extended Warranty that Franchisor may specify in the Manuals or otherwise in writing. Franchisor may require that Franchisee deliver products or services in connection with Franchisee's performance under an Extended Warranty ("Extended Warranty Work") on the terms and conditions that Franchisor prescribes, including pricing. Franchisee's remuneration for Extended Warranty Work may be limited to an allocation of the revenue from customers' Extended Warranty purchases that Franchisor designates. Franchisee must not charge customers for Extended Warranty Work without Franchisor's prior written consent. Franchisor may require that Franchisee offer the Extended Warranty to customers only in connection with the Loyalty Membership Program. Franchisee must promptly, fully, and courteously perform under all Warranties, including all Extended Warranty Work, to Franchisor's reasonable satisfaction. Franchisor has the right, but not the obligation, to respond to and settle or otherwise resolve any warranty claims, to manage all disputes and to control all arbitration and litigation (including any settlement or other resolution) relating to Warranty claims as Franchisor deems appropriate. However, Franchisee must reimburse Franchisor for all fees, costs, and expenses that Franchisor incurs in connection with such warranty claims, disputes, arbitration, and litigation within 30 days of Franchisee's receipt of Franchisor's invoice.

- U. **Access for Inspections/Audit.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (ii) allow Franchisor to inspect photograph, or videotape the Franchised Business, equipment, or operations therein; (iii) interview or survey personnel and Clients of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken) and take such steps as may be necessary to immediately correct the deficiencies detected during any such inspection. If Franchisor exercises any of these rights, Franchisor will use commercially reasonable efforts to not unreasonably interfere with the operation of the Franchised Business.
- V. **Personal Participation by Franchisee.** Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Designated Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present. If Franchisee designates a manager at any time, that manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- W. **Credit Cards and Payment Methods.** Franchisee must accept credit cards in connection with the Franchised Business to facilitate sales, including Visa, MasterCard, American Express, and Discover and any other major credit cards designated by Franchisor. Franchisee may also accept cash and/or checks in connection with the Franchised Business. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards (“PCI DSS”), as such standards may be revised and modified by the PCI Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that Franchisor may reasonably specify. Franchisee’s requirements include, but are not limited to, implementing the enhancement, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- X. **Payments to Franchisor.** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Y. **Employment and Other Personnel Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee’s employees must be competent, conscientious, and properly trained.
- Z. **Minimum Performance Levels (or MPLs).**
1. Franchisee must ensure that the Franchised Business generates certain minimum levels of Gross Sales in each Designated Territory wherein it is awarded the right to operate

the Franchised Business hereunder and, if applicable, any Multi-Territory Addendum once the Franchised Business has been open and operating for a period of one (1) year in accordance with the following schedule(s):

<b>Month of Operations following Opening of Franchised Business When MPL Becomes Applicable</b>	<b>Minimum Performance Level (“MPL”)</b>
Month 18  (applicable to all Franchised Businesses)	\$500,000 in each 12-month period of operations following the Trigger Month (each, an “MPL Operational Period”)
Month 30  (for those operating in two (2) Territories or more)	\$700,000 in each MPL Operational Period if your Franchised Business is authorized to operate in two (2) total Designated Territories
Month 42  (for those operating in 3 or more Territories )	\$900,000 in each MPL Operational Period if your Franchised Business is authorized to operate in three (3) total Designated Territories

2. In the event Franchisee does not meet the applicable MPL for an applicable MPL Operational Period based on the number of Designated Territories wherein it is authorized to operate at that time, then Franchisor will have the right to terminate Franchisee’s rights (or territorial rights) within any Designated Territory (including any Additional Territory) wherein the Franchised Business did not generate at least \$200,000 in Gross Sales over that one (1) year measurement period (a “Deficient Territory”). Upon receipt of written notice that we are terminating your rights within a Deficient Territory, the parties agree and acknowledge that Franchisee will no longer have any operational or, if applicable, territorial rights within that Deficient Territory.

**7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks.** Franchisee acknowledges the ownership and/or right to use the Proprietary Marks is vested by Franchisor and/or its affiliates/principal, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. **Permitted Use.** It is understood and agreed that the use by Franchisee of Franchisor’s Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.

- C. **Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
  2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
  3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, LIME PAINTING, under a license agreement with LIME Franchise Systems, LLC."
- D. **Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manuals, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, signage, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.
- E. **Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- G. **Modification or Substitution of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any

manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages.

- H. **Modification of Proprietary Marks by Franchisee.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- I. **Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- J. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
  2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
  3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- K. **Use Outside Scope.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- L. **Notification of Infringement.** Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all

documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.

- M. **Indemnification Regarding Marks.** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.
- N. **Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor; and
  2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

## 8. **OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION**

- A. **Manuals.** Franchisor will loan or provide online access to one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement. In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals. In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.
- B. **Control of Franchised Business.** Franchisee acknowledges any Manual(s) provided by Franchisor to Franchisee are intended to protect Franchisor's standards, systems, names,

and marks, and are not intended to control day-to-day operation of Franchisee's Business. Franchisee further acknowledges and agrees that the Franchised Business will be under the control of the Franchisee at all times, and that Franchisee will be responsible for the day-to-day operation thereof.

- C. **Confidential Information**. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.
- D. **Trade Secrets and Confidential Information**. The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:
1. The Manuals;
  2. Any customer data, including the names, contact information, rental preferences and any other information concerning users of the Approved Services, except for credit card numbers, bank information or other financial data related to the transaction of funds between the Franchisee and Clients (collectively, the "Customer Data");
  3. Any and all information and materials, including all items covered by copyright or any other intellectual property, associated with any proprietary software used in connection with the system;
  4. Any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of a Franchised Business or the System that is not commonly known by, or available to, the public, including without limitation, any proprietary software; and
  5. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").
- E. **Confidential Information as Property of Franchisor**. Franchisee acknowledges and agrees that the Confidential Information, which includes the Customer Data, emails, messages, and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be

immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.

- F. **Information Not Confidential.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that:
1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
  2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.
- G. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.
- H. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the "Confidentiality and Restrictive Covenant Agreement"). Franchisee must obtain a signed copy of the Confidentiality and Restrictive Covenant Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee's spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Restrictive Covenant Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Restrictive Covenant Agreement within ten (10) days of Franchisor's request. If Franchisee is not able to provide a signed form for any Restricted Person within that 10 day period and Franchisee is not able to cure such a breach of its obligations by having that Restricted Person sign and return the Confidentiality and Restrictive Covenant Agreement, then Franchisor reserves the right to charge Franchisee a penalty fee amounting to \$1,000 in addition to any other remedies that Franchisor may have under this Agreement or applicable law.
- I. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related

to the establishment or operation of the Franchised Business (collectively, the “Improvements”), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor’s interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

## 9. **ADVERTISING**

- A. **Advertising and Sales Promotion Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Franchised Businesses operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee’s expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. **Approval for all Advertising/Promotional Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor’s standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor’s approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor’s property and there will be no restriction on Franchisor’s use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously approved materials in writing. Franchisor may revoke its approval of any previously approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase “Franchises Available” and references to Franchisor’s telephone number and/or website.
- C. **Initial Marketing Spend.** Franchisee must expend, and Franchisor will typically collect, \$10,000 that will serve as the Initial Marketing Spend designed to promote the Franchised Business within the Designated Territory utilizing Franchisor’s Approved Suppliers and/or

specified System standards, practices and methodologies for initial marketing campaigns and efforts. Franchisor has the right to collect the Initial Marketing Spend upon execution of this Agreement or any time thereafter upon written notice.

D. **Local Advertising Requirement.** Franchisee shall comply with the following requirements in regard to local advertising:

1. Franchisee must expend \$500 per month on advertising and promoting the Franchised Business in the immediate locality surrounding the Franchised Business in accordance with the advertising/marketing plan that Franchisor approves (the “Local Advertising Requirement”).
2. Franchisor reserves the right to require Franchisee to expend any portion of the Local Advertising Requirement on (a) products or services Franchisor directs or approves, or (b) services that Franchisee must acquire from an Approved Supplier (which currently includes Franchisor).
3. Franchisor may require that Franchisee expend any portion of the Local Advertising Requirement on services, content and other products/items that must be purchased from one (1) or more Approved Suppliers, and (ii) collect the Local Advertising Requirement and pay such Approved Supplier directly as part of its support services and control rights described hereunder.
4. At Franchisor’s option, Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only; and (ii) the Franchised Business is listed in the appropriate Internet-based directories and Chamber(s) of Commerce that Franchisor designates. Franchisee shall obtain at least three (3) telephone numbers solely dedicated to the Franchised Business, which Franchisee shall assign to Franchisor, at Franchisor’s option, upon termination, expiration, or transfer of this Agreement. Franchisee must list and advertise the telephone number(s) for the Franchised Business in the “White pages” telephone director and the classified or “yellow pages” telephone directory distributed in its trade area and under such categories as Franchisor may specify from time to time. Franchisee must place the classified directory advertisement and listings together with other System Businesses operating within the distribution area of the directory. If a joint listing is obtained, all System Businesses listed together shall pay a pro rata share of the cost of all advertisements and listings.
5. Furthermore, Franchisee shall obtain listings and/or advertise with Franchisor and other franchisees of the System on electronic yellow pages directory and other online directors as Franchisor may designate, including Google Local, Google Business, Angie’s List or similar online directory. In the event Franchisee does not comply with Franchisor’s requests regarding such online listings or advertisement, Franchisor reserves the right to place, modify, or remove such listings and advertisements on behalf of Franchisee. For any listings or advertisements that Franchisor posts on behalf of Franchisee due to Franchisee’s non-compliance under this Section, Franchisee shall promptly pay, upon demand by Franchisor, its pro rata share of the costs of such listings or advertisements. Upon termination, transfer, or expiration of this Agreement, Franchisee agrees to take any and all steps necessary to assist Franchisor in removing or assigning control of all listing under this Section to Franchisor.

6. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted in connection with any other Franchised Business, or (b) Franchisor otherwise provides its prior written consent in writing. Nothing in this Section shall prevent or otherwise affect Franchisee's right to continue servicing and corresponding with any Existing Account that Franchisee has assumed in accordance with the terms of this Agreement.
- E. **Digital Marketing Requirement:** Franchisee must pay the then-current digital marketing fee (the "Digital Marketing Fee") the Approved Supplier that Franchisor designates for digital marketing-related services, which may be Franchisor or its affiliates, as described more fully in Section 4(A) of this Agreement.
- F. **Brand Development Fund.** Franchisor has established a brand development Fund (the "Fund") designed to promote the System, Proprietary Marks and the brand generally. Franchisee is required to contribute up to three percent (3%) of weekly Gross Sales to the Brand Development Fund. Franchisee's actual contribution depends on Franchisee's annual Gross Sales. If Franchisee's annual Gross Sales are \$2,500,000 or less, then Franchisee's contribution to the Brand Fund is 100% of the then-current amount. If Franchisee's annual Gross Sales are greater than \$2,500,000, then Franchisee's contribution to the Brand Fund is the then-current amount, less 1%. Only if the Brand Fund Contribution is set at 3% and Franchisee generates \$5,000,000 or more in annual Gross Sales, then Franchisee's contribution to the Brand Fund will be 1% of Gross Sales. Franchisor reserves the right to change this payment schedule. Franchisor may modify these fund contribution requirements upon thirty (30) days written notice to Franchisee. All payments by Franchisee to the Brand Development Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund. The Fund will be maintained and administered by Franchisor or Franchisor's designee as follows:
1. Franchisor will use the fund and all contributions to it and any earnings on it, for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services.
  2. Franchisor is not obligated to spend monies from Fund in any particular Franchisee's market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.
  3. The Fund may be used to meet any and all costs of: maintaining, administering, directing, and preparing advertising, including any and all digital marketing/advertising content, as well as employing training, technology and/or other developmental tools designed to enhance the System or that is otherwise associated with training tools designed to assist franchise owners. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website, employing advertising and public relations agencies, purchasing promotional items, providing other marketing materials and services to the businesses operating under the System, and any other activities that Franchisor determines appropriate

to develop the brand and/or System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those Franchisor allocates to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.

4. Franchisor may spend all Fund contributions during Franchisor's fiscal year within which such contributions are made; however, Franchisor has no obligation or duty to do so. If excess amounts remain in any Fund at the end of such fiscal year, these excess amounts will roll over into the Fund for the following fiscal year.
5. Franchisor has the right to suspend or terminate the Fund at any time.
6. An unaudited accounting of the operation of the Fund shall be prepared annually and shall be available to Franchisee upon written request after the unaudited accounting is prepared at least 120 days after Franchisor's fiscal year end at issue. Franchisor retains the right to have the Fund reviewed or audited and/or reported on, at the expense of the Fund, by an independent certified public accountant selected by Franchisor, but Franchisor is under no obligation to do so.
7. Franchisee agrees and acknowledges that the Fund is not a trust and the Franchisor has no fiduciary duty to Franchisee in administering the Fund.

G. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Council, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Franchised Businesses, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.

H. **Website.** Franchisor may establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. If Franchisor creates and includes any information about Franchisee on a website, then Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site,

including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate. Franchisee must follow Franchisor's social media policies and directives as set forth in the Manuals, including the Policy and Procedures Manual and/or Marketing Manual.

- I. **Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Franchised Business owners located within a geographical region that Franchisor designates (each, a "Cooperative"). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in a weekly specified amount. All amounts paid to a Cooperative will be credited towards Franchisee's Local Advertising Requirement, and Franchisor may require that Franchisee expend up to two and half percent (2.5%) of the Gross Sales of the Franchised Business in connection with a Cooperative. Franchisor may specify the governing rules, terms and operating procedures of any Cooperative.

## 10. **ACCOUNTING AND RECORDS**

- A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for the duration of this Agreement and for a period of at least three (3) years thereafter. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents). If Franchisee fails to input all prospects, clients, sales appointments and visits, jobs, sales, etc. in to their Required Software, then Franchisee will be charged a fee of \$200 per infraction.
- B. **Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files and data, including the any proprietary software used in connection with the System, at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business (or any amount due to Franchisor) by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) immediately pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.

- C. **Computer System for Records.** Franchisee shall record all transactions of the Franchised Business on a Computer System designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4(C) of this Agreement.
- D. **Computer System Files and Passwords.** Franchisee shall not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.
- E. **Current Contracts, Listings and Projects.** At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects related to Clients and/or properties that Franchisee is involved in or working with.
- F. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. **Right to Require Audit if Franchisee Underreports.** In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreporting the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end.
- H. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the Designated Manager(s) that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

## 11. INSURANCE

- A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time, with Franchisor having the right to designate such insurance coverage updates in the Manuals at any time upon written notice

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.

## 12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying

the following phrase (or something similar): “This Franchised Business is independently owned and operated pursuant to a license agreement.”

C. **Indemnification.**

1. Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor’s directors, officers, principals/owners, managers, shareholders, affiliates (including any affiliate supplier), subsidiaries, employees, servants, agents, successors and assignees (collectively, the “Indemnitees”), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys’ fees and court costs), that are brought against any of the Indemnitees (collectively, the “Claims”) that arise out of or are otherwise related to Franchisee’s (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor’s option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.
2. Franchisee will be solely responsible for storing and preparing the Proprietary Products for use in connection with providing the Approved Services once those products are delivered to Franchisee. Franchisor will not be responsible or liable in connection with any claims involving how the Proprietary Products are prepared and/or used by Franchisee once they are delivered to Franchisee. Franchisee must indemnify and hold Franchisor (and/or its designated supplier) harmless in connection with any third-party claims or damages arising out of or related to claims involving how the Proprietary Products are prepared and/or used by Franchisee once they are delivered to Franchisee.

13. **TRANSFER AND ASSIGNMENT**

A. **No Transfer by Franchisee Without Franchisor’s Approval.** Franchisee’s rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee’s interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor’s prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor’s prior written consent shall be voidable at Franchisor’s option and shall subject this Agreement to termination as specified herein.

B. **Death or Disability.**

1. In the event of Franchisee’s death, disability or incapacitation (or the death, disability or incapacitation of Franchisee’s principals/owners/guarantors), Franchisee’s legal representative, or Franchisee’s partner’s or guarantor’s respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as “Franchisee” under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the “90

Day Period”), such person has obtained Franchisor’s prior written approval and has executed Franchisor’s then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee’s obligations to Franchisor and Franchisor’s affiliates; and (ii) such person successfully completes Franchisor’s training program (which Franchisor will provide at Franchisor’s then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee’s legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee’s death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee’s behalf and at Franchisee’s expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor’s sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor’s management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney’s fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee’s estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.
3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).

- C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor’s prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee’s ownership shares/stock or any increase in the number of outstanding shares/stock of Franchisee’s ownership/membership units that results in a change of ownership; (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee’s obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor’s right of first refusal as set forth in Section 13(D) so long as there is no change in control (ownership or otherwise) with respect to Franchisee.

- D. **Right of First Refusal.** If (a) Franchisee proposes to transfer any of its interest in this Agreement or the Franchised Business or any interest in its lease for the Premises, or (b) Franchisee's owners propose to transfer any interest in Franchisee if Franchisee is an entity (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), then Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.
- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
  2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
  3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
  4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;
  5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and

capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;

6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee or transferee shall pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000) per territory, except in the case of (i) a transfer to a corporation formed for the convenience of ownership, or (ii) for approved intra-family transfers or for a transfer which arises upon death or mental incompetency.
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program within the time frame Franchisor sets forth without paying an additional tuition fee, but the transferee will be responsible for all costs and expenses associated with attending the Initial Training Program;
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that is has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited

liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) the entity at issue is wholly owned by Franchisee (and no other party); (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.

- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

#### 14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Designated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Designated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that: (i) offers, provides or sells products or services in connection with (a) painting, substrate and/or other ancillary services in the field of home maintenance and improvement services, and (b) any kind of the Approved Products or the Approved Services that are offered or provided by the Franchised Business and/or other Businesses (each, a "Competing Business"); or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (y) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (z) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;
2. Subject to and as permitted by applicable law, employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

**B. After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
  - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business:
    - i. within the Designated Territory;
    - ii. within a twenty five (25) mile radius of the Designated Territory;
    - iii. within a twenty five (25) mile radius of any LIME franchised business that is open and operating as of the date this Agreement expires and/or is terminated; or
    - iv. within a twenty five (25) mile radius of any other designated territory that has been granted by Franchisor or its affiliates in connection with a LIME franchised business as of the date this Agreement expires and/or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory; or
  - b. Subject to and as permitted by applicable law, solicit business from Clients of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

- C. Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System

franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

- D. **Confidentiality and Restrictive Covenant Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Restrictive Covenant Agreement (which will be in substantially the same form as the document attached to the Franchise Disclosure Document). Franchisee must furnish Franchisor a copy of each executed agreement.
- E. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

## 15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
  2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
  3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
  4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
  5. A final judgment in excess of Ten Thousand Dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a

bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or

6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement, or the Franchised Business in violation of Section 13 hereof.

B. **Termination upon Notice.** Franchisor has the right to terminate this Agreement upon written notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses the any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);

9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term “abandon” means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor’s prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor’s access, to Franchisee’s Computer System as required under this Agreement, and fails to remedy this default within forty-eight (48) hours of being notified by Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates, any of its Approved Suppliers or any Client any amount that is due and owing that party within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the reasonable opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee’s own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;

18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period;
  19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers;
  20. If Franchisee fails to meet the Minimum Royalty for its then-current year; or
  21. If Franchisee, on three (3) or more occasions, fails to comply with the standards and specifications set forth in the Manuals during any eighteen (18) month period, whether or not these failures were timely cured.
- C. **Termination upon Notice and 30 Days' Cure.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.
- D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee amounting to eight percent (8%) of the Gross Sales of the Franchised Business during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

## 16. **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Ownership and Operation of Franchised Business; Cease Affiliate with Franchisor and Brand Generally.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. If this Agreement is terminated for cause by Franchisor, then Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business

is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of an Franchised Business (unless Franchisor agrees otherwise in writing);

- B. **Return Manuals and Confidential Information.** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including all Client lists and Approved Services agreements) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Approved Services Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as may that Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date (a) Client and property lists, and (b) any Approved Services contracts and other agreements between Clients and the former Franchised Business; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the former Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F.
- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest, and cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System.
1. Remove all trade dress, then Franchisee must remove physical characteristics, color combinations, and other indications of operation under the System from the Premises and from the Mobile Units (and provide documentation thereof to Franchisor as set forth in Section 16(G) below).
  2. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor; and
- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. **Payment of Amounts Due.** Pay Franchisor, as well as each of Franchisor's Approved Suppliers, any and all amounts owed under this Agreement or otherwise in connection with the former Franchised Business within 10 days of the termination or expiration date.
- G. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and

- H. **Purchase of Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's operating assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).
- I. **Disconnection of Telephone Number on Termination/Renewal.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the name "LIME PAINTING" or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.

## 17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, lodging, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

## 18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.

- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all franchise agreements heretofore or hereafter issued by Franchisor in connection with a Franchised Business do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor has made in the franchise disclosure document.

## 19. **ENFORCEMENT**

- A. **Injunctive Relief.** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- B. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- C. **Costs and Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce

the terms of this Agreement, and Franchisee’s claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor’s reasonable attorneys’ fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

**20. NOTICES**

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: LIME Franchise Systems, LLC  
Attn: Nick Lopez, President  
4950 S Yosemite St F2 #121,  
Greenwood Village, Colorado 80111

With a copy to: Fisher Zucker, LLC  
Attn: Lane Fisher  
21 South 21<sup>st</sup> Street  
Philadelphia, PA 19103

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

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

**21. GOVERNING LAW AND DISPUTE RESOLUTION**

- A. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to this state’s conflict of laws principles.
- B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor’s management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee’s dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C. **Mediation.** At Franchisor’s option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties’ respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 21(B)

above, will be submitted first to mediation to take place in Arapahoe County, Colorado, under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee’s payment obligations under this Agreement.

- D. **Injunctive Relief.** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee’s violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee’s use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee’s obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor’s rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor’s franchise system or threatens other franchisees of Franchisor. Franchisee’s only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.
- E. **Venue.** Subject to Sections 21(C) and 21(D) above, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction in Arapahoe County, Colorado or, if appropriate, the United States District Court for the District of Colorado. Franchisee acknowledges that this Agreement has been entered into in the State of Colorado, and that Franchisee is to receive valuable and continuing services emanating from Franchisor’s presence in Colorado, including but not limited to training, assistance, support and the

development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Colorado as set forth in this Section.

- F. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, owners, members, managers, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- J. **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS

WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

- L. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

## **22. SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

## **23. ACKNOWLEDGMENTS**

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by

this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document (“FDD”), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.

- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor’s obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor’s representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

*[The remainder of this page is intentionally left blank.  
Signatures appear on the following page.]*

**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**

**LIME FRANCHISE SYSTEMS, LLC**

By: \_\_\_\_\_  
Nick Lopez, President

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

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

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

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

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

Spouse Signature: \_\_\_\_\_

Spouse Name: \_\_\_\_\_

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

**IF A PARTNERSHIP, CORPORATION, OR  
OTHER ENTITY:**

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

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

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

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

**EXHIBIT A TO THE FRANCHISE AGREEMENT**  
**DATA SHEET AND STATEMENT OF OWNERSHIP**

1. SITE SELECTION AREA (IF NEEDED)

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

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2. PREMISES

Pursuant to Section 2(B) of the Franchise Agreement, the Franchised Business shall be located at the following home office or other approved Premises:

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3. DESIGNATED TERRITORY

Pursuant to Section 2(C) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

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4. **ARE THE PARTIES EXECUTING AN MULTI-TERRITORY ADDENDUM AT SAME TIME AS FRANCHISE AGREEMENT?**

YES

NO

4. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

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

Daytime Telephone No.: \_\_\_\_\_

Evening Telephone No.: \_\_\_\_\_

Cellular Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

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

- 5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE. THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN EXHIBIT.**

**THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED.**

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**LIME FRANCHISE SYSTEMS, LLC**

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

Nick Lopez, President

## **EXHIBIT B TO THE FRANCHISE AGREEMENT**

### **PERSONAL GUARANTY**

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

### **ARTICLE I PERSONAL GUARANTY**

The undersigned persons (individually and collectively "you") hereby represent to LIME FRANCHISE SYSTEMS, LLC (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named \_\_\_\_\_ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing LIME PAINTING Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

### **ARTICLE II CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria; (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the "System") for the establishment and operation of a System Business (each, a "Franchised Business") and/or franchise (each, a "Franchised Business"); (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection

with the System; (viii) information regarding the development of Franchisor's proprietary marks (the "Proprietary Marks"); (ix) information generated by, or used or developed in, an Franchised Business's operation, including client names, properties and related rental management agreements or contracts of any kind, addresses, telephone numbers and related information and any other information contained in the Franchised Business's computer system or proprietary software system; (x) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (xi) as well as any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, "Confidential Information"). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor's copyrighted materials; price marketing mixes related to the Approved Services and Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section: (i) former, current and prospective client information, including customer names and addresses, contracts/agreements (collectively "Client Information"), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

### **ARTICLE III NON-COMPETITION**

You acknowledge that as a participant in the Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor's franchisees, you agree as follows:

**1. During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business that offers, provides, manufactures, distributes, or sells any kind of products and services in connection with any business that: (i) offers, provides or sells products or services in connection with (a) painting, substrate and/or other ancillary services in the field of home maintenance and improvement services, and (b) any kind of the Approved Products or the Approved Services that are offered or provided by the Franchised Business and/or other Businesses (each, a "Competing Business"); and/or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; provided, however, that this Section does not apply to your operation of an LIME PAINTING franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly traded company;

1.2. Subject to and as permitted by applicable law, employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee,

or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

## 2. **After the Term of the Franchise Agreement and this Guaranty.**

2.1 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date the Franchise Agreement is terminated or expires.

2.2 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1 Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business:

- (i) within the Designated Territory or Additional Territory;
- (ii) within a twenty five (25) mile radius of the Designated Territory or Additional Territory;
- (iii) within a twenty five (25) mile radius of any Franchised Business that is open or under development as of the date the Franchise Agreement expires and/or is terminated; or
- (iv) within a twenty five (25) mile radius of any other designated territory or additional territory that has been granted by Franchisor or its affiliates in connection with an Franchised Business as of the date the Franchise Agreement expires and/or is terminated, regardless of whether a Franchised Business is open and operating in that designated territory or additional territory; or

2.2.2 Subject to as permitted by applicable law, solicit business from Clients of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled

to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

## **ARTICLE IV DISPUTE RESOLUTION**

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Colorado.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, in Arapahoe County, Colorado under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** Subject to Sections 3 and 4 above, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located in Arapahoe County, Colorado

or, if appropriate, the United States District Court for the District of Colorado. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES/AGENTS/REPRESENTATIVES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **Nonwaiver.** Franchisor’s failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor’s rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor’s sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns or transferees.

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

**PERSONAL GUARANTORS**

\_\_\_\_\_  
[Insert Signature of Guarantor]

\_\_\_\_\_  
[Insert Signature of Spouse]

\_\_\_\_\_  
[Insert Signature of Guarantor]

\_\_\_\_\_  
[Insert Signature of Spouse]

## EXHIBIT C TO THE FRANCHISE AGREEMENT

### COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this “Assignment”) is made, entered into and effective on this \_\_\_day of \_\_\_\_\_, 20\_\_ Effective Date,) by and between: (i) LIME FRANCHISE SYSTEMS, LLC, a Colorado limited liability company, with its principal business address at 4950 S Yosemite St F2 #121, Greenwood Village, Colorado 80111 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee”).

### BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the “Franchise Agreement”) dated as of \_\_\_\_\_, 20\_\_ with the Franchisee, pursuant to which the Franchisee plans to own and operate an LIME franchised business (the “Franchised Business”) located at \_\_\_\_\_ (the “Site”). In addition, pursuant to that certain Lease Agreement (the “Lease”), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from \_\_\_\_\_ (the “Lessor”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

### OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

- 1. Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.
- 2. Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.
- 3. Indemnification of Franchisor:** Franchisee agrees to indemnify and hold Franchisor and its affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
- 4. Conditional Assignment:** Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of the Franchisee’s breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor’s option be

deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;

c) to exclude the Franchisee, its agents or employees from the Site;

d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and

g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately

terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney:** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “Franchisor” and “Franchisee” when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys’ Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section

or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF**, the Parties have caused this Assignment to be executed as of the day and year first above written.

**FRANCHISEE**

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

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

**FRANCHISOR**

**LIME FRANCHISE SYSTEMS, LLC**

By: \_\_\_\_\_  
Nick Lopez, President

**The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.**

**LESSOR**

\_\_\_\_\_

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

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

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

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

**EXHIBIT D TO THE FRANCHISE AGREEMENT**

**EFT AUTHORIZATION FORM**

Bank Name: \_\_\_\_\_  
ABA# : \_\_\_\_\_  
Acct. No.: \_\_\_\_\_  
Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes LIME FRANCHISE SYSTEMS, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”) for the franchised business located at: \_\_\_\_\_ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions, Initial Marketing Spend, and applicable Supplemental LAR, as well as other advertising/marketing amounts that Franchisee is required to expend in connection with the Franchised Business; (iii) any amounts due and owing the Company or its affiliates in connection with technology, marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

**AGREED:**

**FRANCHISEE**

**[INSERT FRANCHISEE NAME]**

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

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

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

**FRANCHISOR APPROVAL**

**LIME FRANCHISE SYSTEMS, LLC**

By: \_\_\_\_\_  
Nick Lopez, President

**Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.**

## EXHIBIT E TO THE FRANCHISE AGREEMENT

### **CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**

*(for Designated Managers and other management personnel, as well as any officers, directors, or owners of the Franchisee that did not sign the full Personal Guaranty)*

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of \_\_\_\_\_ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from LIME FRANCHISE SYSTEMS, LLC (the “Company” or “Franchisor”) to: (i) establish and operate a franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of Franchised Business businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Manuals and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manuals”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other Franchised Businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of Franchised Business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manuals, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such

information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) is a painting service business that is similar to the Franchised Business and/or that features, offers and/or sells products and services similar to the those offered and sold by the Franchised Business and/or other LIME franchises (a "Competing Business"); or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more Competing Businesses. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 25 mile radius of the Premises; or (ii) within a 25-mile radius of any other Franchised Business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two (2) year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree 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 resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this

Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE FRANCHISEE IS LOCATED]** AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO THE PREMISES OF THE FRANCHISED BUSINESS OR, IF APPROPRIATE, THE FEDERAL COURT CLOSED TO SUCH PREMISES. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE]** OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage 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 respective party at the following address unless and until a different address has been designated by written notice.

For notices to Franchisor, the notice shall be addressed to

LIME FRANCHISE SYSTEMS, LLC  
Attn: Nick Lopez, President  
4950 S Yosemite St F2 #121  
Greenwood Village, Colorado 80111

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

Signature: \_\_\_\_\_

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

Address: \_\_\_\_\_

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

**ACKNOWLEDGED BY FRANCHISEE**

[FRANCHISEE NAME]

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

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

**EXHIBIT F TO THE FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES**

1. \_\_\_\_\_, doing business as Franchised Business (the “Assignor”), in exchange for valuable consideration provided by LIME FRANCHISE SYSTEMS, LLC (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its LIME PAINTING franchised business located at \_\_\_\_\_ (collectively, the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_

Facsimile Number(s): \_\_\_\_\_

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_

\_\_\_\_\_.

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

**ASSIGNOR**

BY: \_\_\_\_\_

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

TITLE: \_\_\_\_\_

**ASSIGNEE**

**LIME FRANCHISE SYSTEMS, LLC**

BY: \_\_\_\_\_

Nick Lopez, President

**EXHIBIT C TO  
FRANCHISE DISCLOSURE DOCUMENT**

**MULTI-TERRITORY ADDENDUM**

## **MULTI-TERRITORY ADDENDUM TO FRANCHISE AGREEMENT**

**THIS MULTI-TERRITORY ADDENDUM TO FRANCHISE AGREEMENT** (the “Addendum”) is made and entered into on \_\_\_\_\_ (the “Effective Date”) by and between: (i) Lime Franchise Systems, LLC, a Colorado limited liability company with a business address at 4950 S. Yosemite Street, F2 #171, Greenwood Village, Colorado 80111 (“Franchisor”); and (ii) \_\_\_\_\_, a \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (the “Franchisee”).

### **BACKGROUND**

A. Contemporaneous with the execution of this Addendum, Franchisee and Franchisor entered into a franchise agreement (the “Franchise Agreement”) pursuant to which Franchisee obtained the right and undertook the obligation to operate a franchised business (the “Franchised Business”) using Franchisor’s proprietary marks (the “Proprietary Marks”) within a defined geographical area as set forth more fully therein (“Designated Territory”).

B. Franchisee has requested the right to acquire one (1) or multiple geographical areas described in Schedule 1 to this Addendum (each, an “Additional Territory”) wherein Franchisee will have the right and obligation to actively operate the Franchised Business and solicit prospective clientele.

C. Consistent with Franchisor’s current franchise disclosure document (“FDD”), Franchisor is willing to award an Additional Territory or multiple Additional Territories to Franchisee.

C. Franchisor and Franchisee now wish to memorialize the foregoing, as well as the fact that (a) the Additional Territory will be deemed a “Designated Territory,” as that term is defined and referenced throughout the Franchise Agreement, and (b) all terms of the Franchise Agreement applicable to such a “Designated Territory” shall apply to the Franchisee’s ownership and operation of the Franchised Business within each Additional Territory granted hereunder, subject to the terms and conditions set forth in this Addendum.

**NOW, THEREFORE**, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

### **AGREEMENT**

#### **1. Background; Definitions; Acknowledgement.**

a. The parties agree and acknowledge that the Background portion of this Addendum, including all definitions, agreements, acknowledgements, representations, and other provisions set forth therein, is hereby incorporated by reference as if set forth in this Section.

b. For purposes of this Addendum, if a capitalized term in this Addendum is not specifically defined herein, that term will be given the same definition that the term is afforded in the Franchise Agreement, as applicable.

c. The parties agree and acknowledge that the term of this Addendum will expire at the same time as the Franchise Agreement.

2. **Additional Territory Fee(s).** Upon execution of this Addendum, Franchisee shall pay Franchisor a fee in addition to the Initial Franchise Fee set forth in the Franchise Agreement totaling \$\_\_\_\_\_ (the “Additional Territory Fee(s)”) as consideration for Franchisor granting Franchisee the

right to operate the Franchised Business within the Additional Territory(ies). The Additional Territory Fee will be due and payable in a lump sum immediately upon execution of this Addendum. The parties agree and acknowledge that the fee described in this Section is deemed fully earned upon payment, and is not refundable under any circumstances.

3. **Right to Operate within Additional Territory(ies).** Subject to Franchisee's payment of the Additional Territory Fee, Franchisee will have the right to operate the Franchised Business within the Additional Territories set forth and/or demarcated in Schedule 1 to this Addendum. Except as provided in this Addendum and/or Franchisor's then-current Manuals, Franchisee will have the right and obligation to commence operations of the Franchised Business within the Additional Territory(ies) detailed in Schedule 1: (i) immediately upon execution of this Addendum if the Franchised Business has already commenced operations; or (ii) if the Franchised Business has not yet commenced operations as of the date this Addendum is signed, immediately upon Franchisee's (a) completion of all pre-opening obligations under the Franchise Agreement, and (b) the subsequent launch of the Franchised Business in accordance with the terms of said agreement.

4. **Initial Training Program Obligations.** The parties agree and acknowledge that: (i) Franchisee is only required to attend and complete Franchisor's Initial Training Program described more fully in the Franchise Agreement once in connection with the Franchised Business governed by this Addendum; and (ii) Franchisor is not obligated to provide such Initial Training Program to Franchisee once Franchisee or its operating principal has completed such initial training. In the event Franchisee determines to utilize a Designated Manager in connection with the operation of the Franchised Business in any Designated Territory, including any Additional Territory awarded hereunder, then Franchisee must ensure that said Designated Manager completes all required initial training prior to that individual undertaking any management responsibilities in connection with the operation of the Franchised Business. All other provisions regarding Franchisee's training obligations in the Franchise Agreement are hereby ratified and confirmed and shall apply to the Additional Territory(ies).

5. **Minimum Performance Levels.** The Additional Territory rights awarded under this Addendum will modify the MPLs that the Franchised Business must generate based (a) how long the Franchised Business has been open, and (b) the number of Additional Territories granted in connection with the Franchised Business, as more specifically defined in Section 6(Z) of the Franchise Agreement, with the parties agreeing and acknowledging that Franchisor will have all rights and remedies associated with any breach with such MPLs.

6. **Reporting Obligations.** Franchisee agrees and acknowledges that its operation of the Franchised Business within the Additional Territory(ies) granted hereunder will require Franchisee to report its Gross Sales and other Client Project information in a manner that allows Franchisor to determine which Territory such Gross Sales and Client Project were generated/located, utilizing Franchisor's prescribed reporting forms and Required Software.

7. **Transfer Fee.** Franchisor and Franchisee agree and acknowledge that if Franchisee wishes to sell or otherwise transfer its right to operate in the Designated Territory or an Additional Territory that Franchisee will be required to pay the transfer fee of Ten Thousand Dollars (\$10,000) (the "Transfer Fee") in connection with each Designated Territory or Additional Territory it wishes to sell or transfer to a third party approved by Franchisor and according to the terms and conditions of the Franchise Agreement.

8. **Renewal Fee.** Franchisor and Franchisee agree and acknowledge that if Franchisee wishes to renew its right to operate in the Designated Territory or an Additional Territory that Franchisee will be required to pay the renewal fee of Ten Thousand Dollars (\$10,000) (the "Renewal Fee") in connection with each Designated Territory or Additional Territory it wishes to renew in accordance with the terms of the Franchise Agreement.

9. **Default / Termination with Regards to a Specific Territory.** In the event the terms and conditions of the Franchise Agreement or this Addendum are violated or breached via Franchisee’s operations of the Franchised Business within a given Additional Territory but not in other Territories and, Franchisor will have the option and right to terminate Franchisee’s rights hereunder with respect to such Designated Territory(ies) that is, or subsequently becomes, grounds for termination under these agreements in lieu of terminating the Franchise Agreement and this Addendum in its entirety.

10. **Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor’s assets and Franchisor’s interest in, and rights and obligations under, this Addendum in Franchisor’s sole discretion. Franchisee may not transfer its rights under this Addendum without complying with all transfer terms and conditions set forth in the Franchise Agreement generally. The parties further agree and acknowledge that Franchisor may disapprove of any rights awarded under this Addendum to any party that is not also acquiring the Franchised Business and rights under the Franchise Agreement.

11. **Terms of Franchise Agreement Applicable to Operations in Additional Territory(ies).** The parties agree and acknowledge that, except as specifically provided in this Addendum, each and every obligation, representation and/or covenant on the part of Franchisee under the Franchise Agreement will apply to the operation of the Franchised Business in the Additional Territory(ies) as if such territory(ies) were each designated as an additional “Designated Territory” in the Data Sheet to that Franchise Agreement.

12. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to this state’s conflict of laws principles.

13. **Venue; Forum; Jurisdiction; Dispute Resolution.** Franchisor and Franchisee agree and acknowledge that the venue, forum, jurisdiction, dispute resolution and all other enforcement-related provisions of the Franchise Agreement shall also apply to this Addendum.

14. **Ratification of Franchise Agreement.** Except as amended by this Addendum, any and all other terms and conditions set forth in the Franchise Agreement is hereby ratified and confirmed as if fully restated herein.

15. **Entire Agreement.** The Franchise Agreement and this Addendum constitute the entire, full, and complete agreement between the parties concerning the subject matter set forth herein and supersede any and all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Addendum the date and year first written above.

**FRANCHISOR:**

**FRANCHISEE:**

**LIME FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_  
Nick Lopez, President

**IF AN INDIVIDUAL:**

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

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

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

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

Spouse Signature: \_\_\_\_\_

Spouse Name: \_\_\_\_\_

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

**IF A PARTNERSHIP, CORPORATION, OR  
OTHER ENTITY:**

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

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

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

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

**GUARANTORS**

**[NAME]**

\_\_\_\_\_  
[Name], Individually

**[NAME]**

\_\_\_\_\_  
[Name], Individually

**SCHEDULE 1**

**ADDITIONAL TERRITORY(IES)**

<b>Additional Territory No. 1</b>	<b>Description or Map:</b>
<b>Additional Territory No. 2</b>	

**EXHIBIT D TO  
FRANCHISE DISCLOSURE DOCUMENT**

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**EXHIBIT E TO  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF CURRENT AND FORMER FRANCHISEES**

**i. Current Franchisees with Open Franchised Businesses as of December 31, 2023**

	<b>Franchisee Name</b>	<b>State Where Designated Territory is Located</b>	<b>Business Number or Email Contact</b>	<b>Number of Total Designated Territories</b>
1	Shan Mukundan	Arizona	smukundan@limepainting.com	3
2	Brad Penner	Arizona	bpennder@limepainting.com	2
3	Tyler Fuss	California	tyler@limepainting.com	3
4	Virginia Gregorian	California	vgregorian@limepainting.com	1
5	Matt Fuss	Colorado	mattfuss@limepainting.com	2
6	Tyler Fuss	Colorado	tyler@limepainting.com	3
7	Luke Reiner	Florida	lreiner@limepainting.com	1
8	Jim Ward	Florida	jward@limepainting.com	2
9	Andrew Taulbee	Georgia	ataulbee@limepainting.com	3
10	Tyler Anselmi	Idaho	tanselmi@limepainting.com	2
11	Kevin Schramm	Idaho	kevin@limepainting.com	2
12	Travis Carmean	Indiana	tcarmean@limepainting.com	1
13	Chris Hickernell	Illinois	chickernell@limepainting.com	3
14	Matt Ownes	Illinois	mowens@limepainting.com	2
15	Skender Rugova	Illinois	srugova@limepainting.com	3
16	Marc Segien	Massachusetts	msegien@limepainting.com	3
17	Jermaine Schutle	Minnesota	jschulte@limepainting.com	1
18	Michael Hanley	Missouri	mhanley@limepainting.com	2
19	Jeff Hagen	New Jersey	jhagen@limepainting.com	5
20	Noble Mathias	North Carolina	nmathias@limepainting.com	2
21	Joe Reardon	North Carolina	jreardon@limepainting.com	3
22	Jonathan Harris	Ohio	jharris@limepainting.com	2
23	Dan Remlinger	Ohio	dremlinger@limepainting.com	3

24	RL Hunnicutt	Oklahoma	rhunnicutt@limepainting.com	2
25	Roy Klein	Oregon	rklein@limepainting.com	2
26	Cory Griggs	South Carolina	cgriggs@limepainting.com	2
27	Tommy Brownwell	Tennessee	tbrownwell@limepainting.com	1
28	Bryan Malle	Tennessee	bmalle@limepainting.com	2
29	Tangi Collier	Texas	tcollier@limepainting.com	4
30	Jason Ganer	Texas	jganer@limepainting.com	2
31	Jesse Gunstream	Texas	jgunstream@limepainting.com	2
32	Lorraine Sanchez	Texas	lsanchez@limepainting.com	2
33	Lance and Candace McMasters	Texas	lmcmasters@limepainting.com	4
34	Matt Fuss	Utah	mattfuss@limepainting.com	2

**ii. Franchisees that Have Signed a Franchise Agreement for a Franchised Business Not Yet Open as of December 31, 2023**

<b>Franchisee Name</b>	<b>City/State</b>
Matt Fuss	Sarasota, FL (mattfuss@limepainting.com)
Diane Edwards	Pittsburgh, PA (dedwards@limepainting.com)
Bryan Malle	Nashville, Tennessee (bmalle@limepainting.com)

**iii. Franchisees that Exited the System in the Past Fiscal Year Ending December 31, 2023, or that Have Failed to Communicate with Us in 10 Weeks Preceding Issuance Date**

<b>Franchisee Name</b>	<b>Contact Information</b>	<b>Number of Territories</b>	<b>Reason for Leaving System</b>
Kristina Lutz	Huntersville, NC (980) 334-3209	2	Ceased Operations for Other Reasons
Cameron Boyle	Draper, UT (314) 758-2454	2	Transfer
Kyle Nielsen	Charlotte, NC (704) 327-0710	3	Transfer
Chris Grettano	Oceanport, NJ (732) 592-5692	2	Transfer
Joe Christopher	18203 County Shores Ln Cypress, TX 77433	2	Reacquisition

Craig Kowalczyk	Oconomowoc, WI (262) 476-7377	1	Reacquisition
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**EXHIBIT F TO  
FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

**LIME FRANCHISE SYSTEMS, LLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**Lime Franchise Systems, LLC**

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 Lime Franchise Systems, LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lime Franchise Systems, LLC'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.

The Schedule of Operating Expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

**DRDA, LLC**

DRDA, LLC  
Houston, Texas  
April 26, 2024

**Lime Franchise Systems, LLC**  
**Balance Sheets**  
**For the Years Ended December 31,**

	<b>2023</b>	<b>2022</b>
<b><u>Assets</u></b>		
Current Assets		
Cash	\$ 608,973	\$ 370,265
Franchise fees receivables	200,000	257,000
Royalty and brand development fees receivable, net of allowance	153,249	144,131
Rebate receivable	88,405	54,573
Other receivable	1,205	6,320
Loan to franchisee	4,463	-
Prepaid expense	2,162	3,788
Contract assets - franchise costs, current portion	207,300	349,453
Total Current Assets	1,265,757	1,185,530
Equipment, net	-	296
Contract assets - franchise costs, net of current portion	1,400,825	1,709,737
Total Assets	\$ 2,666,582	\$ 2,895,563
<b><u>Liabilities and Member's Equity</u></b>		
Current Liabilities		
Accounts payable	\$ 23,696	\$ 157,718
Accrued expenses	63,622	92,189
State taxes liability	15,252	5,514
Contract liabilities - franchise fees	302,608	320,250
Due to related party	433	582
Due to member	10,000	10,000
Franchise deposit	35,000	-
Total Current Liabilities	450,611	586,253
Long-Term Liabilities		
Contract liabilities - franchise fees	2,057,896	2,414,727
Total Long Term Liabilities	2,057,896	2,414,727
Total Liabilities	2,508,507	3,000,980
Member's Equity (Deficit)	158,075	(105,417)
Total Liabilities and Member's Equity	\$ 2,666,582	\$ 2,895,563

See accompanying notes and auditors' report.

**Lime Franchise Systems, LLC**  
**Statements of Income and Member's Equity**  
**For the Years Ended December 31,**

	<u>2023</u>	<u>2022</u>
Revenues	\$ 2,295,475	\$ 1,950,111
Total Revenues	<u>2,295,475</u>	<u>1,950,111</u>
Operating expenses	<u>2,021,211</u>	<u>2,034,377</u>
Income from Operations (Loss)	274,264	(84,266)
Other Income (Expense)		
Other income	54,558	8,212
Rebates	88,405	-
Employee retention credit	86,559	54,573
Related party bad debt	<u>(71,562)</u>	<u>(192,501)</u>
Total Other Income (Expense)	<u>157,960</u>	<u>(129,716)</u>
Income before provision for income tax	432,224	(213,982)
Current state taxes	<u>(10,507)</u>	<u>(3,591)</u>
Total Income Tax	<u>(10,507)</u>	<u>(3,591)</u>
Net Income (Loss):		
2022, as restated (includes the \$54,573 effect of error correction)	-	(217,573)
2023	421,717	-
Member's (Deficit) Equity, Beginning of Year	(105,417)	189,055
Member's Contributions	66,000	10,000
Member's Distributions	<u>(224,225)</u>	<u>(86,899)</u>
Member's Equity (Deficit), End of Year	<u>\$ 158,075</u>	<u>\$ (105,417)</u>

See accompanying notes and auditors' report.

**Lime Franchise Systems, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31,**

	<u>2023</u>	<u>2022</u>
Cash Flows provided by (used in) Operating Activities		
Net income (loss)	\$ 421,717	\$ (217,573)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	296	1,072
Decrease (increase) in franchise fees receivable	57,000	(227,500)
Decrease (increase) in royalty and brand development receivable	(9,118)	(62,522)
Decrease (increase) in rebate receivable	(33,832)	(54,573)
Decrease (increase) in other receivable	5,115	(6,320)
Decrease (increase) in loan to franchisee	(4,463)	10,000
Decrease (increase) in contract assets - franchise costs	451,065	(514,047)
Decrease (increase) in prepaid expense	1,626	(3,788)
Increase (decrease) in accounts payable	(134,022)	104,325
Increase (decrease) in accrued expenses	(28,567)	38,587
Increase (decrease) in current state taxes	9,738	3,149
Increase (decrease) in due to affiliate	(149)	(74,418)
Increase (decrease) in franchise deposit	35,000	-
Increase (decrease) in contract liabilities - franchise fees	(374,473)	807,298
Net Cash Flows provided by (used in) Operating Activities	<u>396,933</u>	<u>(196,310)</u>
Cash Flows from Financing Activities:		
Contributions from member	66,000	10,000
Distributions to member	(224,225)	(86,899)
Net Cash Flows used in Financing Activities	<u>(158,225)</u>	<u>(76,899)</u>
Net Increase (Decrease) in Cash	238,708	(273,209)
Cash, Beginning of Year	<u>370,265</u>	<u>643,474</u>
Cash, End of Year	<u>\$ 608,973</u>	<u>\$ 370,265</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for State tax	\$ 73	\$ 442

See accompanying notes and auditors' report.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lime Franchise Systems, LLC (a limited liability company) was incorporated under the laws of the State of Colorado on August 31, 2017 for the purpose of selling and operating franchises under the brand name LIME Painting. The Company offers franchises for the right to own and operate businesses that offer and provide project management services in connection with painting services and solutions, as well as substrate and/or other ancillary services in the field of home maintenance and improvement, with a focus on high-end residential properties. The Company authorizes franchisees and third-party licensees to use the Company's proprietary marks and systems. As of December 31, 2023, there were thirty eight open and operating franchise locations and forty additional franchise locations in various stages of development.

Basis of Presentation

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Company generates revenue from the sale of franchise licenses. The initial franchise fee is due at signing and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalty, brand development, training, marketing, and technology fees. From time to time, the Company can charge other fees as outlined in the Franchise Disclosure Document. See Note 3, "Revenue from Contracts with Customers" for further information regarding disclosures.

Concentration of Credit Risk - Cash

The Company maintains cash balances at a financial institution which, at various times during the year, may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at the institution are insured by the FDIC up to \$250,000. At December 31, 2023 and 2022, there were uninsured cash balances of \$358,973 and \$120,265, respectively.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. As of December 31, 2023, the allowance for doubtful accounts is \$71,563. There was no allowance for doubtful accounts recorded as of December 31, 2022 as management considered all balances collectible.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Equipment is stated at cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Depreciation is provided by using the double-declining balance method over the estimated useful life of the asset. The useful life of the equipment for purposes of computing depreciation is five years.

Income Taxes

The Company is a disregarded entity for U.S. Federal income tax purposes, and all of its income and expenses are reported on Lime Holding's LLC's tax return. Accordingly, no provision for income tax is reported in the Company's financial statements. U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Company and has concluded that, as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Company is subject to state tax in several states. For the years ended December 31, 2023 and 2022, the state tax expense was for \$10,434 and \$3,149, respectively.

Brand Development Fund

The Company collects funds from franchisees to manage the brand level advertising, marketing, and development programs. The fee is based on a percentage of the franchisees' gross sales, payable monthly. As of December 31, 2023 and 2022, the total fees were \$40,784 and \$42,171, respectively.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the year incurred. Advertising and marketing expense for the years ended December 31, 2023 and 2022 was \$240,079 and \$222,380, respectively.

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company follows FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers and Subtopic 952-606, Franchisors - Revenue from Contracts with Customers.

Franchise Fees

The Company recognizes franchise fees as two (2) individual performance obligations. The amount allocated to training is earned at a point in time when the services are performed. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. For the year ended December 31, 2023, revenue earned at a point in time was \$35,000 and revenue earned over time was \$749,474. For the year ended December 31, 2022, revenue earned at a point in time was \$84,500 and revenue earned over time was \$439,202.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty and brand development fees. These fees are based on a percentage of franchisee monthly sales and are recorded as revenue and recognized as these services are performed because the variable payment relates specifically to the performance obligation of using the license.

The Company also charges training, technology, and marketing fees. These fees are recorded as revenue and recognized as the services are performed as the fees relate specifically to the performance obligation of providing the service.

The Company charges service fees to participating franchisees of the Company. These fees are recorded as revenue and recognized as the services are performed as the fees relate specifically to the performance obligation of providing the service.

Contract Assets and Liabilities

Contract assets consist of commissions expense paid to facilitate the franchise sale and are amortized over the life of the franchise agreement. Expenses recognized during the years ended December 31, 2023 and 2022 that were included in the contract asset balance at the beginning of the years were \$589,064 and \$349,453, respectively. For the years ended December 31, 2023 and 2022, the contract assets were \$1,608,025 and \$2,059,190, respectively.

Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreement. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed. Revenue recognized during the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the years was \$792,503 and \$260,198, respectively. At years end December 31, 2023 and 2022, the contract liabilities were \$2,360,504 and \$2,734,977, respectively.

NOTE 3 – FIXED ASSETS, NET

Equipment, net as of December 31, consisted of the following:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 2,681	\$ 2,681
Less accumulated depreciation	(2,681)	(2,385)
Ending balance	<u>\$ -</u>	<u>\$ 296</u>

Depreciation expense for the years ended December 31, 2023 and 2022, was \$296 and \$1,072, respectively.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 4 - RELATED PARTIES**

LIME Painting, LLC, paid a related party operating expenses of Lime Franchise Systems, LLC during the year ended December 31, 2023. The loan is non-interest bearing and repayable at the discretion of the Company. The Company owed \$433 and \$582 to LIME Painting, LLC as of December 31, 2023 and 2022, respectively.

The member of the Company advanced monies to the Company for working capital purposes. The advance is non-interest bearing and repayable at the discretion of the Company. The Company owed \$10,000 to the member as of December 31, 2023 and 2022.

**NOTE 5 – COMPENSATED ABSENCES**

No provision for compensated absences has been made because of the Company has no written policy and the amount of such provision is not estimated as of December 31, 2023 and 2022.

**NOTE 6 – 401(k) RETIREMENT PLAN**

The Company has a 401(k) plan formed January 1, 2016, covering all eligible employees. 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. The employer contributes and allocates to each eligible employee's account a basic safe harbor employer matching contribution equal to 100% of elective salary deferrals up to the first 4% of base salary. The Company's matching contribution to the plan for the years ended December 31, 2023 was \$4,813 and \$9,213, respectively.

**NOTE 7 – RESTATEMENT OF MEMBER'S DEFICIT**

Subsequent to the issuance of the financial statements for the year ended December 31, 2022, the Company received rebates of \$54,573. These rebates are related to sales that occurred in the year ended December 31, 2022. The effect of the restatement on member's deficit at December 31, 2022 was \$54,573.

	<u>As Previously Reported</u>	<u>Restated</u>
Net Loss	\$ (272,146)	\$ (217,573)
Member's Equity, Beginning of Year	<u>189,055</u>	<u>189,055</u>
Member's Deficit, End of Year	<u><u>\$ (83,091)</u></u>	<u><u>\$ (28,518)</u></u>

**NOTE 8 – EMPLOYEE RETENTION CREDIT**

In 2023, the Company received the refundable employee retention credits allowable under the CARES Act based on the Company's filing of Form 941, Employer's Quarterly Federal Tax Return, for the quarters ended March 31, June 30, and September 30, 2021. The refundable employee retention credit income of \$86,559 was included in the other income account balance at December 31, 2023.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

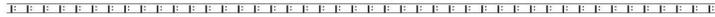
**NOTE 9 - SUBSEQUENT EVENTS**

The Company has evaluated events or transactions that have occurred after December 31, 2023 (the financial statement date) through April 26, 2024, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

SUPPLEMENTARY INFORMATION (UNAUDITED)



*a limited liability company*



*certified public accountants and business consultants*

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Member and Management of  
Lime Franchise Systems, LLC  
Greenwood Village, CO

We have audited the financial statements of Lime Franchise Systems, LLC as of December 31, 2023, and for the year then ended, and our report thereon dated April 26, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Operating Expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

*DRDA, LLC*

DRDA, LLC  
Houston, Texas

April 26, 2024

**Lime Franchise Systems, LLC**  
**Schedules of Operating Expenses**  
**For the Years Ended December 31,**

	<u>2023</u>	<u>2022</u>
Operating Expenses		
Advertising and marketing	\$ 240,079	\$ 222,380
Commissions	589,064	407,487
Depreciation	296	1,073
Dues and subscriptions	166,924	125,748
Insurance	5,038	1,547
Licenses and permits	1,235	530
Memberships - broker associations	50,618	20,817
Miscellaneous	1,528	7,092
Office supplies	4,171	9,515
Payroll	386,945	592,178
Payroll processing fees	10,793	459
Payroll taxes	32,641	54,405
Postage	4,459	1,505
Professional fees	353,918	264,122
Rent	6,772	9,213
Retirement plan contributions	4,813	9,936
Security	344	323
Technology	491	69,116
Telephone	4,710	-
Training and education	86,034	80,680
Travel	66,789	137,099
Uniforms	-	4,081
Supplies	3,549	15,071
	<u>\$ 2,021,211</u>	<u>\$ 2,034,377</u>

**LIME FRANCHISE SYSTEMS, LLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

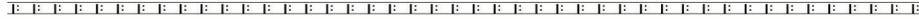
**Lime Franchise Systems, LLC**

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*a professional limited liability company*



*certified public accountants and business consultants*

**INDEPENDENT AUDITORS' REPORT**

To the Member  
Lime Franchise Systems, LLC  
Greenwood Village, Colorado

**Opinion**

We have audited the accompanying financial statements of Lime Franchise Systems, LLC (a Colorado Limited Liability Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lime Franchise Systems, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lime Franchise Systems, LLC 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lime Franchise Systems, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 Lime Franchise Systems, LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lime Franchise Systems, LLC'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.

Sincerely,

**DRDA, PLLC**

DRDA, PLLC  
Houston, Texas

April 3, 2023

**Lime Franchise Systems, LLC**  
**Balance Sheets**  
**For the Years Ended December 31,**

	<b>2022</b>	<b>2021</b>
<b><u>Assets</u></b>		
Current Assets		
Cash	\$ 370,265	\$ 643,474
Franchise fees receivables	257,000	29,500
Royalty and brand development fees receivable	144,131	81,609
Other receivable	6,320	-
Loan to franchisee	-	10,000
Prepaid expense	3,788	-
Contract assets - franchise costs, current portion	349,453	168,670
Total Current Assets	1,130,957	933,253
Equipment, net	296	1,368
Contract assets - franchise costs, net of current portion	1,709,737	1,376,473
Total Assets	\$ 2,840,990	\$ 2,311,094
<b><u>Liabilities and Member's Equity</u></b>		
Current Liabilities		
Accounts payable	\$ 157,718	\$ 53,393
Accrued expenses	92,189	53,602
State taxes liability	5,514	2,365
Contract liabilities - franchise fees	320,250	211,783
Due to related party	582	75,000
Due to member	10,000	10,000
Total Current Liabilities	586,253	406,143
Long-Term Liabilities		
Contract liabilities - franchise fees	2,414,727	1,715,896
Total Long Term Liabilities	2,414,727	1,715,896
Total Liabilities	3,000,980	2,122,039
Member's (Deficit) Equity	(159,990)	189,055
Total Liabilities and Member's Equity	\$ 2,840,990	\$ 2,311,094

See accompanying notes and auditors' report.

**Lime Franchise Systems, LLC**  
**Statements of Income and Member's (Deficit) Equity**  
**For the Years Ended December 31,**

	<u>2022</u>	<u>2021</u>
Revenues	\$ 1,950,111	\$ 1,265,662
Total Revenues	<u>1,950,111</u>	<u>1,265,662</u>
Operating expenses	<u>2,034,377</u>	<u>1,158,506</u>
Income (Loss) from Operations	(84,266)	107,156
Other Income (Expense)		
Other income	8,212	-
Related party bad debt	(192,501)	-
Total Other Expense	<u>(184,289)</u>	<u>-</u>
Income before provision for income tax		
Current state taxes	(3,591)	(2,365)
Total Income Tax	<u>(3,591)</u>	<u>(2,365)</u>
Net (Loss) Income	(272,146)	104,791
Member's Equity, Beginning of Year	189,055	84,264
Member's Contributions	10,000	-
Member's Distributions	<u>(86,899)</u>	<u>-</u>
Member's (Deficit) and Equity, End of Year	<u>\$ (159,990)</u>	<u>\$ 189,055</u>

See accompanying notes and auditors' report.

**Lime Franchise Systems, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31,**

	<b>2022</b>	<b>2021</b>
Cash Flows provided by (used in) Operating Activities		
Net (loss) income	\$ (272,146)	\$ 104,791
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,072	1,073
Decrease (increase) in franchise fees receivable	(227,500)	37,500
Decrease (increase) in royalty and brand development receivable	(62,522)	(76,033)
Decrease (increase) in other receivable	(6,320)	-
Decrease (increase) in loan to franchisee	10,000	10,000
Decrease (increase) in contract assets - franchise costs	(514,047)	(1,146,776)
Decrease (increase) in prepaid expense	(3,788)	-
Increase (decrease) in accounts payable	104,325	61,297
Increase (decrease) in accrued expenses	38,587	7,806
Increase (decrease) in current state taxes	3,149	2,365
Increase (decrease) in due to affiliate	(74,418)	-
Increase (decrease) in deferred revenue	-	(35,000)
Increase (decrease) in contract liabilities - franchise fees	807,298	1,398,615
Net Cash Flows (used in) provided by Operating Activities	(196,309)	365,638
Cash Flows from Financing Activities:		
Advance from member	-	(10,000)
Contributions from member	10,000	-
Distributions to member	(86,899)	-
Net Cash Flows used in Financing Activities	(76,899)	(10,000)
Net Decrease in Cash	(273,208)	355,638
Cash, Beginning of Year	643,474	287,836
Cash, End of Year	\$ 370,265	\$ 643,474

See accompanying notes and auditors' report.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lime Franchise Systems, LLC (a limited liability company) was incorporated under the laws of the State of Colorado on August 31, 2017 for the purpose of selling and operating franchises under the brand name LIME Painting. The Company offers franchises for the right to own and operate businesses that offer and provide project management services in connection with painting services and solutions, as well as substrate and/or other ancillary services in the field of home maintenance and improvement, with a focus on high-end residential properties. The Company authorizes franchisees and third-party licensees to use the Company's proprietary marks and systems. As of December 31, 2022, there were eighteen open and operating franchise locations and thirty-five additional franchise locations in various stages of development.

Basis of Presentation

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Company generates revenue from the sale of franchise licenses. The initial franchise fee is due at signing and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalty, brand development, training, marketing, and technology fees. From time to time, the Company can charge other fees as outlined in the Franchise Disclosure Document. See Note 3, "Revenue from Contracts with Customers" for further information regarding disclosures.

Concentration of Credit Risk - Cash

The Company maintains cash balances at a financial institution which, at various times during the year, may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at the institution are insured by the FDIC up to \$250,000. At December 31, 2022 and 2021, there were uninsured cash balances of \$120,265 and \$393,474, respectively.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to a valuation allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. There is no allowance for doubtful accounts recorded as of December 31, 2022 and 2021, as management deems all balances collectible.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment and Depreciation

Equipment is stated at cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Depreciation is provided by using the double-declining balance method over the estimated useful life of the asset. The useful life of the equipment for purposes of computing depreciation is five years.

Income Taxes

The Company is a disregarded entity for U.S. Federal income tax purposes, and all of its income and expenses are reported on Lime Holding's LLC's tax return. Accordingly, no provision for income tax is reported in the Company's financial statements. U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Company and has concluded that, as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Company is subject to state tax in California, Idaho, Illinois, Kentucky, New Jersey, North Carolina, and Texas. For the year ended December 31, 2021, the state tax expense was for \$800 for California, \$20 for Idaho, \$52 for Illinois, \$175 for Kentucky, \$375 for New Jersey, \$200 for North Carolina, and \$743 Texas. For the year ended December 31, 2022, the state tax expense was for \$800 for California, \$20 for Idaho, \$0 for Illinois, \$175 for Kentucky, \$456 for Massachusetts, \$375 for New Jersey, \$200 for North Carolina, \$25 for South Carolina and \$1,098 Texas.

Brand Development Fund

The Company collects funds from franchisees to manage the brand level advertising, marketing, and development programs. The fee is based on a percentage of the franchisees' gross sales, payable monthly. As of December 31, 2022 and 2021 total was \$42,171 and \$29,340, respectively.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the year incurred. Advertising and marketing expense for the years ended December 31, 2022 and 2021 was \$222,380 and \$232,773, respectively.

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company follows FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers and Subtopic 952-606, Franchisors - Revenue from Contracts with Customers.

Franchise Fees

The Company recognizes franchise fees as two (2) individual performance obligations. The amount allocated to training is earned at a point in time when the services are performed. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. For the year ended December 31, 2022, revenue earned at a point in time was \$84,500 and revenue earned over time was \$179,004. For the year ended December 31, 2021, revenue earned at a point in time was \$153,000 and revenue earned over time was \$132,386

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty and brand development fees. These fees are based on a percentage of franchisee monthly sales and are recorded as revenue and recognized as these services are performed because the variable payment relates specifically to the performance obligation of using the license.

The Company also charges training, technology, and marketing fees. These fees are recorded as revenue and recognized as the services are performed as the fees relate specifically to the performance obligation of providing the service.

The Company charges service fees to participating franchisees of the Company. These fees are recorded as revenue and recognized as the services are performed as the fees relate specifically to the performance obligation of providing the service.

Contract Assets and Liabilities

Contract assets consist of commissions expense paid to facilitate the franchise sale and are amortized over the life of the franchise agreement. Expenses recognized during the years ended December 31, 2022 and 2021 that were included in the contract asset balance at the beginning of the years was \$349,453 and \$168,670, respectively. At years ended December 31, 2022 and 2021, the contract assets were \$2,059,190 and \$1,545,143, respectively.

Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreement. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed. Revenue recognized during the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the years was \$260,198 and \$132,386, respectively. At years ended December 31, 2022 and 2021, the contract liabilities were \$2,734,977 and \$1,927,679, respectively.

NOTE 3 - EQUIPMENT, NET

Equipment, net as of December 31, consisted of the following:

	2022	2021
Computer equipment	\$ 2,681	\$ 2,681
Less accumulated depreciation	(1,313)	(1,313)
Ending balance	\$ 296	\$ 1,368

Depreciation expense for the years ended December 31, 2022 and 2021 was \$1,072 and \$1,073, respectively.

NOTE 4 – DUE FROM FRANCHISEE

The Company advanced cash to fund the operation of Snider Enterprises, LLC. The unsecured note receivable amounted to \$10,000 as of December 31, 2021. The loan from franchisee is interest free and due on demand. The loan was written off as of December 31, 2022.

**Lime Franchise Systems, LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**NOTE 5 - RELATED PARTIES**

LIME Painting, LLC, paid a related party operating expenses of Lime Franchise Systems, LLC during the year ended December 31, 2022 and 2021. The loan is non-interest bearing and repayable at the discretion of the Company. The Company owed \$582 and \$75,000 to LIME Painting, LLC as of December 31, 2022 and 2021, respectively.

The member of the Company advanced monies to the Company for working capital purposes. The advance is non-interest bearing and repayable at the discretion of the Company. The Company owed \$10,000 to the member as of December 31, 2022 and 2021.

**NOTE 6 – COMPENSATED ABSENCES**

No provision for compensated absences has been made because of the Company has no written policy and the amount of such provision is not estimated as of December 31, 2022 and 2021.

**NOTE 7 – 401(k) RETIREMENT PLAN**

The Company has a 401(k) plan formed January 1, 2016, covering all eligible employees. 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. The employer contributes and allocates to each eligible employee's account a basic safe harbor employer matching contribution equal to 100% of elective salary deferrals up to the first 4% of base salary. The Company's matching contribution to the plan for the years ended December 31, 2022 and 2021 was \$9,213 and \$1,569, respectively.

**NOTE 8 - SUBSEQUENT EVENTS**

The Company has evaluated events or transactions that have occurred after December 31, 2022 (the financial statement date) through April 3, 2023, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESS HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

# LIME FRANCHISE SYSTEMS, LLC

## Balance Sheet

As of March 31, 2024

Unaudited

### Assets

March 31, 2024

#### Current Assets

Cash	208,787.11
Franchise Fees and receivables	391,500.00
Royalty and brand development fees receivable, net of allowance of 50,762.88	229,702.04
Rebate receivable	88,405.17
Other receivable	34,047.04
Loan to franchisee	6,197.94
Prepaid expense	4,358.84
Contract assets- franchise costs, net of current portion	207,300.00
Total Current Assets	<u>1,170,298.14</u>

Contract Assets- franchise costs, net of current portion 1,400,825.32

Total Assets 2,571,123.46

### Liabilities and Member's Equity

#### Current Liabilities

Accounts Payable	13,915.37
State taxes liability	15,252.00
Contract liabilities- franchise fees	302,607.50
Due to related party	433.38
Due to member	10,000.00
Franchise deposit	35,000.00
Total Current Liabilities	<u>377,208.25</u>

#### Long-Term Liabilities

Contract liabilities - franchise fees	<u>2,207,896.04</u>
Total Long Term Liabilities	<u>2,207,896.04</u>

Total Liabilities 2,585,104.29

Member's Equity (Deficit) -13,980.83

Total Liabilities and Member's Equity 2,571,123.46

# LIME FRANCHISE SYSTEMS, LLC

## Profit and Loss

January 1 - March 31, 2024

Unaudited

Revenues	
Total Revenues	\$327,516.52
Operating Expenses	<u>\$365,205.51</u>
Income from Operations (Loss)	<u>-\$37,688.99</u>
Other Income (Expense)	-139.13
Income (Loss) before provision for income taxes	<u>-\$37,828.12</u>
Current state taxes	<u>0</u>
Total Income Tax	<u>0</u>
Net Income (Loss)	<u><u>-\$37,828.12</u></u>

**EXHIBIT G TO  
FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

## CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

This Confidentiality and Non-Disclosure Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between LIME Franchise Systems, LLC on behalf of itself and its direct and indirect parents, subsidiaries and affiliates (hereinafter collectively referred to as the "Company") and \_\_\_\_\_ (hereinafter referred to as the "Recipient").

WHEREAS, the Company possesses certain confidential information pertaining to its businesses; and,

WHEREAS, the Recipient may, from time to time, receive a disclosure of such confidential information from the Company or its agents, consultants or affiliates for the purpose of enabling the Recipient to evaluate a possible franchise opportunity (the "Franchise Opportunity"); and,

THEREFORE, the Recipient agrees to hold in confidence and to refrain from the unauthorized use of Confidential Information (as hereinafter defined) as set forth below:

### 1. Confidential Information.

(a) As used herein, "Confidential Information" means information about the Company, in whatever format, furnished to the Recipient pursuant to this Agreement by or on behalf of the Company, including, but not limited to, information regarding policies and procedures; concepts; tools; techniques; contracts; business records; marketing information and plans; demographic information; operations; basic Business inventory; sales; costs; employees; vendors; suppliers; expansion plans (e.g. existing, and entry into new, geographic and/or product markets); location of Businesses (including proposed locations); lawsuits and/or claims; management philosophy; customer lists; rental activity reports; sell-through activity reports; and confidential information received from third parties pursuant to a confidential disclosure agreement,

(b) Confidential Information does not include information that (i) was available to the public prior to the time of disclosure, (ii) becomes available to the public through no act or omission of the Recipient, or (iii) communicated rightfully to Recipient free of any obligation of nondisclosure and without restriction as to its use. Recipient shall bear the burden of demonstrating that the information falls under one of the above-described exceptions.

### 2. Non-Use and Non-Disclosure.

Recipient agrees to (i) hold the Confidential Information in confidence and refrain from disclosing Confidential Information, or transmitting any documents or copies containing Confidential Information, to any other party except as permitted under the terms of this Agreement, (ii) use the Confidential Information only to assist the Recipient in evaluation of the Franchise Opportunity and will not disclose any of it except to the Recipient's directors, officers, employees and representatives (including outside attorneys, accountants and consultants) (collectively its "Representatives") who need such information for the purpose of evaluating the Franchise Opportunity (and the Recipient shall require such Representatives to agree to be bound by the provisions of this Agreement and the Recipient shall be responsible for any breach of the terms of this Agreement by its Representatives). Recipient shall use at least the standard of care with respect to protecting the Confidential Information that it accords or would accord its own proprietary and confidential information.

### 3. Ownership and Implied Rights.

All Confidential Information shall remain the exclusive property of the Company and nothing in this Agreement, or any document, or any course of conduct between the Company and the Recipient, shall

be deemed to grant the Recipient any rights in or to the Confidential Information, or any part thereof.

Nothing herein shall obligate Company to enter a franchise relationship with Recipient. Company may for any reason or for no reason decline to enter a franchise relationship with Recipient. Recipient acknowledges that Company is under no obligation to enter or execute a franchise agreement with Recipient on the basis of this Agreement or for any other reason.

4. Restrictions on Copying.

Recipient shall not make any copies of any Confidential Information, except as may be strictly necessary for Recipient to evaluate the Franchise Opportunity. Any copies made by Recipient shall bear a clear stamp or legend indicating their confidential nature. Recipient shall not remove, overprint or deface any notice of copyright, trademark, logo, or other notices of ownership from any originals or copies of Confidential Information.

5. Return of Materials.

At the request of the Company at any time, the Recipient shall promptly return to the Company all Confidential Information that may be contained in printed, written, drawn, recorded, computer disk or any other form whatsoever which is in the possession or control of the Recipient or the location of which is known by the Recipient, including all originals, copies, reprints and translations thereof and any notes prepared by the Recipient or its Representatives in connection with the Confidential Information.

6. Breach.

(a) In the event of Recipient's breach of its obligations under this Agreement or any other agreement with the Company, Company shall have the right to (i) demand the immediate return of all Confidential Information, (ii) recover its actual damages incurred by reason of such breach, including, but not limited to, its attorneys' fees and costs of suit, (iii) obtain injunctive relief to prevent such breach or to otherwise enforce the terms of this Agreement, and (iv) pursue any other remedy available at law or in equity.

(b) The Recipient recognizes that the Company would suffer irreparable harm for which it would not have an adequate remedy at law if the Recipient were to violate the covenants and agreements set forth herein. Accordingly, the Recipient agrees that the Company shall be entitled to specific performance and injunctive relief as remedies for any such breach and that, in such event, no bond shall be required. This remedy shall be in addition to any other remedy available at law or in equity.

7. Governing Law.

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN STRICT ACCORDANCE WITH THE SUBSTANTIVE LAW OF THE STATE OF COLORADO WITHOUT REFERENCE TO CONFLICT OF LAW RULES. THE RECIPIENT HEREBY CONSENTS TO THE JURISDICTION OF THE DISTRICT COURTS OF THE STATE OF COLORADO AND ANY PROCEEDING ARISING BETWEEN THE PARTIES HERETO IN ANY MANNER PERTAINING OR RELATED TO THIS AGREEMENT SHALL TO THE EXTENT PERMITTED BY LAW, BE HELD IN COLORADO.**

8. Waiver; Severability.

Any failure on the part of the Company to insist upon the performance of this Agreement or any part thereof, shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. If any provision of this Agreement, or the application thereof to any person or circumstance shall, for any reason or to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

9. Accuracy of Confidential Information.

(a) The Company makes no representation or warranty as to the accuracy or completeness of the Confidential Information. Neither the Company nor any of the officers, directors, employees, agents, advisors, legal counsel or other representatives or affiliates thereof, shall be subject to any liability resulting from the use of the Confidential Information by the Recipient and its Representatives.

(b) The Recipient acknowledges that the restrictions set forth herein are fair and reasonable and are necessary in order to protect the business of the Company and the confidential nature of the Confidential Information. The Recipient further acknowledges that the Confidential Information is unique to the business of the Company and would not be revealed to Recipient were it not for its willingness to agree to the restrictions set forth herein.

10. Applicability.

The terms, conditions and covenants of this Agreement shall apply to all business dealings and relations between the Company and the Recipient.

**RECIPIENT**

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

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

**LIME FRANCHISE SYSTEMS, LLC**

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

**EXHIBIT H TO  
FRANCHISE DISCLOSURE DOCUMENT  
SAMPLE FORM OF GENERAL RELEASE**

## SAMPLE FORM OF GENERAL RELEASE

This General Release (“Release”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between LIME Franchise Systems, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

### WITNESSETH:

**WHEREAS**, Franchisor and Franchisee are parties to a LIME Painting Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_, granting Franchisee the right to operate a franchised business utilizing Franchisor’s then-current (a) proprietary marks and (b) system of operations, at the following location: \_\_\_\_\_.

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasors”), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasees”), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. Releasors hereby acknowledge that this release is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist.

Each of the Releasors expressly acknowledges that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing a release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Each of the Releasors hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder. Releasors acknowledge and agree that they have read the terms of this Release, they fully understand and voluntarily accept the terms, and that they have entered into this Release voluntarily and without any coercion.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, the parties hereto have executed this Release as of the date first above written.

**FRANCHISOR**

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

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

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

**FRANCHISEE**

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

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

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

**EXHIBIT I TO  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE-SPECIFIC ADDENDA**

***PLEASE NOTE THAT THE SIGNATURE PAGE FOR THE APPROPRIATE ADDENDUM OR ADDENDA IDENTIFIED IN THE "APPLICABLE STATE" LINE AT THE END OF ALL STATE ADDENDA SET FORTH BELOW FOLLOWS ALL THE ADDENDA BELOW AND SHOULD BE SIGNED IF THE FRANCHISE BEING AWARDED IS SUBJECT TO ONE OR MORE OF THE APPLICABLE STATE FRANCHISE PRE-SALE DISCLOSURE AND REGISTRATION LAWS BELOW. THERE IS NOT A SPECIFIC SIGNATURE PAGE FOR EACH ADDENDUM UNLESS SPECIFICALLY REQUIRED BY THAT STATE.***

**STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

## **ADDENDUM REQUIRED BY HAWAII**

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

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

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

## **ADDENDUM REQUIRED BY THE STATE OF INDIANA**

Neither LIME Franchise Systems, LLC, its affiliates, nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement and Multi-Territory Addendum contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and/or Multi-Territory Addendum and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

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 FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside 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 are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, 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.

Please be advised that we have secured a surety bond in the amount of \$180,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial status. A copy of the Surety Bond is on file with the Office of the Illinois Attorney General.

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.

The following language is hereby added to the State Cover Page:

**YOU MUST PURCHASE ALL OR NEARLY ALL INVENTORY & SUPPLIES NECESSARY TO OPERATE YOUR BUSINESS FROM FRANCHISOR, ITS AFFILIATES, OR FROM SUPPLIERS THAT FRANCHISOR DESIGNATES AT PRICES THAT MAY BE HIGHER THAN YOU COULD OBTAIN ELSEWHERE FOR THE SAME OR SIMILAR GOODS. THIS MAY REDUCE THE ANTICIPATED PROFIT OF YOUR FRANCHISED BUSINESS.**

## **ADDENDUM REQUIRED BY 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 OF 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 EACH 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, MATERIALS, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, MATERIALS, 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 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 QUALIFICATION OR STANDARDS.

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

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

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

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN. FRANCHISE SECTION, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913, 517-373-7117.

## **ADDENDUM REQUIRED BY THE STATE OF MINNESOTA**

Under Item 6 of this Disclosure Document, the amount of the Dishonored Check Charge is hereby deleted and replaced with "\$30" pursuant to Minnesota Statute 604.113.

In an Addendum to the Franchise Agreement, we agree to indemnify you against losses and liabilities for which you are held liable in any proceeding arising out of your use of the mark "LIME Painting" or any other trademark, service mark or logotype that you are authorized by us to use with the LIME Painting franchise. This indemnification is contingent upon you using the marks or logotypes in accordance with the provisions of the Franchise Agreement.

We will comply with Minnesota Statute Section 80C.14 subdivisions 3, 4 and 5 which require, except in certain specific cases, that you be given ninety (90) days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and/or Multi-Territory Addendum.

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400J, prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2869.4400(d) prohibits us from requiring that you assent to a general release as set forth in Item 17 of this Disclosure Document.

Nothing in the Disclosure Document, Franchise Agreement or Multi-Territory Addendum shall effect your rights under Minnesota Statute Section 80C.17, Subd. 5.

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 REQUIRED BY 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, 28 LIBERTY STREET, 21<sup>ST</sup> 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 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 the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a

discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of 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), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of 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 franchisee**”:

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” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

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

## **RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

For franchises and franchisees subject to the Rhode Island statutes and regulations, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Lime Franchise Systems, LLC Franchise Disclosure Document.

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 and 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.

### Item 17:

1. §19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in the franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
2. The Rhode Island Franchise Investment Act requires a franchisor to deliver a copy of a disclosure document reflecting all material changes together with a copy of all proposed agreements relating to the sale of the franchise at the earlier of: (i) the prospective franchisee’s first personal business meeting with the franchisor which is held for the purpose of discussing the sale or possible sale of the franchise, or (ii) ten business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship.

## **ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

With respect to disclosures in Item 6 of the Disclosure Document regarding franchisee securing funds by selling securities in the franchise, be advised that any securities offered or sold by an Investor Franchisee as part of its franchise with LIME Franchise Systems, LLC must be either registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for LIME Franchise Systems, LLC for use in the Commonwealth of Virginia shall be amended as follows:

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

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement or multi-territory addendum 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.

**STATE SPECIFIC ADDENDA**  
**TO THE FRANCHISE AGREEMENT AND MULTI-TERRITORY ADDENDUM**

**ADDENDUM TO THE FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside 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 are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Please be advised that we have secured a surety bond in the amount of \$180,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial status. A copy of the Surety Bond is on file with the Office of the Illinois Attorney General.

In conformance with section 41 of the Illinois Franchise Disclosure Act, 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.

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 parties hereto have duly executed and delivered this Addendum on the day and year first above written.

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_(SEAL)

**LIME FRANCHISE SYSTEMS, LLC**

\_\_\_\_\_(SEAL)

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

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

[OR]

OWNERS (SHAREHOLDERS/PARTNERS/  
MEMBERS):

\_\_\_\_\_  
Corporate Name, Partnership or  
Limited Liability Company

\_\_\_\_\_(SEAL)

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

## **ADDENDUM REQUIRED BY THE STATE OF INDIANA**

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.

Section 21(D) of the Franchise Agreement is hereby modified to provide that: (i) the acts described in these Sections may cause Franchisor irreparable harm; and (ii) Franchisor is entitled to seek (rather than obtain) restraining orders or injunctive relief in accordance with the terms of these Sections without the necessity of posting a bond.

Section 13(E)(3) of the Franchise Agreement is hereby deleted in their entirety.

Section 15 of the Franchise Agreement is hereby modified by adding the following subsection after the last subsection thereof:

Indiana Law. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section 21(C) of the Franchise Agreement is hereby modified such that Franchisor agrees to select as the place for mediation a location within the State of Indiana and the laws of the State of Indiana shall apply to the mediation proceedings.

Section 21(I) of the Franchise Agreement is hereby modified by deleting everything in the first sentence thereof after the words “brought before the expiration of” and before “and that any action not brought...,” and replacing the deleted portion with “two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee of the facts constituting the violation.”

Any covenant not to compete in the Franchise Agreement or Multi-Territory Addendum which extends beyond the termination of such agreement(s) (whichever are applicable) may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section 21(A) of the Franchise Agreement, the laws of the State of Indiana shall govern the construction and enforcement of these agreements.

Section 21(E) of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

*[Signatures on Following Page]*

FRANCHISEE:

\_\_\_\_\_(SEAL)

\_\_\_\_\_(SEAL)

[OR]

\_\_\_\_\_  
Corporate Name, Partnership or  
Limited Liability Company

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

FRANCHISOR:

**LIME FRANCHISE SYSTEMS, LLC**

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

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

OWNERS (SHAREHOLDERS/PARTNERS/  
MEMBERS):

\_\_\_\_\_(SEAL)

## **ADDENDUM REQUIRED BY THE STATE OF MINNESOTA**

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.

The Sections of the Franchise Agreement regarding your obligation to execute a general release upon assignment or renewal are deleted in their entirety in accordance with Minnesota Rule Part 2860.4400(D).

In Section 4(F) of Franchise Agreement, the charge for a check that is dishonored, fails to process or is returned is hereby deleted and replaced with “\$30” pursuant to Minnesota Statute 604.113.

Section 7(N) of the Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

- N. Franchisor agrees to indemnify Franchisee from and against any losses, liabilities and damages for which Franchisee is held liable by a court of competent jurisdiction in any proceeding arising solely out of Franchisee’s use of the mark “LIME Painting” and all other trademarks, service marks and associated marks and symbols utilized by Franchisee pursuant to this Agreement, provided such use is in accordance with and pursuant to the provisions of this Agreement. The foregoing indemnification is conditioned upon the following: Franchisee must (i) provide written notice to Franchisor of any claims subject to indemnification hereunder within twenty (20) days of Franchisee’s receipt of any written information pertaining to such claims, (ii) tender the defense of the claims to Franchisor if Franchisor so desires, and (iii) permit Franchisor to have sole control of the defense and settlement of any such claim.

Section 15 of the Franchise Agreement is hereby modified to add the following subsection after the last subsection therein:

Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

Section 21(D) of the Franchise Agreement is hereby modified by adding the word “seek to” in the first sentence thereof after the word “to” and before the word “obtain.”

Section 21(K) of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400J, prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Section 21(I) of the Franchise Agreement is hereby modified by replacing all references of “one year” time limit to “three (3) years” time limit to institute claims.

Nothing in the Franchise Agreement or Multi-Territory Addendum is intended to abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C.

## **ADDENDUM REQUIRED BY THE STATE OF NEW YORK**

Notwithstanding any provision of the Franchise Agreement, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

Section 11(C) of the Franchise Agreement is hereby modified by adding the following sentence after the last sentence/subsection thereof: “However, the Franchisee shall not be required to indemnify for any claims arising out of a breach of the Agreement or other civil wrong of the Franchisor.”

No new or different requirements imposed on Franchisee as a result of any changes made by Franchisor to its Manual pursuant to the terms of the Franchise Agreement or Multi-Territory Addendum, and these changes will not otherwise place an unreasonable economic burden on Franchisee.

Notwithstanding any provision of the Franchise Agreement or Multi-Territory Addendum to the contrary, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment, so long as it remains subject to Article 33 of the General Business Law of the State of New York.

Section 21(D) of the Franchise Agreement is hereby modified by adding the word “apply to” in the first sentence thereof after the word “to” and before the word “obtain.”

Notwithstanding Sections 21(A) or 21(E) of the Franchise Agreement, these choice of law and venue provisions should not be construed as a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

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.

**RHODE ISLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF RHODE ISLAND ARE HEREBY AMENDED AS FOLLOWS:**

1. Pursuant to the Rhode Island Franchise Investment Act, the choice of jurisdiction and venue provisions of this Franchise Agreement shall be governed by Section 19-28.1-14 of the Act.
2. Pursuant to Section 19-28.1-15 of the Act, any condition, stipulation or provision in this Franchise Agreement requiring a franchisee to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this Act or a rule or order under this Act is void. An acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in the Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentations or action that would violate this Act or a rule or order under this Act. This section shall not affect the settlement of disputes, claims or civil lawsuits arising or brought under this Act.
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 and 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.

**The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.**

**LIME FRANCHISE SYSTEMS LLC**

**FRANCHISEE**

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

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

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

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

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

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

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

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

## **ADDENDUM REQUIRED BY THE STATE OF WISCONSIN**

Section 15 of the Franchise Agreement is hereby modified to add the following subsection after the last subsection therein:

Wisconsin Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Wisconsin law, Chapter 135, Wisc. Stats., the Wisconsin Fair Dealership Law.

Section 21(A) of the Franchise Agreement is hereby modified by adding the following language after the last sentence thereof:

“The Wisconsin Fair Dealership Law supersedes any provision of this Agreement which is inconsistent with that law.”

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.

**FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM**

Notwithstanding Section 22(A) of the Franchise Agreement or Section 23(G) of the Multi-Territory Addendum to the contrary, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement and/or Multi-Territory Addendum (as applicable). In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly set forth herein, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

Applicable State: \_\_\_\_\_

***[THE SIGNATURE PAGE FOR THE APPROPRIATE ADDENDUM OR ADDENDUM IDENTIFIED IN THE "APPLICABLE STATE" LINE ABOVE ARE SET FORTH ON THE FOLLOWING PAGE]***

**IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum on the day and year first above written.**

FRANCHISEE:

\_\_\_\_\_(SEAL)

\_\_\_\_\_(SEAL)

[OR]

\_\_\_\_\_  
Corporate Name, Partnership or  
Limited Liability Company

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

FRANCHISOR:

**LIME FRANCHISE SYSTEMS, LLC**

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

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

OWNERS (SHAREHOLDERS/PARTNERS/  
MEMBERS):

\_\_\_\_\_(SEAL)

**EXHIBIT J TO  
FRANCHISE DISCLOSURE DOCUMENT  
FRANCHISEE QUESTIONNAIRE**

**FRANCHISEE QUESTIONNAIRE\***

**DO NOT SIGN THIS QUESTIONNAIRE IF YOU RESIDE IN, OR INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES : CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) :**

As you know, LIME Franchise Systems, LLC (“we,” “us” or “Franchisor”) and you are preparing to enter into a (i) Franchise Agreement that will govern your franchise right to independently own and operate a franchised business that utilizes Franchisor’s then-current proprietary marks and system of operations, and (b) if applicable, a Multi-Territory Addendum whereby Franchisor will award you the right to right to operate the Franchised Business governed by your Franchise Agreement in one (1) or more additional territories(s) that are contiguous to the Designated Territory you are awarded under that Franchise Agreement. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

If “No,” what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

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3. Did we make any material changes to the form of Franchise Agreement that was included in the Franchise Disclosure Document you received from us, which were not negotiated with you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If “Yes,” did you receive a copy of the final Franchise Agreement at least seven (7) calendar days prior to signing it?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Have you received and personally reviewed the Franchise Disclosure Document we provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Do you understand all of the information contained in the Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If “No,” what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary)

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6. Did you receive a copy of the Franchise Disclosure Document at least fourteen (14) calendar days prior to signing any agreement with us or paying us any money or other consideration?

Yes\_\_\_\_ No\_\_\_\_

7. Have you discussed the benefits and risks of operating a franchised business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes\_\_\_\_ No\_\_\_\_

8. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors that are outside of our control?

Yes\_\_\_\_ No\_\_\_\_

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a business operated by us or our franchisees?

Yes\_\_\_\_ No\_\_\_\_

If “Yes,” please describe the nature of the statements and by whom they were made? (Attach additional pages, if necessary)

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10. Has any employee or other person speaking on our behalf made any statement or promise concerning your franchised business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If “Yes,” please describe the nature of the statements and by whom they were made?  
(Attach additional pages, if necessary)

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11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a franchised business?

Yes\_\_\_\_ No\_\_\_\_

If “Yes,” please describe the nature of the statements and by whom they were made?  
(Attach additional pages, if necessary)

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12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a business will generate?

Yes\_\_\_\_ No\_\_\_\_

If “Yes,” please describe the nature of the statements and by whom they were made?  
(Attach additional pages, if necessary)

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13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a business?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please describe the nature of the statements and whom they were made by?  
(Attach additional pages, if necessary)

\_\_\_\_\_

14. Were you provided any actual or estimated revenue or sales figures or amounts in connection with any pro forma profit and loss statement that may have been furnished to you by any employee or other person on our behalf?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please describe the nature of the statements and whom they were made by?  
(Attach additional pages, if necessary)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please describe the nature of the statements and whom they were made by?  
(Attach additional pages, if necessary)

\_\_\_\_\_

\_\_\_\_\_

16. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Do you understand that nothing in the Franchise Agreement or in our communications with one another is intended to make, or in fact makes, either you or us a general or limited partner, general or special agent, joint venturer, or employee of the other for any purpose, that the Franchise Agreement does not create a fiduciary relationship between you and us,

and that we and you are and will be independent contractors during the term of the Franchise Agreement?

Yes\_\_\_\_ No\_\_\_\_

18. Do you understand that you, and not the Franchisor, have the duty and obligation to locate and lease a site for the Franchised Business and that the Franchisor’s approval of a site is not an assurance, representation or warranty as to the suitability of the Franchised Business’s site or the Franchised Business’s profitability or success?

Yes\_\_\_\_ No\_\_\_\_

19. Were you referred to LIME Painting Franchise by another individual?

Yes\_\_\_\_ No\_\_\_\_

If “Yes,” did that person make any statement or promise concerning your franchised business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If “Yes,” please describe the nature of the statements and by whom they were made? (Attach additional pages, if necessary)

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

\*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.

By signing this Questionnaire, you agree that you understand that your answers are important to us and that we will rely on them, and you are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
FRANCHISE APPLICANT

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

Date: \_\_\_\_\_, 20\_\_\_\_\_

**EXHIBIT K TO  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

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

This 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 stated below:

<b>State</b>	<b>Effective Date</b>
California	Not Registered
Hawaii	Pending Registration
Illinois	Pending Registration
Indiana	June 7, 2024
Maryland	Not Registered
Michigan	August 17, 2023
Minnesota	Pending Registration
New York	Pending Registration
North Dakota	Not Registered
Rhode Island	June 11, 2024
South Dakota	Not Registered
Virginia	June 26, 2024
Washington	Not Registered
Wisconsin	June 7, 2024

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.

**EXHIBIT L TO  
FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**

**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 LIME Franchise Systems, LLC (“Lime Franchise”) offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make payment to, Lime Franchise or an affiliate in connection with the proposed franchise sale.

New York requires that Lime Franchise gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Lime Franchise give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration.

If Lime Franchise 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 your state agency listed in Exhibit A.

Lime Franchise authorizes the agents listed in Exhibit A to receive service of process on its behalf.

The franchise seller(s) offering this franchise is/are checked off below:

\_\_\_ Nick Lopez and Gavri Grossman, c/o LIME Franchise Systems, LLC, 4950 S Yosemite St F2 #171  
Greenwood Village, CO 80111, (720) 708-7807

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

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

Issuance Date: April 29, 2024.

I have received a disclosure document dated April 29, 2024, that included the following exhibits:

EXHIBIT A	List of State Administrators; List of Agents for Service of Process.	EXHIBIT G	Sample Confidentiality and Non-Disclosure Agreement
EXHIBIT B	Franchise Agreement	EXHIBIT H	Sample General Release Agreement
EXHIBIT C	Multi-Territory Addendum	EXHIBIT I	State Addenda
EXHIBIT D	Tables of Contents for Manual(s)	EXHIBIT J	Franchisee Questionnaire
EXHIBIT E	List(s) of Current and Former Franchisees	EXHIBIT K	State Effective Dates
EXHIBIT F	Financial Statements	EXHIBIT L	Receipts

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

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

**PLEASE SIGN AND DATE THIS PAGE AND RETAIN THIS PAGE IN YOUR POSSESSION AS PART OF YOUR RECORDS.**

