

## FRANCHISE DISCLOSURE DOCUMENT



®

**Spray-Net Inc.**  
**A Delaware Corporation**  
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**Boucherville, Québec, Canada J4B 7M2**  
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We offer and award franchises for the right to independently own and operate a business that: (i) offers and provides proprietary and other spray painting and other coating services designed for the exterior and interior of homes and other residential buildings we permit, including doors, windows, masonry and sidings, as a unique alternative renovation solution to various “traditional” renovation and remodeling methods such as construction, masonry and/or vinyl siding, as well as other services and products we authorize; and (ii) is operated utilizing (a) the then-current proprietary marks we designate, including our current principal mark SPRAY-NET, and (b) the system of business operations we and our principals/affiliates have developed, including a designated trailer that will serve as your “Mobile Services Unit” and related equipment and tools.

The total investment necessary to begin operation of a franchised Business within a single territory ranges from \$170,825 to \$241,825. This includes \$79,550 to \$88,550 that must be paid to franchisor or its affiliates. The total investment necessary to begin operation of a franchised Business within two to five territories ranges from \$210,825 to \$401,825. This includes \$119,550 to \$248,550 that must be paid to franchisor or its affiliates.

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 disclosure document, the franchise agreement or any other related 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 Patrick Simpson at [patrick.s@spray-net.com](mailto:patrick.s@spray-net.com) or (877) 457-7729.

The terms of your franchise agreement will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contracts. Read all of your contracts carefully. Show your contracts 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 (the “FTC”). 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 21, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 Exhibits G and H.
<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 C 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 Spray-Net 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 Spray-Net franchisee?</b>	Item 20 or Exhibits G and H 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 franchisor 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 registration requirements, or to contact your state, use the agency information in Exhibits D and E.

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 Delaware. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Delaware than in your own states.
2. **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.
3. **Financial Condition**. The Franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (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.

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

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:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

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

The Franchisor is Spray-Net Inc. For ease of reference this Disclosure Document will refer to Spray-Net Inc. as “we,” “us” “our” and “Spray-Net.” The words “you” and “your” refer to the person to whom we grant a franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of our franchise agreement attached as Exhibit A (the “Franchise Agreement”) also apply to your owners and will be noted.

The Franchisor

We are a corporation formed under the laws of the State of Delaware on September 13, 2016. Our principal place of business is 1490 De Coulomb Street, Boucherville J4B 7M2 in Quebec, Canada. We have only done business under our corporate name and our Proprietary Marks.

As disclosed more fully below, our affiliate, SN Franchisor Canada, has offered franchises for the right to own and operate Businesses in Canada. As of December 31, 2022, there were approximately 34 franchised Businesses operating in Canada (each, a “CN Business”). The CN Businesses are operated in a substantially similar manner to the franchise being offering in this Disclosure Document utilizing the Proprietary Marks and System.

Please note that while we first issued a Disclosure Document in September 2016, we did not commence actively offering and awarding franchises for the right to operate a Business in the United States until late 2019 so that the brand could first focus on further developing and supporting the franchise network and System in Canada.

We have not offered or sold franchises in any other line of business and, as of the Issuance Date, we have not been involved in any material business activity unrelated to the administration of the franchise system.

The Franchised Business

As previously disclosed, this Disclosure Document is for the right to own and operate a franchised Business utilizing our then-current Proprietary Marks and System (each, a “Franchised Business”) under our form of franchise agreement included in this offering in Exhibit A (the “Franchise Agreement”).

Each Franchised Business is authorized and required to actively promote, offer and provide our then-current spray painting /coating and the other initial Approved Services our new System franchisees may and must provide utilizing: (i) a mobile trailer cart that is outfitted and equipped with the equipment we specify as part of our then-current System standards, which we previously referred “Mobile Service Unit”; (ii) the paint, stain, coating and/or other inventory we specify or approve for use to complete a Client project (collectively, the “Approved Products”), some of which may be proprietary and/or branded with our Proprietary Marks (the “Proprietary Products”); and (iii) the System methodologies, directives, standards and specifications that are (a) found in our proprietary operations and other manuals (the “Manuals”) or otherwise in writing, and/or (b) associated with the initial training you must attend and complete prior to commencing operation of your Franchised Business and any subsequent training.

We may update, supplement or otherwise modify the Approved Services that your Franchised Business may or must provide, including any “Ancillary Services” that you become eligible to provide once you have (a) been operating your Franchised Business in compliance with your Franchise Agreement for a period of at least six (6) months, and (b) otherwise demonstrated to us that you are capable of providing the initial Approved Services without a Client complaint or other issue.

Our standard franchise offering assumes and expects that you will initially launch and commence operations of your Franchised Business from a home office (the “Home Office”). We typically require that your Home Office (home office or otherwise) be located within your Territory, but we may waive that requirement on a case-by-case basis. Regardless, you must be permitted to park and/or store your Mobile Service Unit and the vehicle we approve to tow that unit and equipment (the “Approved Vehicle”) at your Home Office.

Under your Franchise Agreement, you will be awarded a geographical area where you will be authorized and required to (a) actively promote, market and advertise your Franchised Business, and (b) offer and provide the Approved Services and Approved Products (your “Designated Territory”).

We also offer, to qualified franchisees, the opportunity to develop multiple Designated Territories under the same Franchised Agreement. You will not sign a Multi-Unit Development Agreement or Area Development Agreement for the operation of a Spray-Net Franchised Business because you will only be operating a Spray-Net Franchised Business across multiple territories. To be eligible to develop multiple Designated Territories, you must agree to open between a minimum of 2 territories and a maximum of 5 territories.

Please note that any individual that you intend or expect to provide any of the Approved Services and Approved Products (each, a “SN Specialist”) involving any of our trade secrets, patented intellectual property and/or other proprietary/confidential information (collectively, the “Confidential Information”) must first (i) attend and complete the relevant components of our initial training program that we designate as necessary to provide the services or products at issue, (ii) provide you with a signed copy of confidentiality and non-disclosure agreement (prior to attending such training), and (iii) receive a written notice from us acknowledging successful completion of the training and detailing the specific Approved Services and/or Approved Products the individual is able to provide.

#### Our Parents, Predecessors and any Affiliates

Our parent company, Spray-Net International, Inc., (“SN International”) is a Canadian corporation incorporated on February 3, 2016. SN International was originally incorporated under the name Spray-Net USA, Inc. but changed its name on August 16, 2016. As of the Issuance Date, SN International licenses us the right to use, and sublicense our franchisees in the United States to use, the Proprietary Marks and System.

Our affiliate, Spray-Net Franchises Inc./Les Franchises Spray-Net Inc. (“SN Franchisor Canada”) was incorporated on November 19, 2013 under the laws of Quebec and has a principal business address at 1490 De Coulomb Street, Boucherville, Quebec, Canada J4B 7M2. SN Franchisor Canada offers franchises in certain provinces in Canada similar to the Franchised Business. As of December 31, 2022, SN Franchisor Canada had 34 franchises (the “Existing CN Businesses”) open and actively operating.

Our affiliate, Entretien Esthétique Extérieur: Spray-Net Inc. (“SN Quebec”) was incorporated on March 15, 2010 under the laws of Quebec and has a principal business address at 1490 De Coulomb Street, Boucherville, Quebec, Canada J4B 7M2. SN Quebec operates a business similar to the Franchised Business in the Province of Quebec, Canada.

Our affiliate, Spray-Net Distribution Inc. (“SN Distribution”) was incorporated on March 9, 2016 under the laws of Canada and has a principal business address at 1490 De Coulomb Street, Boucherville, Quebec, Canada J4B 7M2. SN Distribution distributes paint products and equipment to Spray-Net franchisees operating in Canada and we reserve the right to have them be our designated approved supplier for Proprietary Products and other inventory that our System franchisees in the United States must acquire and utilize in connection with their Franchised Businesses. As of the Issuance Date, we expect and intend that

SN Distribution will also be a designated supplier for Proprietary Products and other inventory to our System franchisees in the United States.

Our affiliate, Groupe Spray-Net, Inc. (“Groupe Spray-Net”) was incorporated on November 19, 2013 under the laws of Quebec and has a principal business address at 1490 De Coulomb Street, Boucherville, Quebec, Canada J4B 7M2. Groupe Spray-Net is the parent company for SN Franchisor Canada, SN Quebec, SN Marketing SN Distribution and SN Paints.

Except as stated above, we do not have any other affiliates that require disclosure in this Item 1.

General Description of the Market and Competition

You will target your services to homeowners. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar products or services to customers. Changes in local and national economic conditions and population density affect this industry and are generally difficult to predict. You will face other business risks that could have an adverse effect on your business, including pricing policies of competitors, changes to laws or regulations, changes in supply and demand, new technologies and competition from internet-based organizations that provide information and some related services or products. Our ability to fulfill our obligations under the Franchise Agreement depends in part on our present and future financial condition. Litigation risks also exist, including future litigation that may not be predicted.

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 operate a painting business as a contractor. You must investigate and comply with all of these applicable laws and regulations, as we have not investigated any laws or regulations to determine whether they are applicable to the operation of your Franchised Business. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you.

Agents for Service of Process

Our agent for service of process is The Corporation Trust Company at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. Our state agents for service of process are disclosed on Exhibit E to this Disclosure Document.

**ITEM 2  
BUSINESS EXPERIENCE**

**Chief Executive Officer: Carmelo Marsala**

Mr. Marsala is our Chief Executive Officer and has been since our inception in September 2016. In addition, Mr. Marsala has served as the President and CEO of the following former or current related companies of Franchisor: (i) SN Distribution and SN Distribution USA, located in Quebec, Canada, since

2016; (ii) SN Franchisor Canada in Quebec, Canada since 2014; (iii) SN Franchisor Quebec in Quebec Canada since 2013; (iv) SN Quebec in Quebec, Canada since 2010; and (v) Groupe Spray-Net in Quebec, Canada since November 2013.

**Vice President of Distribution: David Garofano**

Mr. Garofano has served as the Vice President of Purchasing and Distribution for us and SN Franchisor Canada since January 2015 in Boucherville, Quebec.

**Chief Operating Officer: Patrick Simpson**

Mr. Simpson has served as the Chief Operating Officer of us and SN Franchisor Canada since October 2018 in Boucherville, Quebec. Prior to that time, he operated his own contracting company from March 2009 to October 2018 in Brossard, Quebec.

**Vice President of Operations: David Martin**

Mr. Martin has served as Vice President of Operations for us and SN Franchisor Canada since April 2023. Prior to that, he served as the Owner of Transformations West in High River, Alberta, from November 2015 to April 2023. Mr. Martin was also a Canadian Spray-Net franchisee from January 2016 to June 2022.

**Director of Research and Development: Peiman Arabi**

Mr. Arabi has been the Director of Research and Development for us and SN Franchisor Canada since February 2016 in Boucherville, Quebec.

**Franchise Business Coach: Gabriel Toupin**

Mr. Toupin has been a Franchise Business Coach for us and SN Franchisor Canada since April 2021 in Boucherville, Quebec. From January 2020 to March 2021, he served as a Production Manager for Probois in Quebec. Mr. Toupin was also a Canadian Spray-Net franchisee from November 2018 to December 2020 in Montreal. From August 2012 to November 2018, Mr. Toupin served as a Sales Consultant for SN Franchisor Canada, and advanced to the positions of Franchise Sales Coach and Regional Director.

**Franchise Business Coach: Jonathan Lampron**

Mr. Lampron has served as a Franchise Business Coach for us and SN Franchisor Canada since September 2020 in Boucherville, Quebec. Simultaneously, he has also served as a Regional Director for us and SN Franchisor Canada since April 2020. From October 2018 to March 2020, he served as a Waiter & Manager at Allo Mon Coco in Gatineau, Quebec. From February 2019 to March 2020, Mr. Lampron served as a Waiter & Manager at Belle et la Bouef in Gatineau, Quebec. From November 2017 to February 2019, Mr. Lampron served as a Waiter & Manager at L'academie in Gatineau, Quebec. From December 2016 to November 2017, he served as a Manager at L'academie in Gatineau, Quebec.

**ITEM 3  
LITIGATION**

9202137 Canada Inc. and its principal Patricia Joyce v. Spray-Net Canada, Inc. and Carmelo Marsala (collectively, "SN Canada"), Arbitration Proceeding. In or around February 2019, a former franchisee of SN Canada commenced this proceeding alleging that the Franchise Disclosure Document disclosed by SN

Canada was materially deficient seeking rescission and corresponding damages. SN Canada has filed its response to the former franchisee’s notice of arbitration, and the parties are currently waiting for an arbitrator to be assigned. SN Canada intends to continue vigorously defending against this proceeding on the grounds that the former franchisee’s claims are without merit.

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

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

*Initial Franchise Fee*

You must pay us an initial franchise fee amounting to \$49,500 (the “Initial Franchise Fee”), which is deemed fully earned upon execution of your Franchise Agreement and we have the right to collect in a lump sum payment at that time. You may purchase additional Territories based on the table below. Upon approval by us, you may also purchase additional population between such levels for \$0.66 per additional household.

<b>Number of Designated Territories</b>	<b>Total Number of Households</b>	<b>Initial Franchise Fee</b>	<b>Cumulative Franchise Fee</b>
1	75,000	\$49,500	\$49,500
2	150,000	\$40,000	\$89,500
3	225,000	\$40,000	\$129,500
4	300,000	\$40,000	\$169,500
5	375,000	\$40,000	\$209,500

During the fiscal year ended December 31, 2022, we had two franchisees each pay an Initial Franchise Fee equal to \$44,550 due to receiving the Veteran Discount described below. Other than this, the Initial Franchise Fee was uniformly imposed.

*Initial Training Fee*

You must pay us a fee in connection with the initial training that we provide to you or, if Franchisee is an entity, your operating principal prior to and around the time you initially launch your Franchised Business amounting to \$15,000 (the “Initial Training Fee”), which shall be deemed fully earned and non-refundable upon signing of the Franchise Agreement.

*Start-Up Package*

You must pay us approximately \$4,000 to \$6,000 for the initial package of business supplies such as uniforms, marketing brochures, letterhead and business cards (the “Start-Up Package”), which will be due and deemed fully earned upon and execution of your Franchise Agreement.

#### *Home-Show Booth and Spray-Booth*

You must pay us approximately \$3,000 to \$4,000 in connection with the purchase of a spray-booth (the “Spray-Booth”) and approximately \$6,000 to \$8,000 in connection with the home show booth (“Home-Show Booth”) that you will use in the operation of your Franchised Business.

#### *Initial Marketing Investment*

Out of your total Initial Marketing Investment (see Item 6), you will pay us between \$1,000 to \$5,000 per Designated Territory that you purchase. While the Initial Marketing Investment will be paid to our approved or designated third-party suppliers for these kinds of services, we expect and intend to collect this amount directly from you and may keep a portion of the Initial Marketing Investment as consideration for managing the placement and suppliers associated with this initial marketing and related activities designed to (a) increase visibility of the Franchised Business within your Designated Territory, and/or (b) generate prospective client interest and sales appointments prior to and up through the opening and initial operations of your Franchised Business. Because we impose and collect this amount from you prior to opening, your Initial Marketing Investment is disclosed in this Item. This portion and remainder of the Initial Marketing Investment is due upon execution of your Franchise Agreement unless we agree otherwise in writing.

#### *Computer Hardware*

You must pay us, an Approved Supplier or third party between \$0 to \$2,000 in connection with the purchase of computer hardware that you will use in the operation of your Franchised Business.

#### **Veteran Discount**

We currently offer a 10% discount to qualifying military veterans. The military discount is available to veterans who have received a discharge (other than dishonorable) as well as any active-duty personnel. If the franchisee is a corporation, limited liability company, or other legal entity, the veteran participant must maintain at least 51% ownership interest in the entity to qualify for this discount. To apply for the discount, you must provide us a copy of form DD-214, reflecting your military status, before the Franchise Agreement is signed.

#### **Uniformity**

Except as provided in this Item, we expect and intend to impose the fees above uniformly on our System franchisees. All of the fees listed in this Item 5 are non-refundable.

## **ITEM 6 OTHER FEES**

<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Royalty	7% of (i) your Gross Sales <sup>2</sup> generated by your Franchised Business or (ii) your Minimum Gross Sales <sup>2</sup> , whichever is greater.	Payable as we determine each Monday afternoon following the end of the previous Business Week. Currently collected via Kolleno.	<p>Your Royalty Fee will commence once your Franchised Business commences operations and/or otherwise begins generating revenue.</p> <p>Please see Item 12 below for additional information on the Minimum Gross Sales you will be required to generate under your Franchise Agreement. Your Royalty is equal to 7% of (i) your Gross Sales or (ii) the applicable Minimum Gross Revenue, whichever is greater.</p> <p>As a general matter, your applicable Minimum Gross Revenue will vary based on (a) how long you have been operating your Franchised Business and (b) how many Designated Territories you have purchased under your Franchise Agreement. See Note 2 for a chart summarizing Minimum Gross Sales requirements.</p>
Ongoing Product Purchases	Varies based on sales within your Designated Territory	Payable prior to, or at, delivery	You are required to purchase our Proprietary Products on an ongoing basis as necessary to service your customers. We may also require you to purchase additional items from us or our affiliate as necessary to service your customers. See Item 8 of this disclosure document for additional information. You will have a credit limit with us equal to 3% of your then-applicable Minimum Gross Revenue for all purchases from us or our affiliates.



<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Local Advertising Requirement (“LAR”)	A fixed amount based on the number of Designated Territories you have purchased and the length of time your Franchised Business has been in operation <sup>4</sup>	As we determine appropriate and provide you with notice of in the Manuals or otherwise in writing. If paid to us, currently collected via Kolleno.	<p>Your Local Advertising Requirement must be expended as we direct or otherwise authorize. You must expend at least 75% of your Local Advertising Requirement on digital marketing, advertising and promotional campaigns and/or any other related advertising/marketing services that must be acquired or purchased from one (1) or more Approved Suppliers we designate as described below in this Item.</p> <p>We currently have various third-party Approved Suppliers to which you will be required to pay certain portions of your Local Advertising Requirement funds for different digital and other marketing services/content you must utilize in connection with your Franchised Business. Currently, we are the only Approved Supplier for your digital marketing. We may engage a vendor to provide these services. Whether we provide the digital marketing services or engage a vendor to provide them, we will collect the Production Fee disclosed below. At our request, you must provide us with written reports detailing your Local Advertising Requirement expenditures so we can determine compliance, along with all supporting invoices and other documentation.</p>

<b><u>Name of Fee</u></b>	<b><u>Amount<sup>1</sup></u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
Digital Marketing Spend	At least 75% of your Local Advertising Requirement <sup>4</sup>	Payable as we determine on the 1 <sup>st</sup> of each month. Currently collected via Kolleno.	You must pay us a minimum monthly amount equal to 75% of your Local Advertising Requirement for digital marketing. You may spend more than this in your discretion. This amount will go entirely toward advertising costs on digital platforms. We may engage a vendor for digital marketing services or provide them ourselves. We are currently the only Approved Supplier for digital marketing services. You will pay us a Production Fee as described below for the management of your digital marketing and placement of advertising. During your first and second years of operation, the Digital Marketing Spend is subsidized slightly.
Production Fee	The then-current Production Fee based on the number of Designated Territories, subject to a maximum amount <sup>4</sup>	Monthly on the 1 <sup>st</sup> of each month	The Production Fee is paid to us to run all of your digital marketing campaigns. We may engage a vendor for digital marketing services. Whether we perform the digital marketing services ourselves or engage a vendor for them, we will assess the Production Fee. We reserve the right to increase the Production Fee as costs and other economic factors may change over time. The Production Fee is subsidized (reduced) by 30% during your first year of operation.

<b><u>Name of Fee</u></b>	<b><u>Amount<sup>1</sup></u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
Initial Marketing Investment	\$15,000 to \$40,000, depending on the number of Designated Territories you purchase. <sup>5</sup>	Upon execution of the Franchise Agreement and according to a specific timeline depending upon the number of Designated Territories you purchase. If paid to us, currently collected via Kolleno.	While the Initial Marketing Investment will be paid out to our approved or designated third-party suppliers for these kinds of services, we expect and intend to collect this amount directly from you and may keep a portion of the Initial Marketing Investment as consideration for managing the placement and suppliers associated with this initial marketing and related activities designed to (a) increase visibility of the Franchised Business within your Designated Territory, and/or (b) generate prospective client interest and sales appointments prior to and up through the opening and initial operations of your Franchised Business.
Contribution to Brand Development Fund (the “Fund”)	A fixed amount based on the number of Designated Territories you have purchased and the length of time your Franchised Business has been in operation	Payable as we determine on the 1 <sup>st</sup> of each month. Currently collected via Kolleno.	We have established a brand development fund (the “Fund”) for purposes of promoting, marketing, advertising and otherwise developing the System, Proprietary Marks, Approved Services and our brand generally, as we determine appropriate.  We will administer the Fund and will provide you with prior written notice of any change to your Fund Contribution.
Business Management Software	Then-current software fee charged by us or other provider we designate  Currently, \$350/month, plus 0.25% of Gross Sales generated by the Franchised Business	Monthly based, in part, on the Gross Sales generated in the prior calendar month. Currently collected via Kolleno.	This amount is paid to our Approved Supplier (currently, us) for the Business management and project/sales tracking software that we have developed and branded for use in connection with the System (the “Business Management Software”).
Renewal Fee	\$10,000	At the time of your renewal request.	You must meet certain criteria before we will approve any request you make to renew your franchise.

<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Transfer Fee	\$10,000	At the time of your assignment or transfer proposal.	<p>You and your proposed transferee must meet certain other conditions before we can evaluate and/or approve any transfer proposal you make in connection with (a) your franchise or Franchise Agreement, and/or (b) any ownership interest in Franchisee (if an entity). The Transfer Fee applies to all transfers regardless of whether you are transferring the entire Franchised Business or just a portion of it (i.e., one of your Designated Territories).</p> <p>If you are an individual and wish to assign the franchise and Franchise Agreement to an entity that is wholly owned by you and formed for purposes of owning the Franchised Business, then we may only charge you the legal fees and other costs we incur in connection with evaluating and memorializing our consent to the assignment (and any conditions associated with the transfer).</p>
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred in conjunction with a transfer of your Franchised Business.	If you transfer your Franchised Business to a third-party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges in addition to paying us the Transfer Fee
Technology Fee	<p>If and when charged, the then-current technology fee we communicate in writing (the "Technology Fee").</p> <p>Currently, we do not charge a Technology Fee but we reserve the right to do in the future.</p>	<p>As required and payable in the same manner as Royalty Fees.</p> <p>(most likely monthly)</p>	We reserve the right to charge you our then-current Technology Fee as consideration for any technology we (a) determine to associate, improve or otherwise develop with the System and cover all or some portion of with this fee, and/or (b) collect on behalf of our Approved Supplier and subsequently pay them under any kind of master agreement or similar relationship.

<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Additional Training Fee	Then-current additional training fee for the applicable training at issue (each, an “Additional Training Fee”) plus lodging and travel. We do not currently charge the Additional Training Fee, but reserve the right to do so in the future.	As incurred.	<p>We may charge you our then-current Additional Training Fee in the following circumstances: (i) if you or one (1) of your managers/personnel that is required to complete our initial training is replaced and/or fails to complete initial training and is required to re-attend; (ii) if you request that we provide you with any additional training or otherwise request that we provide you with on-site assistance in connection with your Franchised Business; and (iii) any remedial training that we require you to attend and complete as part of the cure actions in connection with your default under the Franchise Agreement (“Remedial Training”).</p> <p>In other circumstances where we require you to attend additional or refresher training at our request, we will not charge you an Additional Training Fee.</p>
Relocation Fee	Actual cost incurred by us.	As incurred.	If you receive our prior written consent to relocate the Franchised Business, you must also reimburse us for the reasonable costs and expenses that we incur in connection with evaluating and approving the proposed relocation.

<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Convention and Regional Meetings Fees	Not currently charged, but we reserve the right to charge our then-current attendance fees to attend our annual franchisee conference or convention, if and when established (“Convention”) and annual meetings between you and other franchisees in the same geographic area (“Regional Meetings”). We estimate the total fee between Regional Meetings and the Convention to be up to \$4,000 per attendee.	Upon demand and payable as we determine. Currently collected via Kolleno.	<p>We expect to conduct (i) an annual Convention and (ii) Regional Meetings each year, and your attendance at both is mandatory. You must also pay the attendance fees if you fail to attend the Convention or Regional Meetings.</p> <p>We reserve the right to charge our then-current attendance fee in connection with the Convention and Regional Meetings. You will also be responsible for your costs/expenses associated with attending these meetings, including the employment costs of any employees you bring with you, lodging and travel.</p>
Sales Center	0-5% of the job price; only incurred if we book the job for you.	As incurred and payable as we determine. Currently collected via Kolleno.	All franchisees must use our Call Center, the cost of which is included in your Royalty Fee. We reserve the right to require you to utilize our Sales Center if, in our sole discretion, you are failing to timely provide quotes to customers that contact you. Our Sales Center representatives will provide quotes and make sales to your customers. If we require you to utilize our Sales Center, then you must pay us 5% of the job price for each job that we book for you.

<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Roofing Services Training & Initial Franchise Fee	\$10,000	Upon choosing to offer Roofing Services within the Territory(ies).	<p>You may, but are not required to, purchase the rights to offer roofing painting services under the Marks within your Territory(ies). If you do not choose to offer roofing painting services within two years after signing the Franchise Agreement, we reserve the right to offer such services within the Territory(ies) or to franchise or license others the right to offer such services within the Territory(ies).</p> <p>If you choose to offer roofing painting services, you must pay us (i) an additional Roofing Services Training &amp; Initial Franchise Fee of \$10,000; (ii) Roofing Services Equipment Fee of \$25,000; and approximately \$1,000 to \$5,000 of the Roofing Services Initial Marketing Investment of \$10,000 that you will be required to make.</p>
Roofing Equipment	\$25,000	Upon choosing to offer Roofing Services within the Territory(ies)	If you choose to offer roofing painting services, you must purchase approximately \$25,000 of applicable equipment from us or our Approved Supplier(s).
<i>The fees below will only be charged if you fail to comply with the terms of your Franchise Agreement.</i>			
Audit Fee <sup>6</sup>	Actual cost incurred by us.	Immediately after 2% or more understatement of sales receipts is determined by our inspection.	If underreporting of sales is determined, you pay the Royalty due plus interest, along with all the costs related to performing the audit. There is no charge for the audit if sales are reported accurately.

<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Non-Reporting Enforcement Fee	We reserve the right to charge you our then-current enforcement fee (“Enforcement Fee”) which is currently \$500 in connection with each instance where you fail to (a) timely input all prospect and/or client information, contracts and/or other documents into the required business management system software, and/or (b) otherwise underreport or fail to report any Gross Sales, revenue or other information into that software system.	Immediately upon demand after an inspection has been conducted	We charge this enforcement fee specifically to underscore and highlight the importance of the required reporting and data entry you must enter into your business management software as such information becomes available.
Delinquency Charges and Interest <sup>7</sup>	18% per year, or higher rate as permitted by applicable law	Immediately after date payment is due.	<p>Charged on all fees and accounts receivable due to us when not paid timely.</p> <p>In addition to this interest, we reserve the right to charge a late fee amounting to \$500 in connection with any payment that is late or that we are not able to timely collect via your Payment Account due to insufficient funds at that time.</p> <p>You shall also pay \$50 for each check given or electronic transfer made that is dishonored, fails to process or is returned.</p>
Unauthorized Use or Disclosure	\$1,000 in addition to any other remedies we have	Upon demand	We reserve the right to charge you a penalty amounting to \$1,000 in connection with any person that fails to sign and return the Confidentiality and Restrictive Covenant Agreement.



<u>Name of Fee</u>	<u>Amount<sup>1</sup></u>	<u>Due Date</u>	<u>Remarks</u>
Indemnification; Attorneys' Fee; Costs and Expenses of Enforcement	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 claims and/or damages that we incur in connection with any third-party action or otherwise arising out of, or related to (a) your breach of misrepresentation of your Franchise Agreement, (b) management or operation of your Franchised Business, and/or (c) other specific actions or omissions on your or your representatives' part detailed more fully in your Franchise Agreement.</p> <p>You must also reimburse of all attorneys' fees and other costs we incur in connection with (a) enforcing the terms of the Franchise Agreement, and/or (b) any litigation we are required to initiate and/or defend against related to the Franchise Agreement, provided we prevail.</p>
Non-Compliance Fee	\$250 for first instance of non-compliance \$500 for second instance of non-compliance \$1,000 for third instance of non-compliance	Upon demand.	You must pay us these fees if you are in default of the terms of your Franchise Agreement in addition to any other rights of ours that arise due to your default. These same fees apply when you receive customer complaints and fail to cure them per our guidelines in the Operations Manual.

### EXPLANTORY NOTES TO ITEM 6 CHART

1. **Generally.** Unless otherwise stated this Item, all fees noted in this Item 6 are uniformly imposed and are payable to us and are non-refundable. All fees due under the Franchise Agreement shall be collected by us through any method that we determine. All fees are currently collected via Kolleno. You must execute certain forms or take certain steps that authorize us to collect all fees by whatever method we determine.
2. **Gross Sales.** "Gross Sales" shall include all revenue from the sale of all products and performance of services from the Franchised Business, whether in the form of cash, credit, barter or rebates, and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business, including any consideration that Franchisee receives from third-party vendors/suppliers. "Gross Sales" from customers shall not include monies that are collected and submitted by Franchisee for transmittal to the appropriate taxing authority. In computing the Gross

Sales, Franchisee shall be permitted to deduct the amount of cash refunds to, and coupons used by customers at the time the balance is fully paid to Franchisee, if such amounts have been included in Gross Sales of the Franchised Business. Your Minimum Gross Sales, which are based on the number of Designated Territories you purchase and the length of time your Franchised Business has been in operation, are below. Your Royalty Fee is subject to a minimum equal to 7% of the applicable Minimum Gross Sales below.

<b>Minimum Gross Sales</b>				
<b>Period(s)</b>	<b>1 Designated Territory</b>	<b>2 Designated Territories</b>	<b>3 Designated Territories</b>	<b>4 and 5 Designated Territories</b>
First Year of Operation	\$350,000	\$350,000	\$350,000	\$350,000
Second Year of Operation	\$402,500	\$525,000	\$560,000	\$560,000
Third Year of Operation	\$472,500	\$630,000	\$700,000	\$770,000
Fourth Year of Operation	\$496,125	\$661,500	\$840,000	\$980,000
Fifth Year of Operation	\$520,931	\$694,575	\$882,000	\$1,190,000
Sixth Year of Operation	\$546,978	\$729,304	\$926,100	\$1,249,500
Seventh Year of Operation	\$574,327	\$765,769	\$972,405	\$1,311,975
Eighth Year of Operation	\$603,043	\$804,057	\$1,021,025	\$1,377,574
Ninth Year of Operation	\$633,195	\$844,260	\$1,072,077	\$1,446,452
Tenth Year of Operation	\$664,855	\$886,473	\$1,125,680	\$1,518,775

3. **Marketing Expenses (Local Advertising Requirement, Digital Marketing Spend, Production Fee, and Brand Fund Contribution).** You must spend a minimum annual amount on local advertising for your Franchised Business (“Local Advertising Requirement”). You are required to spend 75% of your Local Advertising Requirement on digital marketing (“Digital Marketing Spend” or “DMS”) on a monthly basis. We are currently the only Approved Supplier for digital marketing, and we may either perform the digital marketing services or contract with another supplier to provide them. Whether we provide the digital marketing services or engage another supplier to provide them, you are required to pay us our then-current fee for managing such digital marketing services (the “Production Fee”), which covers the administrative cost of placing the digital advertising and is subject to a cap or maximum amount. You must also pay us a Brand Fund Contribution each month. The Local Advertising Requirement, Digital Marketing Spend, Production Fee, and Brand Fund Contribution are reflected in the charts below, based on the number of Designated Territories you purchase. For more information about these fees, see Item 11 of this Disclosure Document.

<b>Marketing Expenses One Designated Territory</b>				
<b>Period</b>	<b>Annual Local Advertising Requirement</b>	<b>Annual Digital Marketing Spend (spent monthly)</b>	<b>Annual Production Fee Cap (collected monthly)</b>	<b>Annual Brand Fund Contribution (collected monthly)</b>

First Year of Operation	\$40,000	\$30,000	\$6,300	\$15,000
Second Year of Operation	\$46,000	\$34,500	\$9,000	\$17,250
Third Year of Operation	\$54,000	\$40,500	\$9,000	\$20,250
Fourth Year of Operation	\$56,700	\$42,525	\$9,000	\$21,263
Fifth Year of Operation	\$59,535	\$44,651	\$9,000	\$22,326
Sixth Year of Operation	\$62,511.75	\$46,884	\$9,000	\$23,442
Seventh Year of Operation	\$65,637.34	\$49,228	\$9,000	\$24,614
Eighth Year of Operation	\$68,919.20	\$51,689	\$9,000	\$25,845
Ninth Year of Operation	\$72,365.16	\$54,274	\$9,000	\$27,137
Tenth Year of Operation	\$75,983.42	\$56,988	\$9,000	\$28,494

<b>Marketing Expenses Two Designated Territories</b>				
<b>Period</b>	<b>Annual Local Advertising Requirement</b>	<b>Annual Digital Marketing Spend (spent monthly)</b>	<b>Annual Production Fee Cap (collected monthly)</b>	<b>Annual Brand Fund Contribution (collected monthly)</b>
First Year of Operation	\$40,000	\$30,000	\$8,400	\$15,000
Second Year of Operation	\$60,000	\$45,000	\$12,000	\$22,500
Third Year of Operation	\$72,000	\$54,000	\$12,000	\$27,000
Fourth Year of Operation	\$75,600	\$56,700	\$12,000	\$28,350
Fifth Year of Operation	\$79,380	\$59,535	\$12,000	\$29,768
Sixth Year of Operation	\$83,349	\$62,512	\$12,000	\$21,256
Seventh Year of Operation	\$87,516.45	\$65,637	\$12,000	\$32,819
Eighth Year of Operation	\$91,892.27	\$68,919	\$12,000	\$34,460
Ninth Year of Operation	\$96,486.89	\$72,365	\$12,000	\$36,183
Tenth Year of Operation	\$101,311.23	\$75,983	\$12,000	\$37,992

<b>Marketing Expenses Three Designated Territories</b>				
<b>Period</b>	<b>Annual Local Advertising Requirement</b>	<b>Annual Digital Marketing Spend (spent monthly)</b>	<b>Annual Production Fee Cap (collected monthly)</b>	<b>Annual Brand Fund Contribution (collected monthly)</b>
First Year of Operation	\$40,000	\$30,000	\$9,660	\$15,000
Second Year of Operation	\$64,000	\$48,000	\$13,800	\$24,000
Third Year of Operation	\$80,000	\$60,000	\$13,800	\$30,000

Fourth Year of Operation	\$96,000	\$72,000	\$13,800	\$36,000
Fifth Year of Operation	\$100,800	\$75,600	\$13,800	\$37,800
Sixth Year of Operation	\$105,840	\$79,380	\$13,800	\$39,690
Seventh Year of Operation	\$111,132	\$83,349	\$13,800	\$41,675
Eighth Year of Operation	\$116,688.60	\$87,516	\$13,800	\$43,758
Ninth Year of Operation	\$122,523.03	\$91,892	\$13,800	\$45,946
Tenth Year of Operation	\$128,649.18	\$96,487	\$13,800	\$48,243

<b>Marketing Expenses Four to Five Designated Territories</b>				
Period	Annual Local Advertising Requirement	Annual Digital Marketing Spend (spent monthly)	Annual Production Fee Cap (collected monthly)	Annual Brand Fund Contribution (collected monthly)
First Year of Operation	\$40,000	\$30,000	\$10,500	\$15,000
Second Year of Operation	\$64,000	\$48,000	\$15,000	\$24,000
Third Year of Operation	\$88,000	\$66,000	\$15,000	\$33,000
Fourth Year of Operation	\$112,000	\$84,000	\$15,000	\$42,000
Fifth Year of Operation	\$136,000	\$102,000	\$15,000	\$51,000
Sixth Year of Operation	\$142,800	\$107,100	\$15,000	\$53,550
Seventh Year of Operation	\$149,940	\$112,455	\$15,000	\$56,228
Eighth Year of Operation	\$157,437	\$118,078	\$15,000	\$59,039
Ninth Year of Operation	\$165,308.85	\$123,982	\$15,000	\$61,991
Tenth Year of Operation	\$173,574.29	\$130,181	\$15,000	\$65,090

4. **Initial Marketing Investment.** You must spend the below amounts on the initial marketing of your Franchised Business during the first two months of each of the below respective periods:

Period	Initial Marketing for 1 Designated Territory	Initial Marketing for 2 Designated Territories	Initial Marketing for 3 Designated Territories	Initial Marketing for 4 and 5 Designated Territories
Within two months before Opening	\$20,000	\$20,000	\$20,000	\$20,000
During Your Second Year of Operation	-	\$10,000	\$10,000	\$10,000
During Your Third Year of Operation	-	-	\$7,500	\$10,000

5. **Audit Costs.** Following an audit, if we find you have underreported sales by 2% of your year to date sales or more, you will pay the Royalty Fee and all other past amounts due under the Franchise Agreement due to your underreporting, as well as interest and all our costs associated with conducting the audit. Audit costs vary depending upon where you are located, the condition of your financial records, what we audit and when. Previous audit costs alone range between \$1,000 and \$3,000 and could be more. There are no audit costs to you if your records, reports and payment are in order and current.
6. **Late Fees.** Late fees begin from the date payment was due, but not received, or date of underpayment.
7. **Payment Period and Method.** We may, in our sole discretion, change your payment schedule with respect to the Royalty Fee and any other amounts due to us or our affiliates under your Franchise Agreement (i.e., modifying monthly payment to weekly), or require you to use any other method of payment, upon thirty (30) days written notice to you. Currently, all fees are collected via Kolleno, and you must take all necessary steps to authorize us and Kolleno to automatically collect fees from you.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. Franchise Agreement (One Designated Territory)**

<b>Type of Expenditure <sup>(1)</sup></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>
Franchise Fee <sup>(2)</sup>	\$49,500	\$49,500	Lump sum.	Upon signing of a Franchise Agreement	Us
Initial Training Fee <sup>(3)</sup>	\$15,000	\$15,000	Lump sum.	Upon signing of a Franchise Agreement	Us
Initial Marketing Investment <sup>(4)</sup>	\$20,000	\$30,000	Lump sum.	Upon signing of a Franchise Agreement	Us, Affiliate and/or other Approved Supplier
Bookkeeping Service <sup>(5)</sup> (Setup & First 3 Months)	\$1,775	\$1,775	As agreed.	As agreed	Approved Suppliers
Business Management Software (First 3 Months)	\$1,050	\$1,050	As agreed.	Monthly after opening for business.	Us
Equipment <sup>(6)</sup>	\$30,000	\$40,000	Lump sum.	As agreed	Us and Approved Suppliers
Pick-Up / Approved Vehicle Package <sup>(7)</sup>	\$3,000	\$7,500	Lump sum.	As agreed	Approved Supplier
Permits, Deposits, Business Licenses, Legal and Accounting Fees <sup>(8)</sup>	\$2,000	\$3,500	As agreed.	As incurred	State and regulatory agencies and third-parties.
Travel and Living Expenses during Initial Training <sup>(9)</sup>	\$2,000	\$4,000	As agreed.	As incurred	Third-parties.
Insurance <sup>(10)</sup>	\$3,500	\$6,000	As agreed.	As incurred	Insurance carrier.

Type of Expenditure <sup>(1)</sup>	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Start-Up Package <sup>(11)</sup>	\$4,000	\$6,000	Lump sum.	Upon signing of a Franchise Agreement	Approved Supplier(s) and Us
Computer Hardware <sup>(12)</sup>	\$1,000	\$2,000	As agreed.	As incurred	Approved Supplier(s); Third Party or Us
Approved Vehicle –Lease Payments for 3 Months <sup>(13)</sup>	\$0	\$2,500	As agreed.	As incurred	Third-Party Lessor
Home Show Booth <sup>(14)</sup>	\$6,000	\$8,000	Lump sum.	As agreed	Us or Approved Supplier
Mobile Services Unit <sup>(15)</sup>	\$2,000	\$15,000	As agreed	As agreed	Third-parties
Additional Funds for First 3 Months <sup>(16)</sup>	\$30,000	\$50,000	As agreed.	As incurred.	Personnel; Approved Suppliers; Lessor of Equipment Package; Third-Party Suppliers; Us; Etc.
<b>TOTAL<sup>(17)</sup></b>	<b>\$170,825</b>	<b>\$241,825</b>			

**EXPLANATORY NOTES:**

1. **Generally.** This is the estimated initial investment range to initially launch and operate a single Franchised Business for a period of three (3) months in accordance with the standard franchise offering disclosed in this Disclosure Document and our System, and this estimate assumes you will timely commence operations of your Business within the time period stated in your Franchise Agreement. Unless otherwise stated in this Item or the applicable payee agrees otherwise with you, the amounts paid in connection with your initial investment are non-refundable.

Please note that our standard franchise offering assumes and expects that you will: (i) focus your initial operations on the provision of the Approved Services that all System franchisees may and must offer and provide as part of their Franchised Business; and (ii) not be authorized to provide any Ancillary Services during the initial period of operations that the Chart and estimated investment range is required to cover under the Rule. As such, this Item 7 does not account for the costs associated with acquiring any additional equipment to provide the Ancillary Services we expect and intend to permit certain System franchisees to offer and provide via their Franchised Business once they have demonstrated their ability to operate the Franchised Business and provide the standard Approved Services for at least a period of six (6) months (which totals approximately \$25,000).

2. **Initial Franchise Fee.** The Initial Franchise Fee you must pay to us upon execution of your Franchise Agreement is detailed more fully in Item 5 of this Disclosure Document.
3. **Initial Training Fee.** This is our current Initial Training Fee that is paid to us to help defray the costs and expenses that are incurred in connection with the initial training we provide to you prior to you commencing operating your Franchised Business and for the two years after you commence operation, including the initial training program that you (or, if you are entity, your operating principal) and, if appropriate, manager that you designate to handle the day-to-day operations of your Franchised

Business and that we approve (a “Designated Manager”). With that said, our standard franchise offering assumes that you or, if applicable, your operating principal will be directly managing the day-to-day operations of the Franchised Business over at least the first full year of operations.

4. **Initial Marketing Investment.** While the Initial Marketing Investment will be paid to our approved or designated third-party suppliers for these kinds of services, we expect and intend to collect a portion of the Initial Marketing Investment amounting to \$1,000 to \$5,000 as consideration for managing the placement and suppliers associated with this initial marketing and related activities designed to (a) increase visibility of the Franchised Business within your Designated Territory, and/or (b) generate prospective client interest and sales appointments prior to and up through the opening and initial operations of your Franchised Business.
5. **Bookkeeping Service.** You must use our designated supplier for bookkeeping services. This estimate includes the registration fee of \$499 and the first three months of the monthly fee, which is currently \$425 per month.
6. **Equipment.** This estimate includes the cost of the exterior equipment, kitchen equipment and spray-booth that you are required to obtain in connection with the operation of the Franchised Business.
7. **Pick-Up / Approved Vehicle Package.** This estimate includes the cost associated with getting your Mobile Services Unit branded with wrap and/or other design we designate from our designated or approved supplier. You must use our designated suppliers for your vehicle branding and wrapping.
8. **Permits, Business Licenses, Legal and Accounting.** You are required to obtain all business licenses, permits, certificates or approvals before you start your business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. You are solely responsible for researching all laws applicable to where your Franchised Business is operated to determine what licenses and permits are necessary. You may need the assistance of an attorney, accountant or other consultants to assist in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing rate of attorneys’, accountants’, and consultants’ fees. These fees are typically not refundable.
9. **Travel and Living Expenses During Initial Training.** This is the range designed to cover the travel and living expenses, including lodging, airfare, and meals, which you will incur to attending the Initial Training Program. The cost you incur will vary depending on factors such as distance traveled, mode of transportation, travel preferences, nature of accommodations, per diem expenses, and the number of persons who attend training.
10. **Insurance.** Your costs for insurance will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors. This is an estimate of insurance premiums for the initial three (3) months of business operation.
11. **Start-Up Package.** The Start-Up Package is described more fully in Item 5 of this Disclosure Document.
12. **Computer Hardware.** This range is intended to cover the estimated cost of an iPad, cell phone, printer, and laptop computer. The lower estimate assumes you already own some of the required items. The high end assumes you will have to purchase each.
13. **Approved Vehicle – Lease Payments for 3 Months (if needed).** Low end assumes you already have a vehicle that can tow the Mobile Services Unit and that otherwise meets our System standards and

specifications for use in connection with a franchised Business. High end assumes you will be required to lease such a vehicle that meets our System standards and specifications from a third-party lessor and is designed to cover the estimated lease payments over your first three (3) months of operation.

14. **Home Show Booth.** This estimate includes the cost to purchase the Home Show Booth that you will use in connection with trade shows.
15. **Mobile Services Unit.** The low end assumes that you will lease the Mobile Services Unit and the high end assumes you will purchase the Mobile Services Unit. You must use our designated suppliers for your Mobile Services Unit.
16. **Additional Funds – 3 Months.** We recommend that you have a minimum amount of working capital available to cover certain expenses incurred before you open and in your first three (3) months of operation, including operating expenses, vehicle payments and salaries. You will need to have sufficient capital to cover employment costs for your Franchised Business. You must be prepared to reorder inventory and supplies as necessary and to cover the costs of operations. We cannot guarantee that you will not have additional expenses. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically not refundable. The required funds will vary by market, how closely you follow our methods and procedures, your management skills, experience and business acumen, the relative effectiveness of your staff, local economic conditions, and competition in your market, the prevailing wage rate, your investment in marketing programs. This estimate is for your business expenses only and does not account for sales revenue from operations used to pay these costs. This estimate for “Additional Funds” does not include any of your personal living expenses, and does not include any fees associated with debt services. This range does not include any draw or salary for you.
17. **Total.** These are our best estimates at the time of preparation of this document. We do not guarantee that you will not have greater start-up expenses other than these estimates or that you will not need more operating funds other than these estimates. We do not imply or guarantee that you will “break even” by any particular time. We do not offer direct or indirect financing to you for any items. The availability of financing through third-party lenders, if any, will depend on factors such as the lending policies of such financial institutions, the collateral you may have, your creditworthiness, and the general availability of financing. Unless otherwise noted above, all of the expenditures listed in the Item 7 chart are non-refundable.

**B. Franchise Agreement (Multiple Designated Territories)**

Type of Expenditure <sup>(1)</sup>	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Cumulative Franchise Fee	\$89,500 (for 2 Designated Territories)	\$209,500 (for 5 Designated Territories)	Lump sum.	Upon signing of a Franchise Agreement	Us
Initial Investment associated with Franchised Business <sup>(1)</sup>	\$121,325	\$192,325	Please see Table in Part A of this Item 7 for additional information on this investment.		
<b>Total</b>	<b>\$210,825</b>	<b>\$401,825</b>			



	<b>(for 2 Designated Territories)</b>	<b>(for 5 Designated Territories)</b>	
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**EXPLANATORY NOTES:**

1. **Initial Investment associated with Franchised Business.** This range does not include the Initial Franchise Fee for a single Designated Territory because that is accounted for in the Cumulative Franchise Fee described in this Table.

The Notes following Chart A in this Item 7 are also applicable to this offering.

**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 when we evaluate your proposed location for the Franchised Business during training, before you conduct your Initial Marketing Contribution, during on-site opening assistance, during periodic visits to your Franchised Business and through periodic bulletins and our brand’s Operations Manual 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, and you will be solely responsible for costs associated with complying with any modifications to the System.

**Approved Services and Approved Products**

You may only market, offer, sell and provide the Approved Services utilizing the Approved Products in connection with your Franchised Business operations, and such products/services must be provided in a manner that meets our System standards and specification. We will provide you with a list of our then-current Approved Services and Approved Products, along with certain product standards and specifications, as part of our 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.

As a System franchisee, you will be solely responsible for storing and preparing any Proprietary Products or other inventory for use in connection with providing the Approved Services once those products are delivered to you.

If you wish to offer any product or service in your Franchised Business other than our Approved Services and Approved Products, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

**Approved Suppliers**

We have the right to require you to purchase or lease any items or services necessary to operate your Franchised Business, including but not limited to equipment, fixtures, inventory, and paper goods, from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of our Manual or otherwise in writing, and we may update or modify this list as we deem appropriate.

As of the Issuance Date, we have Approved Suppliers for the following items: (i) the business management software and certain other required software that you must license and use in connection with your

Franchised Business (collectively, the “Required Software”); (ii) equipment (including Mobile Services Unit) that we expect, and our standard offering assumes, you will lease from a third-party lessor we approve or authorize; (iii) the Start-Up Package; (iv) supplies such as masking paper, tape, and caulking; (v) vehicle signage and related installation; and (vi) all or some of the marketing, advertising and promotional materials and services on which you must expend your Local Advertising Requirement and Initial Marketing Investment; (vii) home show booth and spray booth; (viii) call center and sales center; (xiv) accounting software (QuickBooks); (xv) bookkeeping services (Journey); and (xvi) if and once applicable, certain equipment, hardware and/or operating supplies necessary to provide one (1) or more of the Ancillary Services we approve or otherwise require you to provide as described more fully in Item 16 of this Disclosure Document.

As of the Issuance Date, be advised that: (i) SN Distribution is the designated supplier for Proprietary Products and some inventory/supplies necessary to provide the Approved Services and/or operate the Franchised Business; and (ii) we are the designated supplier for (a) the Start-Up Kit, (b) our System-associated business management software, and (c) certain digital and other marketing management services on which you must expend a portion of your Initial Marketing Investment and Local Advertising Requirement.

Except as provided above, neither we nor our affiliates are the designated or Approved Supplier for any item or service you are required to purchase or lease in connection with the establishment and/or ongoing operation of your Franchised Business. Carmelo Marsala, David Garofano, and Peiman Arabi own interests in Groupe Spray-Net and, through its subsidiaries, including SN Distribution, will indirectly derive revenue from required franchisee purchases. Except as stated above, none of our officers owns an interest in any of our Approved Suppliers.

#### Non-Approved Product/Service and Alternative 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 other than the Approved Services (which includes the Proprietary Products); 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. 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 30 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 incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you must reimburse us for our reasonable testing costs, regardless of whether we subsequently approve the item or

supplier. 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.

#### Required Purchases and the Right to Derive Revenue

We estimate that the costs of your purchases from designated or approved suppliers, or according to our standards and specifications, may range from 90% to 95% of your total purchases in connection with the establishment of your Franchised Business, and between 35% and 45% of your ongoing expenses. We may designate sources for additional goods and services, we may receive revenue, rebates, commission or other material consideration from franchisee purchases.

We derive revenue as a result of required purchases or leases by you in accordance with specifications or standards required by us, or from suppliers approved by us. Except as noted above, there are no goods or services required in the operation of the outlet for which we or persons affiliated with us are the only approved suppliers. We currently receive rebates from suppliers amounting to approximately 2-3% of the purchase price our franchisees pay them.

In the year ending December 31, 2022, we derived \$525,103.74 in revenue from Franchisee required purchases of digital marketing, initial marketing investment, and tech packages, or 33.49% of our total revenue of \$1,567,875. This amount does not include initial franchise fees or training fees.

In the year ending December 31, 2022, SN Distribution’s revenue from the sale of paints and supplies to our franchisees (U.S. franchisees) was \$1,325,993.

#### Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

### 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 areas of this Disclosure Document**

Obligation	Section in the Franchise Agreement	Item Number in this Disclosure Document
a. Site selection and acquisition/lease	Sections 2(B), 2(C), 5(E), and 6(A) and Exhibit A	Items 11 and 12
b. Pre-opening purchases/leases	Sections 6(B), 6(G), 6(I) and 6(J)	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 6(C), 6(D) and 6(E)	Items 6, 7 and 11
d. Initial and ongoing training	Sections 5(A), 5(B),	Items 6, 7 and 11

<b>Obligation</b>	<b>Section in the Franchise Agreement</b>	<b>Item Number in this Disclosure Document</b>
	5(C) and 5(G)	
e. Opening	Section 6(C)	Items 7 and 11
f. Fees	Section 4(A)	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 5(D), 6 and 8	Items 8 and 16
h. Trademarks and proprietary information	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Sections 6(F), 6(J), 6(K), 6(L) and 6(S)	Items 8 and 16
j. Warranty and customer service requirements	Section 6(T)	Item 16
k. Territorial development and sales quotas	Sections 2(C) and 6(Z)	Item 12
l. Ongoing product/service purchases	Sections 6(G), 6(H), 6(K), 6(I) and 6(J)	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3(B)(7) and 6(G)	Items 6 and 17
n. Insurance	Section 11	Items 6, 7 and 8
o. Advertising	Sections 5(F), 5(H) and 9	Items 6, 7 and 11
p. Indemnification	Sections 7(P) and 12(B)	Item 6
q. Owner's participation/ management/ staffing	Sections 6(V) and 6(Y)	Item 15
r. Records and reports	Sections 4(D) and 10	Item 11
s. Inspections and audits	Sections 5(L), 6(C), 6(K) 6(R), 6(U), 10(b) and 10(G)	Items 6, 11 and 13
t. Transfer	Section 13	Item 17
u. Renewal	Section 3(B)	Item 17
v. Post-termination obligations	Sections 14(B) and 16	Item 17
w. Non-competition covenants	Section 14	Item 17
x. Dispute resolution	Section 21	Item 17

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. We will not guarantee your note, lease or other obligations.

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

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

### **Pre-Opening Obligations**

Before the opening of your Franchised Business, we (or our designee) are required by the Franchise Agreement to provide the following assistance and services to you.

1. We designate your Designated Territory(-ies) to operate your Franchised Business in the “Data Sheet” attached to your Franchise Agreement as an Exhibit. (Franchise Agreement, Exhibit “A”).

2. We will provide you with online or other access to a copy (electronic or otherwise) of our confidential and proprietary Operations Manual (Section 5(D), Franchise Agreement) or provide you with electronic access to the Operation Manual via an internet or intranet site. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. We reserve the right to require you to use an electronic version of the Operations Manual and to require you to access the document using the Internet or an intranet created and supported by us. The Operations Manual contains approximately 245 pages. The table of contents for the Operations Manual is attached as Exhibit B.

3. We provide you with the Start-Up Package, which includes an initial set of business supplies, such as marketing brochures, letterhead, uniforms and business cards. You will pay us the Start-Up Package Fee. If you need additional supplies or materials included in the Start-Up Package, you must pay for those additional items. (Section 4(A)(2), Franchise Agreement).

4. We will assist you with providing specifications for your equipment and Mobile Services Unit and our designated supplier. (Section 6(G), Franchise Agreement).

5. We provide you with written specifications and guidelines for opening inventory and supplies, some of which will be purchased from our required or approved suppliers per our specifications. (Section 4(A)(2), Franchise Agreement).

6. We provide an initial training program for you or, if you are not an individual, your Designated Manager, and up to one (1) additional person at our headquarters or other location chosen by us for up to 5 business days. (Section 5(A)(1), Franchise Agreement). You must pay for airfare, lodging, meals, ground transportation, salaries and benefits (for your employees), and any other personal expenses for yourself and any additional attendees incurred during this time. We will also provide you with up to three (3) business days of sales training (typically between 2 and 3 days), along with five (5) business days of production training at your location for you and your staff. Please see below in this Item 11 under the heading “Training” for additional information.

7. We provide you with recommendations and advice on pre-opening and grand opening marketing and advertising for your Franchised Business. (Section 9(A), Franchise Agreement).

8. We provide you with guidance, strategy and advice for pre-opening your Franchised Business at your reasonable request during our regular business hours via the telephone, email or other means we determine. (Section 9(A), Franchise Agreement).

9. We provide you with assistance in connection with your initial marketing, subject to you paying us and/or Approved Suppliers that appropriate portions of your Initial Marketing Investment. (Section 9(C), Franchise Agreement).

We are not required to provide any other service or assistance before you open your Franchised Business.

## **Continuing Obligations**

During the term of the Franchise Agreement we (or our designee) will (or, if applicable, may) provide the following assistance and services to you:

1. We provide you advice and consultation, as we believe is necessary, regarding the continuing operation and management of your Franchised Business. (Section 5(G), Franchise Agreement). There are no separate charges for these services.

2. We make available to you information regarding any new product, service or suppliers or any updated methods of doing business. (Section 5(G)(3), Franchise Agreement). There are no separate charges for these services.

3. We make a representative reasonably available to you via the telephone or email during our normal business hours as we determine is necessary to discuss your Franchised Business and marketing strategy or advice for your Franchised Business. You are responsible for any applicable charges, which may apply for such additional assistance and/or resources (Section 5(C)(2) and 5(G)(1), Franchise Agreement).

4. We may develop new services, products and offerings from time to time that may be used by you in your Franchised Business (Section 5(G)(3), Franchise Agreement).

5. We may choose to provide you with continuing national, regional or local workshops and seminars that we hold in our discretion. (Sections 5(C), Franchise Agreement).

6. We, an affiliate or a third party we select may provide you with call center and sales center services and/or other referral services (Section 5(Q), Franchise Agreement).

7. We, an affiliate or a third party we select will administer and manage the Fund as we determine appropriate, if and when created (Section 4(A)(5), Franchise Agreement).

We reserve the right, in our discretion, to delegate some or all of our pre-opening and continuing obligations under the Franchise Agreement to a regional director franchisee with regional responsibility over the geographic area in which you operate your Spray-Net Franchise. These obligations may include, but are not limited to, initial and ongoing training, and operations support.

## **Advertising and Marketing**

### *Generally*

All advertising and promotion that you use in connection with your Franchised Business must be approved by us 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 digital content, social media and other “profile” templates, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. Subject to applicable laws, you must 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. (Franchise Agreement, Section 9(A)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to

use to us for our prior written approval at least 20 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

*Local Advertising Requirement*

You must expend certain minimum amounts on advertising and promoting the Franchised Business, based on the number of Designated Territories that you purchase and the length of time your Franchised Business has been in operation, within the Designated Territory(ies) in accordance with the advertising/marketing plan that we approve. You must annually spend the following amounts pursuant to the Local Advertising Requirement:

<b>Annual Local Advertising Requirement</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$40,000	\$40,000	\$40,000	\$40,000
Second Year of Operation	\$46,000	\$60,000	\$64,000	\$64,000
Third Year of Operation	\$54,000	\$72,000	\$80,000	\$88,000
Fourth Year of Operation	\$56,700	\$75,600	\$96,000	\$112,000
Fifth Year of Operation	\$59,535	\$79,380	\$100,800	\$136,000
Sixth Year of Operation	\$62,511.75	\$83,349	\$105,840	\$142,800
Seventh Year of Operation	\$65,637.34	\$87,516.45	\$111,132	\$149,940
Eighth Year of Operation	\$68,919.20	\$91,892.27	\$116,688.60	\$157,437
Ninth Year of Operation	\$72,365.16	\$96,486.89	\$122,523.03	\$165,308.85
Tenth Year of Operation	\$75,983.42	\$101,311.23	\$128,649.18	\$173,574.29

As of the Issuance Date, we require you to expend your Local Advertising Requirement funds on our Approved Suppliers (currently, third-parties directly with the right – but not obligation – to use us for certain services) for our System-approved marketing/advertising campaigns and related services/content. We reserve the right to require that you expend any portion of these funds on (a) products or services we direct or approve, or (b) services that you must acquire from an Approved Supplier (which currently includes us).

We also reserve the right to allocate a portion of your Local Advertising Requirement to a regional Cooperative (as disclosed more fully in Item 6 and in Item 8 below of this Disclosure Document), we must approve all advertising in writing before it is used in connection with the Franchised Business, including all use of the Proprietary Marks. (Franchise Agreement, Section 9).

You must spend at least seventy-five percent (75%) of your applicable Local Advertising Requirement,

which is based on the number of Designated Territories you purchase and the length of time your Franchised Business has been in operation, on monthly digital marketing services (the “Digital Marketing Spend”). You will pay us the Digital Marketing Spend on the first of each month, and we may provide the applicable digital marketing services or engage a supplier to provide such services. Your annual minimum Digital Marketing Spend is stated in the following chart. You must spend at least the applicable Digital Marketing Spend amount divided by twelve (12) each month:

<b>Annual Digital Marketing Spend</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$30,000	\$30,000	\$30,000	\$30,000
Second Year of Operation	\$34,500	\$45,000	\$48,000	\$48,000
Third Year of Operation	\$40,500	\$54,000	\$60,000	\$66,000
Fourth Year of Operation	\$42,525	\$56,700	\$72,000	\$84,000
Fifth Year of Operation	\$44,651	\$59,535	\$75,600	\$102,000
Sixth Year of Operation	\$46,884	\$62,512	\$79,380	\$107,100
Seventh Year of Operation	\$49,228	\$65,637	\$83,349	\$112,455
Eighth Year of Operation	\$51,689	\$68,919	\$87,516	\$118,078
Ninth Year of Operation	\$54,274	\$72,365	\$91,892	\$123,982
Tenth Year of Operation	\$56,988	\$75,983	\$96,487	\$130,181

You will pay us our then-current monthly Production Fee for our administration of digital marketing for your Franchised Business. You will pay us the Production Fee on the first of each month. We may increase or decrease the Production Fee upon thirty (30) days’ notice as our costs for the related services increase or decrease subject to the following maximum amounts:

<b>Maximum Production Fee (on an annual basis)</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$6,300	\$8,400	\$9,660	\$10,500
Second Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Third Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Fourth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Fifth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Sixth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Seventh Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Eighth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000



Ninth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Tenth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000

### *Initial Marketing Investment*

Prior to the opening of your Franchised Business, you must expend a minimum Initial Marketing Investment equal to \$20,000. We will collect between \$1,000 and \$5,000 of these funds directly from you at the time you execute your Franchise Agreement or other time we designate prior to the opening of your Franchised Business. You must spend your Initial Marketing Investment in the 1-2 months prior to the contemplated launch of your Franchised Business and for a short time after that launch (at which time your Local Advertising Requirement will commence). We may require that you expend any portion of your Initial Marketing Investment on marketing/advertising/promotional services and/or items that must be sourced from one (1) or more of our then-current Approved Suppliers. If you purchase additional Designated Territories, your Initial Marketing Investment will be as follows, and, for the second and third years (if applicable), such amounts must be spent within the first two months of each year:

Period	Initial Marketing for 1 Designated Territory	Initial Marketing for 2 Designated Territories	Initial Marketing for 3 Designated Territories	Initial Marketing for 4 and 5 Designated Territories
Within two months before Opening	\$20,000	\$20,000	\$20,000	\$20,000
During Your Second Year of Operation	-	\$10,000	\$10,000	\$10,000
During Your Third Year of Operation	-	-	\$7,500	\$10,000

### *Brand Development Fund*

We have established a brand development Fund for the benefit of the System and brand generally. Your required Fund Contribution is based on the number of Designated Territories that you purchase and the length of time your Franchised Business has been in operation. Your monthly Fund Contribution is equal to the applicable amount for “Annual Fund Contribution” in the below chart divided by twelve (12).

<b>Annual Fund Contribution</b>				
Period	One Designated Territory	Two Designated Territories	Three Designated Territories	Four or Five Designated Territories
First Year of Operation	\$15,000	\$15,000	\$15,000	\$15,000
Second Year of Operation	\$17,250	\$22,500	\$24,000	\$24,000
Third Year of Operation	\$20,250	\$27,000	\$30,000	\$33,000
Fourth Year of Operation	\$21,263	\$28,350	\$36,000	\$42,000

Fifth Year of Operation	\$22,326	\$29,768	\$37,800	\$51,000
Sixth Year of Operation	\$23,442	\$21,256	\$39,690	\$53,550
Seventh Year of Operation	\$24,614	\$32,819	\$41,675	\$56,228
Eighth Year of Operation	\$25,845	\$34,460	\$43,758	\$59,039
Ninth Year of Operation	\$27,137	\$36,183	\$45,946	\$61,991
Tenth Year of Operation	\$28,494	\$37,992	\$48,243	\$65,090

The Fund Contribution is on the first day of each month. The Fund Contribution is deemed fully earned and nonrefundable upon payment.

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 which 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; 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. (Franchise Agreement, Section 9(E)).

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, third-party 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) 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 will prepare an unaudited, annual statement of Fund collections and costs and give it to you upon written request. We may incorporate Fund or operate it through a separate entity if we deem appropriate. Our affiliate-owned Centers may, but will not be obligated to, contribute to the Fund if and when established. We may use Fund Contributions to cover portions of advertising, marketing and other campaigns that involve other regions where our affiliates have offered and sold franchises (currently, Canada), and will typically cover portions of such expenses with the appropriate Fund(s) that exist in the region(s) at issue (if any).

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(E)).

During our fiscal year ending December 31, 2022, we collected \$512,253 in Fund contributions. We expended the Fund Contributions (approximately) as follows: (i) media placement – 75%, and (ii) media production – 25%.

### *Advertising Council*

We may establish an advertising council (the “Advertising Council”) in the United States. The Advertising Council would serve, once established, in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund. At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. All members of the Advertising Council shall be volunteers approved by us. We will have the right to modify or dissolve an Advertising Council at any time. (Franchise Agreement, Section 9(F)).

### *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.

### **Computer System Hardware and Software**

You must purchase and use any hardware and software programs we require. You must purchase and use all of the hardware and software set forth below in connection with the operation of the franchised business. You must own the Hardware that meets our specifications (“Computer System”). The estimated cost for the Computer System hardware is approximately \$1,000 to \$2,000 (based on whether or not you already own and can utilize certain of this hardware, which is disclosed more fully in Item 7 of this Disclosure Document).

You must keep your Computer System in good maintenance and repair and install such additions, changes, modification, substitutions, and/or replacements to the Computer System as we direct from time to time in writing. While we do not require you to enter into any kind of support or maintenance contract in connection with any Required Software or other Computer System component, we estimate that you could expend between \$500 and \$1,500 annually on these kinds of contracts, as well as any updates or upgrades, associated with the current System components.

You must use our designated cloud-based business management software (“Business Management Software”) on your Computer System, which you must currently license from us or our designated Approved Supplier. The cost of the Business Management Software is currently \$350/month as of the Issuance Date, plus 0.25% of Gross Sales generated by the Franchised Business

In addition to our System’s Business Management Software, you must license certain Required Software from the appropriate third-party providers/licensors that is necessary to operate your Franchised Business, such as (a) online accounting software with payroll capabilities, (b) email, (c) GPS functionality (if required by us in the future or you wish to implement to track your Mobile Services Unit), and (d) software designed to afford your Franchised Business a “vanity number” that will be displayed when calling customers. As of

the Issuance Date, you must license this software from third-parties.

Our Approved Supplier(s) for certain software may provide normal system maintenance and updates for the software from time to time. We or our approved supplier may upgrade the software from time to time. However, we are under no obligation to provide you with any ongoing service related to the software. We reserve the right to require you, at your expenses and in the time frame determined by us to update, upgrade or change the Computer System and software you use in the Franchised Business to conform to new standards or specifications. As technology improves, you will be required to upgrade your Computer System to conform or purchase a new Computer System. No contractual limit exists on the frequency or cost of this obligation.

We may revise our specifications at any time in our discretion. We do not provide technical support for your Computer System or software. You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by such communications and computer-related problems.

### **Customer Warranty**

You must provide to your customers the Customer Warranty found in the Operations Manual or other Manuals, which may be (a) modified from time to time, and/or (b) include a specific durational warranty on certain Proprietary Products and their application/installation (i.e., a 15-year warranty against peeling).

### **Home Office or Otherwise**

We do not currently require that you operate your Franchised Business from a warehouse or other industrial space, and our standard franchise offering assumes that you will operate from a Home Office. If you are restricted from operating the Franchised Business out of your home office and/or otherwise not able to park your Approved Vehicle at that home office, due to local ordinance, CC&Rs, community rules and other regulations, we will not unreasonably withhold our approval of a third-party commercial space you propose.

### **Time to Open**

If you are purchasing a new Franchised Business, we estimate that the typical length of time between the signing of the Franchise Agreement and the opening your Franchised Business is approximately 90 days. Unless we grant you an extension of time in writing, which may be granted or denied in our sole discretion, you must have your Franchised Business open and in operation no later than 120 days after you sign the Franchise Agreement. Some factors that may affect this timing are your ability to secure any necessary financing, the timing of the delivery of equipment and supplies, the availability and scheduling the initial training program, the timing of your initial and grand opening marketing, the timing and available of staff for your on-site training.

You must establish and operate your Franchised Business in compliance with the Franchise Agreement and the standards and specifications contained in our Manuals. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in printed or in an electronic format in our discretion. We reserve the right to require you to use an electronic version of the Operations Manual and to require you to access the document using the Internet or an intranet created and supported by us.

## Training Program and Related Disclosures

Before the opening of your Franchised Business, we provide an initial training program conducted at the times designated by us if you are a new System franchisee. A portion of this training is done online via our E Learning Network and the balance of training is usually conducted within your Designated Territory.

The first portion of the initial training is conducted online via our E-Learning Network. This training takes approximately 3-5 days depending upon how often you choose to participate in the online training and covers some basic introductory topics regarding the System and our brand generally.

The in-person portion of our Initial Training Program typically lasts up to 5 business days of classroom instruction. We also provide up to (a) three (3) business days (typically, between 2-3 days) of sales training (“Sales Training”), and (b) five (5) business days of production training (“Production Training”) in your Designated Territory.

1. The Sales Training is conducted after (a) you have satisfactorily completed the classroom instruction; (b) the initial and grand opening marketing for your Franchised Business begins; and (c) you have secured an agreed to certain number of appointments for Services. The Production Training is conducted after you complete the Sales Training and have secured an agreed to number of contracts for Services.
2. The instruction materials for the initial training program include the Operations Manual, power-point slides and on-line course materials.
3. You or, if you are not an individual, your Designated Manager and up to one additional person must attend and successfully complete the Initial Training Program to our satisfaction before your commence operations of your Franchised Business.

You may have up to two (2) people attend the training program conducted at no additional cost. If you have additional participants attend the initial training program, you will pay our then-current fees for each additional participant and you must receive our prior approval. If a Designated Manager’s employment with you is terminated, you must designate a new Designated Manager who must successfully complete our initial training program within 90 days after the termination of the initial Designated Manager, unless we do not hold an initial training program during that 90-day period in which case the replacement Designated Manager must attend and successfully complete the first available initial training program held by us. You may be charged an Additional Training Fee for a replacement Designated Manager, and the costs for airfare, ground transportation, lodging, meals, and the Designated Manager’s salary and benefits must be paid by you.

You will pay the Initial Training Fee for the initial training program. You will also be responsible for covering all costs and expenses associated with airfare, lodging, most meals, ground transportation, personnel wages and benefits (if any), and any other personal expenses for yourself and any additional attendees incurred during this time.

The subjects covered in the initial training program and the approximate amount of time devoted to each subject is described below. However, the initial training program may be modified at our discretion. The exact number and distribution of hours of training may vary.

## INITIAL TRAINING PROGRAM

Module	Hours of Classroom Training	Hours On-the-Job Training	Location
Vision and Values	.2	0	Virtual training
Paint Systems	4	0	Virtual training
Budgeting	4	0	Virtual training
Cash Flow	2	0	Virtual training
Weekly Goals and Planner	2	0	Virtual training
Spray Network & Estimating	12	8	Virtual training and Within your Designated Territory or at your Franchised Business
Selling	8	8	Virtual training and Within your Designated Territory or at your Franchised Business
Recruiting	2	0	Virtual training
Interviewing	2	0	Virtual training
Hiring	2	0	Virtual training
Expectation Setting	2	0	Virtual training
Culture Building	2	0	Virtual training
Goal Setting and Review	2	0	Virtual training
Marketing/Customer Experience	2	0	Virtual training
Production	8	36	Virtual training and Within your Designated Territory or at your Franchised Business
Productivity	2	10	Virtual training and Within your Designated Territory or at your Franchised Business
Profitability	4	5	Virtual training

<b>Module</b>	<b>Hours of Classroom Training</b>	<b>Hours On-the-Job Training</b>	<b>Location</b>
Procurement / Quality Control	2	5	Virtual training and Within your Designated Territory or at your Franchised Business
<b>Total</b>	<b>64</b>	<b>74</b>	

Patrick Simpson and Dave Martin oversee the initial training we provide to System franchisees. Patrick Simpson has served with us and our brand since 2018, and he has over 23 years of experience in most of the subject matters comprising the training program described above via his prior experience in the painting and remodeling industry. Dave Martin has over eight years of experience in most of the initial training subject matters.

We may present seminars, conventions or continuing development programs for the benefit of Franchisees. Your attendance at these seminars is mandatory in our discretion. However, you or your Designated Manager must attend any mandatory seminar, convention, or program we may offer and your failure to do so shall be a material breach of the Franchise Agreement entitling us to take interim or contractual enforcement action, including termination. You or your Designated Manager will not be required to attend any mandatory seminar, convention or program more than twice (2x) per year. We will give you at least 30 days' prior written notice of any seminar, convention or program that are considered mandatory. You must pay for your travel and living expenses incurred in attending any mandatory or voluntary seminar, convention or training program. In addition, we may charge our then current published fee for attendance at any of the seminars, conventions and programs. If you fail to attend any meeting, in addition to our rights, you will still have to pay us the applicable attendance fees.

## **ITEM 12 TERRITORY**

### Grant of Territory

At the time of signing your Franchise Agreement we will designate your Designated Territory. The scope of your Designated Territory will vary from the scope and size of the operating territories of other franchisees in our System depending on local factors, market conditions, and whether or not, at the time of signing your Franchise Agreement, you increase the size of your Designated Territory from a Base Territory to a Base Territory that has been supplemented by the purchase of additional Qualified Single-Family Households and/or Additional Territories. A Base Territory, generally, will consist of a geographic area that includes approximately 75,000 qualified single family households with annual household income exceeding \$60,000 (each a "Qualified Single-Family Household"). Subject to availability, our approval, and payment of additional Initial Franchise Fees identified in Item 5 of this Disclosure Document, you may add additional Qualified Single-Family Households and/or Additional Designated Territories. Each Additional Designated Territory will also include approximately 75,000 Qualified Single-Family Households. The number of single-family households with the required household income level will be determined in the aggregate and will be calculated based on raw data and without regard to demographics or age. Your local marketing expenditure will increase if you add Additional Designated Territories.

### Relocation

We do not expect or intend to refuse your request for relocation unless it is clear that your proposed relocation site is not suitable for the operational base of a Franchised Business (including parking for all Approved Vehicle(s) that are equipped in accordance with System standards). If you can no longer use the location due to circumstances beyond your control, including unreasonable lease terms or destruction of the premises, we will not unreasonably withhold our written consent to relocate.

Establishment of Additional Franchised Businesses

You do not have the right to establish additional Spray-Net Franchised Businesses.

Options and Rights of First Refusal to Acquire Additional Franchises

You are not granted any options, rights of first refusal, or similar rights to acquire additional franchises.

Territory Rights

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. For so long as you are in compliance with the terms of your Franchise Agreement, we will not establish any other Business utilizing the Proprietary Marks and System from a location within your Designated Territory. We may establish alternate channels of distribution selling similar services and products, including e-commerce, Internet, mail order or catalogs (as disclosed more fully below under the heading “Reservation of Rights”).

Under certain circumstances, you may accept customers from outside your Designated Territory as long as these customers do not reside in the Designated Territory of another franchisee (unless that other franchisee consents). You may not: (i) solicit or advertise within the Designated Territory of another franchisee without that franchisee’s express consent and/or cooperation; (ii) solicit or advertise on the Internet without our consent; or (iii) service any customer that resides within the protected territory of another Spray-Net business, unless you obtain the prior consent of the owner of that business.

We reserve the right to develop additional product and service offerings (“Ancillary Services”) that we may make available for you to offer through your Franchised Business. If you do not offer these Ancillary Services, we reserve the right to offer such Ancillary Services within your Designated Territory ourselves, through an affiliate of ours, or through another franchisee.

Minimum Performance

Our System has established minimum Gross Sales levels that, if not met by you, will constitute grounds for us to require you to (a) attend additional training, (b) provide an accounting of all local advertising and other marketing spends, including all required amounts paid to Approved Suppliers, and/or (c) revoke your approval to provide any previously-authorized Ancillary Services.

Your applicable minimum Gross Sales for a given year of operations will depend on how long you have been in operation and the number of territories you have purchased:

<b>Minimum Gross Sales</b>				
<b>Period(s)</b>	<b>1 Designated Territory</b>	<b>2 Designated Territories</b>	<b>3 Designated Territories</b>	<b>4 and 5 Designated Territories</b>



First Year of Operation	\$350,000	\$350,000	\$350,000	\$350,000
Second Year of Operation	\$402,500	\$525,000	\$560,000	\$560,000
Third Year of Operation	\$472,500	\$630,000	\$700,000	\$770,000
Fourth Year of Operation	\$496,125	\$661,500	\$840,000	\$980,000
Fifth Year of Operation	\$520,931	\$694,575	\$882,000	\$1,190,000
Sixth Year of Operation	\$546,978	\$729,304	\$926,100	\$1,249,500
Seventh Year of Operation	\$574,327	\$765,769	\$972,405	\$1,311,975
Eighth Year of Operation	\$603,043	\$804,057	\$1,021,025	\$1,377,574
Ninth Year of Operation	\$633,195	\$844,260	\$1,072,077	\$1,446,452
Tenth Year of Operation	\$664,855	\$886,473	\$1,125,680	\$1,518,775

The failure of your Franchised Business fails to generate Gross Sales that amounts to at least 70% of the applicable minimum Gross Sales for a given period of operations detailed in the Chart above will be grounds for us to (a) terminate your Franchise Agreement or (b) otherwise reduce the number and/or size of your Designated Territory(ies) awarded under the governing Franchise Agreement.

If we elect to reduce the size of your Designated Territory(ies) as an alternative to terminating your Franchise Agreement, we will provide you an Addendum that details the size and boundaries of your reduced territory. You must execute this addendum within ten (10) calendar days of your receipt thereof, or your Franchise Agreement will be terminated. Once your Designated Territory is effectively reduced, we may own or operate, or license another to operate, additional Businesses anywhere outside your revised Designated Territory. If we reduce the size of your Designated Territory under the terms of Item 12, you do not have the right to nor will you receive compensation for any value of the forfeited portion of your Designated Territory. If the zip codes used to define your territory should be changed in the future by the U.S. Post Office or other government agency, we may require you to execute an addendum to your franchise agreement to redefine the physical territory using new zip code numbers. Redefinition of your territory to comply with the U.S. Post Office or other government agency's definition does not constitute a material change to the franchise agreement.

Except as stated above, we may not modify your Designated Territory for any reason other than by mutual agreement.

#### Reservation of Rights

Your rights under the Franchise Agreement do not include: (i) any right to offer any Spray-Net 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 Spray-Net merchandise 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 Franchised Business in any fashion; or (vi) the right to sell and or all of your Designated Territory independent of your entire Franchised Business to another person or franchisee without our written permission.

You expressly understand and agree that we and our affiliates shall have the right, in our sole discretion, 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 Spray-Net 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 your 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 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 products in wholesale and retail stores, via the Internet, and through mail order catalog, without regard to location; and (iv) 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.


You do not have any of the foregoing rights under your Franchise Agreement, and we are not required to provide you any compensation in connection with (a) soliciting or accepting orders inside your Designated Territory via any alternative channels of distribution or (b) any of the other reserved rights above.

Additional Disclosures

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Neither we nor either of our affiliates have established, or presently intend to establish, any other franchised or company-owned businesses that sell our Proprietary Products under a different trade name or trademark, but we reserve the right to do so in the future.

**ITEM 13  
TRADEMARKS**

Under your Franchise Agreement, we will grant you a non-exclusive license to use our then-current Proprietary Marks solely in connection with your Franchised Business and as authorized in your Franchise Agreement, our Manuals or otherwise by us in writing. We currently license you the following Marks, including our current principal mark SPRAY-NET, that are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

MARK	REGISTRATION / SERIAL NUMBER	REGISTRATION / FILED DATE	REGISTER
SPRAY-NET	5167388	March 21, 2017	Principal
	5162163	March 14, 2017	Principal

We have filed and will continue to file all required affidavits with the USPTO to maintain the registrations for the Proprietary Marks above. As of the Issuance Date, we have not been required to file any renewals for the above marks.

The Proprietary Marks are owned by SN Quebec and are licensed exclusively to us and our Affiliate, which has granted us an exclusive, royalty-free license (“Trademark License”) to use the Marks for purposes of franchising the System around the world. The Trademark License extends for 40 years, commencing April

25, 2016, but it will automatically renew for subsequent 40-year periods provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Trademark License is terminated, our licensor has agreed to license the use of the Proprietary Marks directly to our Franchisees until such time as each Franchise Agreement expires or is otherwise terminated.

You must strictly comply with our standards, policies, specifications, rules, requirements, and instructions regarding the use of the Proprietary Marks. The goodwill associated with our Proprietary Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Franchised Business during the term of the Franchise Agreement. Any increase in the goodwill associated with our Proprietary Marks during the term of the Franchise Agreement will benefit us. All rights to use our Proprietary Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of the Franchise Agreement.

You may not use all or any portion of our Proprietary Marks as part of your company name and, without our prior written consent, as part of your trade name. You may not modify the Proprietary Marks in any manner, including with words, designs or symbols, except those which we license to you. You may not use our Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Proprietary Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise system, or contest our sole right to register, use, or license others to use, our Proprietary Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the words "SPRAY-NET" or any similar phrase.

As of the Issuance Date of this Disclosure Document, there is no litigation pending arising out of our Proprietary Marks, and we are not aware of any infringing use of our Proprietary Marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the Proprietary Marks, nor are there any pending infringement, opposition, cancellation proceedings, or material litigation, involving the Proprietary Marks.

Other than the license agreement with our affiliate discussed above, we are not a party to, or bound by, any agreement that significantly limits our rights to use or license others to use the Registered Mark or any of the other Proprietary Marks in any manner material to the franchise we offer.

You must immediately notify us, in writing, if you become aware of any unauthorized use of our Proprietary Mark or other proprietary information, and you must permit us to participate in any litigation involving you and our Proprietary Marks. We will take the action we think appropriate. While we are not required to defend you against a claim against your use of our Proprietary Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Proprietary Mark, in compliance with the Franchise Agreement and our written directives, so long as you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Proprietary Marks. We will not reimburse you for disputes where we challenge your use of a Proprietary Marks.

You must modify or discontinue the use of a trademark if we modify or discontinue it. If this happens, you will be responsible for your tangible costs of compliance (for example, changing exterior and interior signage, advertisements and promotional material, etc.). We are not obligated to reimburse you for any loss of revenue attributable to the modified or discontinued mark or for any expenditure you incur to promote a modified or substitute mark.

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

Under your Franchise Agreement, we will grant you a non-exclusive license to use certain subject matter that is subject to a patent or pending patent application, which you may only use in connection with your Franchised Business and as authorized in your Franchise Agreement, our Manuals or otherwise by us in writing.

U.S. Patent No. 10,864,767 was issued to our affiliate on December 15, 2020 for a system and method for selecting paint compositions based on expected paint application conditions. You will utilize this system and method in your operation of a Franchised Business.

U.S. Patent No. 10,926,579 was issued to our affiliate on February 23, 2021 for a system and method for selecting paint compositions per layer based on substrate conditions. You will utilize this system and method in your operation of a Franchised Business.

U.S. Patent No. 11,345,185 was issued to our affiliate on May 31, 2022 for a system and method for selecting paint compositions based on expected paint application conditions. You will utilize this system and method in your operation of a Franchised Business. Additionally, our affiliate filed the following patent application, which is still pending examination by the USPTO:

Title	Application No.
ROOF COATING COMPOSITION AND METHOD OF MAKING THE SAME	62/758,023

Except as provided above, you do not receive the right to use an item covered by a patent or copyright, except that you can use the proprietary information in our Manual and our affiliate's products (described in Item 11 of this disclosure document). Although we have not filed an application for a copyright registration for our Manuals or advertising materials, we claim common law copyright in these materials and all other proprietary materials that we and/or our principals develop for use in connection with the System or a Franchised Business. We consider our Manual to be confidential and require you to treat it as confidential. You must tell us when you learn about any unauthorized use of our Manual. We have not filed a patent on our proprietary products.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. 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.

During the term of the Franchise Agreement and/or Option Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement/Option Agreement or any time after that, communicate, divulge, or use for the benefit of any

other person, partnership, association, corporation, or limited liability company any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the Franchised Business (the “Confidential Information”). You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations.

The Franchise Agreement provides that if you, your employees, or principals develop any inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by you or your employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the “Improvements”), you must disclose those Improvements to us and all such Improvements will automatically and without further action be owned by us without compensation to you (including all intellectual property rights therein). Whenever requested to do so by us, you will execute any and all applications, assignments, or other instruments that we may deem necessary to apply for and obtain intellectual property protection or to otherwise protect our interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that we cannot automatically own certain of the Improvements that may be developed, then you hereby agree to grant us a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

We may revise any of our copyrighted materials at our discretion and may require that you cease using any outdated item or portion of the Manuals.

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

We require that you personally participate in the actual operation of your Franchised Business. You, if an individual, and certain persons affiliated with you, are required to attend, and successfully complete to our satisfaction, our training programs (described more fully in Item 11 above), and certain other training programs that we designate provided by third parties. All training must be completed prior to opening the Franchised Business.

Under certain conditions and with our prior approval, we may permit you to appoint a Designated Manager to handle day-to-day management of the Franchised Business on-site at the premises. Your Designated Manager must complete all components of our initial training, but we do not require that your Designated Manager immediately have an ownership interest in a corporate or partnership franchisee. If you engage a Designated Manager to manage the day-to-day operations of the Franchised Business, your Designated Manager must, by one (1) year after the Franchised Business opens for business, either (i) own ten percent (10%) of the equity interest in Franchisee and/or the Franchised Business or (ii) be granted a compensation package that grants the Designated Manager ten percent (10%) of the equity interest in Franchisee and/or the Franchised Business within a reasonable period of time. The Designated Manager will need to be approved by us and will need to sign the form of Confidentiality and Non-Compete Agreement in a form substantially similar to the form attached to your Franchise Agreement. Any Designated Manager, including any replacement manager, must attend and complete all required training before assuming any management responsibility in connection with your Franchised Business.

If you or your Designated Manager are not physically present on-site at a given customer job, then there must be at least one (1) SN Specialist present that can provide the kind of Approved Services at issue, including any Approved Services involving any Proprietary Products.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel, including any managers. Please note that nothing in this

Disclosure Document or any agreement you enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

Each person owning an interest in the franchisee (if an entity) must sign a personal guaranty (attached as Schedule “B” to the form of Franchise Agreement attached to this Disclosure Document) assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement.

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

You must conduct your business in accordance with our confidential and proprietary Operations Manual, other Manual(s), training materials and System policies in order to protect our reputation and goodwill and to maintain our high standards of operation under our Proprietary Marks.

You must use the premises solely for the operation of the Franchised Business, and must keep the location open and in normal operation for the hours and days as we may specify in the Manual or as we may otherwise approve in writing.

You are prohibited from offering or selling any products or services not authorized in writing by us. The non-competition of this agreement (Item 17) does not permit you to have ownership or interest in a competing business, including any operation, formal or otherwise, of a business that offers any of the products or services provided by Businesses (which includes any services that affects the building envelope of a residential or commercial structure, regardless of age). Any and all services you provide to your customers must be provided in accordance with the standards established by us.

You are not limited in the customers you may serve from your Franchised Business, but you may not serve customers who reside in the Designated Territory of another Business without obtaining the prior written consent of the owner of the Designated Territory where that customer resides. You are not permitted to distribute Spray-Net Inc. products on a non-retail or wholesale basis without our prior written consent.

You may only, and must, offer and provide the Approved Services we designate, and which we may supplement, change or otherwise modify from time to time in the Manuals or otherwise in a writing to you.

- During your initial period of operations, our standard franchise offering expects and assumes that you will operate from a home office and will provide the painting and other initial Approved Services that all of our new System franchisees are typically authorized to provide upon completion of training and all other pre-opening requirements under the Franchise Agreement.
- Before any one (1) of your personnel or Designated Manager may engage in providing any of the Approved Services, that individual must complete the necessary training to become an Authorized Painter with respect to the Authorized Painter Services that the individual intends to provide to customers of the Franchised Business.
- Once you have launched your Franchised Business and been operating in compliance with your Franchise Agreement for a period of six (6) months (or other period of time we agree to in a separate writing outside our standard franchise offering), you may request the right to provide one (1) or more of the Ancillary Services that we generally allow only our more experienced Business operators promote and perform on behalf of Clients. As of the Issuance Date, we may condition our approval of any request you make to provide a given Ancillary Service on the following (the “Current Ancillary Service Conditions” or “CASCs”):

- Your operation of the Franchised Business over the six (6) month period disclosed above;
- You demonstrating to us that the Franchised Business has otherwise been able to timely provide the Approved Services and progress Client Projects without Client complaint, or any reporting or other issue;
- Acquiring any additional equipment and/or other operating supplies we designate as necessary to commence offering the Ancillary Service(s) at issue (total cost of this is approximately \$25,000), as well as any additional or supplemental training we determine to require in writing, at your expense and prior to you offering or providing such Ancillary Service(s) via your Franchised Business in any manner;
- Your Franchised Business generating Gross Sales necessary to meet and exceed your then-current Minimum Gross Sales under the Franchise Agreement by 15% for a period of at least three (3) consecutive months; and
- You entering into a form of addendum to the Franchise Agreement memorializing your satisfaction of the above conditions, the specific Ancillary Service(s) you will be authorized to offer moving forward until such time that we advise you that (a) you are in material default of your Franchise Agreement and must therefore cease provision of the Ancillary Services until such default is cured, or (b) we are no longer authorizing the provision of the Authorized Services by your Franchised Business and the bases for this decision (with at least 30 days' prior notice, if and as possible), which may also contain a general release by you of us and our related parties.

We may modify the CASCs in the Manuals or otherwise in writing to our System franchisees, but we expect and intend to use the above conditions as the primary criteria for evaluating any request to provide such Ancillary Services.

In the event a given System franchisee has not undertaken on its own to request and obtain the right to provide certain Ancillary Services after operating for a period of two (2) years, we may require you to commence providing certain Ancillary Services and acquire the necessary equipment/training to do so.

We do not impose any other restrictions in the Franchise Agreement as to the customers to whom you may sell. We reserve the right to expand and otherwise modify the Approved Products and/or Approved Services that you may offer and provide through your Franchised Business (through limited trials or otherwise). There is no limit on our right to request expansion of the goods and products offered and you will be required to offer new products and services that we introduce from time to time. We may also discontinue any products or services that we previously approved for your Franchised Business to offer and sell upon providing you with written notice, and you must cease offering any product or service we discontinue immediately upon receiving notice from us.

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

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Term of franchise	Section 3(A)	The initial term is for 10 years commencing on the date we sign your Franchise Agreement.
b. Renewal or extension of the term	Section 3(B)	You have the right to be considered for one (1) additional 10-year term.
c. Requirements for franchisee to renew or extend	Section 3(B)	In order to renew (which means renewing your franchise relationship with us), you must: (i) not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us; (ii) execute our then-current franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); (iii) pay us our renewal fee of \$10,000; (iv) complete our then-current refresher training course; (v) execute a general release; (vi) must have participate in and supported the operational procedures recommended or provided by us; and (vii) re-image, renovate, refurbish and modernize the Approved Vehicles and Franchised Business.
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 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. "Cause" defined – curative defaults	Section 15(B)	Your Franchise Agreement may be terminated based on the following defaults after the applicable cure periods: (i) if you fail to cure any of the following defaults after 10 days' notice: (a) failure to provide the Approved Services using only the Proprietary Products and other products we approve or failure to offer any Approved Service or Approved Product we require; (b) the provision of any Ancillary Service without proper approval or other authority from us; (c) any purchase of any non-approved item or service; (d) failure to purchase any item from the appropriate Approved Supplier(s), and (e) fail to cure any monetary default; (ii) you fail to provide us with access to the Computer System and fail to remedy this default within 48 hours; (iii) you fail, after 15 days' notice, to comply with any applicable law; (iv) you fail, after 10 days' notice, to obtain any applicable license, certificate, permits, or approval; and (v) you fail to meet the Minimum Productivity Levels.
	Section 15(C)	Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of



Provision	Section in Franchise Agreement	Summary
		any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).
h. “Cause” defined – non-curative defaults	Section 15(A)  Section 15(B)	<p>Your Franchise Agreement may be terminated automatically and without notice from us if: (i) you become insolvent or make a general assignment for the benefit of creditors; (ii) a bankruptcy petition is filed by or against you and not dismissed within 30 days; (iii) a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; (iv) a receiver or custodian of your assets of property is appointed; (v) a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); and (vi) you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement.</p> <p>Your Franchise Agreement may be terminated with notice but without an opportunity to cure: (i) if you commit any fraud or misrepresentation in the establishment or operation of the Franchised Business; (ii) if you fail to attend and complete the Initial Training Program; (iii) if you receive 3 or more notices to cure the same or similar defaults within any 12-month period; (iv) you violate the in-term restrictive covenant; (v) you misuse the Proprietary Marks or Confidential Information; (vi) you misuses any proprietary software; (vii) you default under any other agreement with us, our affiliate(s) or any Approved Supplier and such default is not cured according to such agreement; (viii) you default under your lease; (ix) you fail to open the Franchised Business in the time required; (x) you abandon the Franchised Business; (xi) you are convicted of a felony or other crime that adversely affects the System; (xii) you take for your own personal use the assets or property of the Franchised Business for any competitive or other commercial use; (xiii) there are insufficient funds in your Payment Account 3 or more times in any 12-month period; (xiv) you commit repeated violates of any applicable laws; or (xv) you on 3 or more occasions, fail to comply with the standards and specifications found in the Spray-Net Operations Manual during any 18 month period, whether or not these failures were timely cured.</p>
i. Franchisee’s obligations on termination/non-renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: (i) cease ownership and operation of the Franchised Business and cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; (ii) return of the Spray-Net Operations Manual or any other Confidential Information to us; (iii) assign to us all approved services contracts, telephone/fax numbers and domain names; (iv) cease the use of the Proprietary

Provision	Section in Franchise Agreement	Summary
		Marks and trade dress; (v) comply with all post-term restrictive covenants; (vi) pay us and our Approved Suppliers any amounts owed; (vii) provide us with written confirmation of compliance with these obligations within 30 days; and (viii) cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee.
j. Assignment of contract by Franchisor	Section 13(G)	No restriction on our right to assign.
k. "Transfer" by Franchisor – defined	Section 13(A) and Section 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you (as the Franchisee).
l. Franchisor's approval of transfer by Franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m. Conditions for Franchisor's approval of transfer	Section 13(E)	We have the right to impose the following conditions on any transfer by you: (i) all of your accrued monetary obligations under the Franchise Agreement have been satisfied; (ii) you cure all existing defaults under the Franchise Agreement; (iii) you and your principals must execute a general release; (iv) you or the transferee provides us with a copy of the executed purchase agreement; (v) the transferee must meet our then-current qualifications and criteria for a new franchisee; (vi) the transferee executes our then-current franchise agreement; (vii) you or the transferee pays us a transfer fee of \$10,000; (viii) the transferee satisfactorily completes our Initial Training Program; (ix) you must comply with all post-termination provisions of the Franchise Agreement; (x) the transferee must obtain all permits and licenses required for the continued operation of the Franchised Business; (xi) all applicable lessors consent to the proposed transfer; (xii) if applicable, you reimburse us for any and all costs of brokerage commissions, finder's fees, or similar charges; and (xiii) the transfer is made in compliance with all applicable laws.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 13(D)	If (a) you propose to transfer any of your interest in the Franchise Agreement or Franchised Business or any interest in your lease for the Premises, or (b) your owners propose to transfer any interest in you (if you are an entity), except in certain circumstances (death/disability or transfer from individual franchisee to business entity), then you shall first offer to sell such interest to us on the same terms and conditions as offered by such third party. 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

Provision	Section in Franchise Agreement	Summary
		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	Section 16(H)	Upon expiration or termination of the Franchise Agreement, we have the option to purchase your assets at net depreciated book value.
p. Franchisee’s death or disability	Section 13(B)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and signs our then-current franchise agreement for the remainder of your term.</p> <p>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q. Non-competition covenants during the term of the franchise	Section 14(A)	Neither you, your principals, guarantors, owners or Designated Managers, nor any immediate family member of you, your principals, guarantors, owners or Designated Managers, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Franchise Agreement); (ii) employ or seek to employ any of employees or us, our affiliates or any other System franchisee or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business.
r. Non-competition covenants after the franchise is terminated or expires	<p>Section 14(B)(1)</p> <p>Section 14B)(2)</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 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 and Competing Business: (i) within your Designated Territory; (ii) within a 50-mile radius of your Designated Territory; (iii) within a 50-mile radius of any franchised business that is open and operating as of the date your</p>

Provision	Section in Franchise Agreement	Summary
		<p>Franchise Agreement expires and/or is terminated; (iv) within a 50-mile radius of any other designated territory that has been granted by us or our affiliates in connection with any franchised business as of the date your Franchise Agreement expires and/or is terminated, regardless of whether a franchised business is open and operating in that designated territory.</p> <p>During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) to the extent permitted by applicable law, soliciting any employees of us, our affiliates or any other System franchisee to discontinue their employment.</p>
s. Modification of the agreement	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Operations Manual(s) as we deem appropriate in our discretion from time to time.
t. Integration/merger clause	Sections 18(E) and 22	Only the terms of the Franchise Agreement and this Disclosure Document are binding (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 21(B)  Section 21(C)	<p>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.</p> <p>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 then-current 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, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.</p>
v. Choice of forum	Sections 21(D) and 21(E)	Subject to the other provisions of the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction in Delaware or, if appropriate, the United States District Court for the District of Delaware (subject to state law).
w. Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Delaware, without reference to this state's conflict of laws principles (subject to state law).

## **ITEM 18 PUBLIC FIGURES**

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

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-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**

#### Canadian Spray-Net Businesses

Our affiliate, SN Canada, has offered and sold franchises for the right to own and operate Businesses that are (i) operated in a substantially similar manner to the Franchised Business being offered in this Disclosure Document utilizing the same or substantially similar Proprietary Marks and System that we license to you under your Franchise Agreement, and (ii) provided initial and ongoing training and other assistance that is substantially similar to the training and support you will be entitled to receive under your Franchise Agreement in connection with your Franchised Business (each, a "CN Business"). In light of the foregoing, there is a reasonable basis to include certain historical financial information regarding the CN Businesses that (i) were actively owned and operated throughout the relevant measurement periods and (ii) meet certain other System criteria found in this Disclosure Document. Below, we disclose certain historical performance information regarding the twenty-eight (28) CN Businesses that were open and operating for a period of one (1) year as of December 31, 2022. In Section I, we exclude three (3) CN Businesses because they were owned by affiliates of ours and sold to franchisees, so their first-year financial performance is not typical of CN Businesses. The sizes of Designated Territories that we expect and intend to award under this Disclosure Document are disclosed more fully in Item 12, and we expect there to be material differences between the size, geography, and demographics aspects of your Designated Territory(ies) as compared to those of the CN Businesses.

Whenever "Gross Sales" and "Gross Bookings" are disclosed for CN Businesses, they are disclosed in Canadian Dollars because (i) that is how the sales were reported to us by our affiliate or our affiliate's franchisees; and (ii) the currency exchange rate between United States currency (the U.S. Dollar or "USD") and Canadian currency (the Canadian Dollar or "CAD") is constantly in flux such that the rate as of the Issuance Date of this Disclosure Document may not be the same rate at the time you are disclosed with this Disclosure Document and/or purchase franchise rights from us. For this reason, we encourage you to review these figures in light of the current exchange rate when you are disclosed with this Disclosure Document and when you purchase franchise rights from us. While there is a difference in the exchange rate, as reflected below in this Item 19, our U.S. franchisees charge and are typically paid more on a per-job basis than the CN Businesses.

#### United States Spray-Net Businesses

We had eleven (11) franchisees open and operating in the United States as of December 31, 2021. Of these eleven (11) U.S. franchisees: (i) three (3) franchisees operated for less than six (6) months during the 2022 Calendar Year; (ii) one (1) franchisee operated for eleven (11) full months during the 2022 Calendar Year; and the remaining seven (7) franchisees operated for the entire 2022 Calendar Year. Except as stated otherwise, we disclose certain historical financial performance information regarding the seven (7) U.S. franchisees that operated for the entire 2022 Calendar Year and the one (1) U.S. franchisee that operated for eleven (11) months out of the 2022 Calendar Year (the “US Businesses”). Together, the CN Businesses and US Businesses are collectively referred to in this Item 19 as “Businesses” and, individually, each as a “Business.”

### Definitions

The following definitions are applicable within this Item 19:

**Gross Booking.** In this Item 19, the term “Gross Booking” means the total amount of work that was booked by the applicable Businesses. This includes all jobs that the applicable Businesses were hired to perform.

**Gross Sales (Production).** In this Item 19, the term “Gross Sales” means all revenue generated by the CN Businesses and US Businesses, as applicable. This is also referred to as “Production.” The term “Gross Sales” does not include (a) tips that customers paid to subcontractors or other personnel that are not remitted to the businesses or (b) sales tax that is collected directly from customers and paid to the appropriate taxing authority. “Gross Sales” amounts were generated from the offer, provision and sale of the Approved Products and Approved Services that our System franchisees here in the United States are authorized to offer except that none of the Gross Sales depicted herein were derived from roofing services, which are an optional service for our U.S. franchisees.

**Multi-Unit.** In this Item 19, “Multi-Unit” CN Businesses are those with more than 100,000 qualified single-family households within their territories. The average territory size of the twelve (12) Multi-Unit CN Businesses in this Section IV is approximately 1.5 Territories offered under this Disclosure Document. See Item 12 for more information on the Territories offered under this Disclosure Document.

**Backlog and Estimated Backlog.** In this Item 19, the term “Backlog” represents the difference between the Gross Booking and the Gross Sales (Production) as a percentage of Gross Sales (Production) during the applicable period of time. “Backlog” is calculated by subtracting a particular Business’s Gross Sales (Production) from its Gross Booking and dividing that amount by the Business’s average Gross Sales (Production). As used in Section II of this Item 19, “Estimated Backlog” is not a historical financial figure but an estimate of the amount that certain Businesses have been hired for (or “booked”) but not yet paid for. “Estimated Backlog” is calculated by subtracting the average Gross Sales (Production) from the average Gross Booking and dividing that amount by the average Gross Sales (Production).

**Average Job Size.** The Average Job Size for each Business is calculated by dividing each Business’s Gross Sales (Production) from January 1, 2022 to December 31, 2022 by its respective number of jobs.

**Average.** As used in this Item 19, the term “Average” – also known as the “mean” – is calculated by taking the sum of the applicable data and dividing that total by the number of individual businesses included in that data set.

**Median.** As used in this Item 19, the term “Median” means the data point that is in the center of all data points used. 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.

**First Year of Operation.** As used in this Item 19, the term “First Year of Operation” means the first twelve (12) months that the particular Business or Businesses were open and operating.

**Second Year of Operation.** As used in this Item 19, the term “Second Year of Operation” means the second twelve (12) months that the particular Business or Businesses were open and operating.

**Section I**  
**CN Businesses vs. US Businesses**  
**Business Performance During First Year of Operation**

	US Businesses Gross Booking <u>USD</u>	US Businesses Gross Sales (Production) <u>USD</u>	US Businesses Backlog <u>USD</u>	CN Businesses Gross Sales (Production) <u>CAD</u>
Number of Businesses	8	8	8	25*
Average	\$489,155	\$353,426	\$135,728 (38.4%)	\$305,210
Median	\$489,536	\$358,372	\$138,169 (38.6%)	\$286,294
High	\$694,528	\$503,067	\$191,461 (38.1%)	\$455,425
Low	\$340,590	\$216,640	\$90,290 (41.7%)	\$164,336
Number and Percentage of Businesses that Met or Exceeded the Average	4 (50%)	4 (50%)	4 (50%)	11 (44%)

\*As described above, this chart excludes three (3) CN Businesses that were operated by our affiliates and subsequently sold to franchisees.

**Section II**  
**CN Businesses Performance**  
**Single-Unit vs. Multi-Unit**  
**January 1, 2022 to December 31, 2022**

Single-Unit CN Businesses			
	Gross Booking <u>CAD</u>	Gross Sales (Production) <u>CAD</u>	Estimated Backlog (Not Average)
Number of Businesses	16		
Average	\$622,384	\$451,670	37.7%
Median	\$570,005	\$417,962	
High	\$1,344,316	\$923,947	
Low	\$252,567	\$211,043	
Number and Percentage of CN Businesses that Met or Exceeded the Average	7 (44%)	6 (38%)	

Multi-Unit CN Businesses			
	Gross Booking <u>CAD</u>	Gross Sales (Production) <u>CAD</u>	Estimated Backlog (Not Average)
Number of Businesses	12		

Average	\$1,252,489	\$952,833	31.4%
Median	\$1,237,622	\$923,676	
High	\$2,339,161	\$1,738,972	
Low	\$577,435	\$462,443	
Number and Percentage of CN Businesses that Met or Exceeded the Average	6 (50%)	6 (50%)	

**Section III**  
**CN Businesses vs. US Businesses**  
**Average Job Size**  
**January 1, 2022 to December 31, 2022**

	US Businesses <b>USD</b>	CN Businesses <b>CAD</b>
Number of Businesses	8	28
Average	\$5,815	\$5,448
Median	\$5,588	\$5,491
High	\$8,839	\$8,676
Low	\$4,406	\$2,461
Number and Percentage of Businesses that Met or Exceeded the Average	3 (37.5%)	14 (50%)

**Section IV**  
**Average Gross Sales (Production)**  
**and Certain Disclosed and Estimated Expense Percentages**  
**from CN and US Businesses**  
**January 1, 2022 to December 31, 2022**

The chart in this Section IV includes actual Gross Sales (Production) data and certain Disclosed Expenses and Estimated Expenses. The Gross Sales (Production) in this Section IV is the actual amount that the twelve (12) Multi-Unit CN Businesses experienced between January 1, 2022 and December 31, 2022 (see Section II). “Estimated COGS” in this Section IV is estimated by taking 100% less the average, median, high, and low Gross Margin percentages in the applicable column. “Estimated Gross Profit” in this Section IV is estimated by multiplying the applicable Gross Sales (Production) (average, median, low, high) by the applicable Gross Margin (average, median, low, high). As used in this Section IV, the term “Gross Margin” means a particular business’s Gross Profit (Gross Sales (Production) less Labor and Paint costs) divided by the business’s Gross Sales (Production).

The Disclosed Expenses in this Section IV are percentages derived from the CN Businesses and US Businesses that reported certain data to us between January 1, 2022 and December 31, 2022. Not all of the CN Businesses and US Businesses reported financial data to us for each category in this chart, so the column labeled “# Reported” discloses the number of Businesses that reported that particular category of Disclosed Expenses. The “Marketing” Disclosed Expense below was reported exclusively by CN Businesses.

	Average <b>CAD</b>	Median <b>CAD</b>	Low <b>CAD</b>	High <b>CAD</b>	% that Met or Exceed the Average	# that Met or Exceed the Average	# Reported



Gross Sales (Production)	\$952,833	\$923,676	\$462,443	\$1,738,972	50%	6	12
Estimated COGS	40.56%	40.63%	49.9%	26.2%			
Estimated Gross Profit	\$566,371	\$548,386	\$230,759	\$455,519	50%	8	16
Gross Margin	59.44%	59.37%	50.1%	73.8%	50%	8	16
<b>Disclosed Expenses</b>							
Marketing	8.42%	7.06%	3.1%	17.6%	40%	10	25
Bank fees	0.2%	0.1%	0.02%	0.58%	25%	3	12
Gas	1.8%	1.6%	0.37%	3.19%	45%	5	11
Liability insurance	1.6%	1.0%	0.2%	4.9%	33%	4	12
Meals & entertainment	0.2%	0.2%	0.0%	0.5%	42%	5	12
Office expenses	0.4%	0.2%	0.0%	1.4%	31%	4	13
Professional fees	1.3%	0.7%	0.4%	5.2%	38%	5	13
Shipping	1.2%	0.7%	0.0%	3.6%	38%	3	8
Telephone	0.5%	0.5%	0.2%	1.0%	55%	6	11
Vehicle + insurance	3.0%	2.8%	1.3%	6.4%	50%	5	10
<b>Estimated Expenses</b>							
Estimated Royalties	7%	7%	See Item 6 (7% of Gross Sales subject to minimum amounts)				
Estimated Business Management Software (1 year)	\$6,582	\$6,509	See Item 6 (\$350/month + 0.25% of Gross Sales)				
Estimated Convention & Regional Meetings (1 year)	\$2,500	\$2,500	See Item 6				
Estimated Tech package (1 year)	\$500	\$500	See Item 6				
Estimated Sales commissions	\$57,170	\$55,421	Most of our franchisees do not incur sales commission expenses because they handle the sales of their Franchised Businesses themselves. However, we recommend to all of our franchisees that they pay 6% Sales Commissions.				
Estimated Fixed Costs (Gross Sales (Production) multiplied by Disclosed Expenses and Estimated Expenses Percentages)	\$312,440	\$266,656	These figures only include the Disclosed Expenses and Estimated Expenses listed in this table and do not include all of the costs you will incur in the development and ongoing operation of your Franchised Business.				
<b>Estimated EBITDA (Estimated Gross Profit less Estimated Fixed Costs)</b>	<b>\$253,931</b>	<b>\$281,730</b>					

<b>Estimated EBITDA as a percentage of Gross Sales (Production)</b>	26.7%	30.5%	
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**Section V**  
**Average Net Promoter Score**  
**January 1, 2022 to December 31, 2022**

**Note:** The chart below in this Section V includes Net Promoter Score data from all twenty-one (21) U.S. franchisees that operated for any period of time during the 2022 Calendar Year and all twenty-seven (27) Canadian franchisees that operated for any period of time during the 2022 Calendar Year subject to the following criteria: (i) they must have had at least a twenty percent (20%) response rate and (ii) at least ten (10) responses to requests for reviews.

	U.S. Franchisees	Canadian Franchisees	Total
Number of Businesses	21	27	48
Average	93	80	86
Median	100	86	96
High	100	100	100
Low	50	17	17
Number and Percentage of Franchisees that Met or Exceeded the Average	15 (71.4%)	15 (55.6%)	29 (60.4%)

**General Notes to this Item 19:**

1. **Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.**
2. Written substantiation for these financial performance representations will be made available to the you upon reasonable request.
3. We encourage you to consult with your own accounting, business, and legal advisors to assist you in preparing your budgets and projections, and to assess the likely or potential financial performance of your franchise. We also encourage you to contact existing franchisees to discuss their experiences with the system and their franchise business. Notwithstanding the information within this financial performance representation, existing franchisees of ours are your best source of information about franchise operations.
4. As noted above, the CN Businesses are located in Canada and reported the financial data included in this Item 19 to us in Canadian Dollars.
5. Please note that nothing in this Item 19 discloses any of the (a) initial and ongoing cost of goods, labor, occupancy-related fees (i.e., rent and security deposit), taxes or any other of the initial and ongoing costs that the owners of the CN Businesses incurred in connection with the operation of each such Business over the applicable time periods described in this Item, or (b) the various fees and payments you will be required to pay to us or our Approved Supplier(s) under your Franchise Agreement.

6. Please note that each of the CN Businesses did not incur the kinds of initial start-up costs and investment during the time periods described in this Item 19 that you will likely incur in connection with establishing, building out and opening your Franchised Business, including, without limitation: (i) utility and lease security deposits; (ii) leasehold improvements and build-out costs, along with the furniture/fixtures/equipment, computer system (hardware) and signage required to open your Franchised Business; (iii) business permits and licenses (to an extent); (iv) Initial Franchise Fee and other amounts due to us or our Approved Suppliers prior to opening your Franchised Business (as described in Items 5 and 8 of this Disclosure Document); and (v) certain legal fees, accounting fees and administrative expenses incurred prior to and during the grand opening and subsequent operation of the Franchised Business. The figures provided in this Item 19 exclude certain tax liabilities that you will be responsible for, and do not include the professional fees or other administrative expenses that you might incur in connection with opening and commencing operations of your Franchised Business, including legal and accounting fees.
7. We suggest strongly that you consult your financial advisor or personal accountant concerning USD to CAD currency conversions, financial projections, and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Patrick Simpson, our Chief Operating Officer at 1409 de Coulomb, Boucherville, Quebec, J4B 7M2, (877) 457-7729, as well as the Federal Trade Commission and the appropriate state regulatory agencies.

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**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For Years 2020 through 2022**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2020	0	1	+1
	2021	1	11	+10
	2022	11	26	+15
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
<b>Total Outlets</b>	2020	0	1	+1
	2021	1	11	+10
	2022	11	26	+15

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2020 through 2022**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
<b>Totals</b>	2020	0
	2021	0
	2022	0

**Table No. 3  
Status of Franchised Outlets  
For Years 2020 through 2022**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
Alabama	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Arizona	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Colorado	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Florida	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	3	0	0	0	0	4
Georgia	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	1	0	0	0	0
Indiana	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Kansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
North Carolina	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Ohio	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
South Carolina	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Tennessee	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Texas	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	7	0	0	0	0	10
Wisconsin	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>Total</b>	<b>2020</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2021</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>
	<b>2022</b>	<b>11</b>	<b>17</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>

**Table No. 4**  
**Status of Company-Owned and Affiliate Owned Outlets for Years 2020 through 2022**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
<b>Total</b>	<b>2020</b>	0	0	0	0	0	0	0
	<b>2021</b>	0	0	0	0	0	0	0
	<b>2022</b>	0	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Florida	2	1	0
Georgia	1	1	0
Illinois	1	1	0
Kentucky	1	1	0
Ohio	1	2	0
Tennessee	1	2	0
Utah	1	2	0
<b>Totals</b>	<b>8</b>	<b>10</b>	<b>0</b>

Exhibit G lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of December 31, 2022. Exhibit H lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year ending December 31, 2022, or who has not communicated with us within ten (10) weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, current and former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We do not currently have any trademark specific organizations associated with the franchise system being offered that we have created, sponsored or endorsed.

**ITEM 21  
FINANCIAL STATEMENTS**

Attached as Exhibit C to this disclosure document are our audited financial statements for our fiscal years ending December 31, 2020, December 31, 2021 and December 31, 2022 and our unaudited Balance Sheet as of March 31, 2023 and our unaudited Profit and Loss Statement from January 1, 2023 to March 31, 2023. Our fiscal year end is December 31.

**ITEM 22  
CONTRACTS**

The following agreements are attached to this disclosure document:

Exhibit A:	Franchise Agreement and Exhibits
Exhibit F:	State-Specific Addenda
Exhibit I:	Sample Release

**ITEM 23  
RECEIPTS**

Attached to this Disclosure Document as Exhibit K, in duplicate, is a Receipt to be signed by the prospective Franchisee receiving this Disclosure Document. You must sign each Receipt and return one copy to us. If you are missing these Receipts, please contact Patrick Simpson at the following address and/or telephone number:

Spray-Net Inc.  
1490 De Coulomb  
Boucherville, Québec  
Canada J4B 7M2  
Phone: (877) 457-7729

**EXHIBIT A  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**



**SPRAY-NET INC.**  
**FRANCHISE AGREEMENT**

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**Exhibit A: Data Sheet**

**Exhibit B: Personal Guaranty**

**Exhibit C: Collateral Assignment and Assumption of Lease**

**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**

**SPRAY-NET INC.  
FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made and entered into on this \_\_ day of \_\_\_\_\_, 20\_\_\_\_ (“Effective Date,”) by and between: (i) Spray-Net Inc., a Delaware corporation, with its principal business address at 1490 De Coulomb, Boucherville, Quebec (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 “Spray-Net 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 Spray-Net 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 Spray-Net 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 primarily identified by the mark SPRAY-NET, as well as certain other trade names, trademarks, service marks and trade dress, 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 within 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. Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, member, manager, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as stated in the Franchise Disclosure Document.
- B. The business venture contemplated by this Agreement involves business risks.
- C. 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.
- D. Franchisee has received, read, and does understand this Agreement and any attachments.
- E. 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.
- F. Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction.
- G. 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.
- H. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this

franchise were answered in writing to the satisfaction of Franchisee.

- I. 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).
- J. 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.
- K. 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.
- L. Franchisee's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with the Franchise Disclosure Document given to Franchisee by Franchisor.
- M. 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.
- N. 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 or Ancillary Services (that Franchisee becomes eligible to provide once franchisee has (a) been operating the Franchised Business in compliance with this Agreement for a period of at least three months, and (b) otherwise demonstrated to Franchisor that Franchisee is capable of providing the initial Approved Services without a Client complaint or other issue), 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.
- O. 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.

- P. The parties agree and acknowledge that all provisions and information found 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,.
- Q. 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. **Home Office: Site Selection Area.** Unless Franchisor approves otherwise in writing, Franchisee will be required to operate the Franchised Business at a home office set forth on the Data Sheet attached to this Agreement (the "Home Office") 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 unless such location is unsuitable for operations, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below); and (ii) 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") where 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.

C. **Designated Territory.**

1. Franchisee shall only have the right to operate the Franchised Business and offer/provide the Approved Services and, if applicable, Ancillary Services, in connection with homes that are located within the designated territory as stated in Section 3 of the Data Sheet (the “Designated Territory”). If Franchisee is granted the right to operate the Franchised Business in more than one Designated Territory, the number of Designated Territories shall be set forth in Section 3 of the Data Sheet.
2. 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.
3. If Franchisee declines to offer Ancillary Services or is otherwise not approved by Franchisor to offer Ancillary Services, Franchisor may offer such Ancillary Services within the Designated Territory or an affiliate of Franchisor or another Spray-Net franchisee may offer such Ancillary Services within the Designated Territory with no remuneration due to Franchisee.

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 Spray-Net 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 Spray-Net products in wholesale and retail stores, via the Internet, and through mail order catalog, without regard to location; and (iv) 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. **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 under 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 one (1) 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 Approved Vehicles (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 Fort-Nine Thousand Five-Hundred Dollars (\$49,500) (the "Initial Franchise Fee") for a single Designated Territory. If you are granted the right to operate your Franchised Business in more than one Designated Territory, each additional Designated Territory will have its own Initial Franchise Fee according to the table below, and you will pay Franchisor the Cumulative Franchise Fee based on the table below upon execution of this Agreement. Upon approval by Franchisor, Franchisee may also purchase additional population for \$0.66 per additional household. The fees you pay under this Section 4(A)(1) shall be deemed fully earned and non-refundable under any circumstances upon payment. Your Initial Franchise Fee, as calculated by this table and accounting for additional households, is stated in the Data Sheet attached hereto as Exhibit A.

<b>Number of Designated Territories</b>	<b>Total Number of Households</b>	<b>Initial Franchise Fee</b>	<b>Cumulative Franchise Fee</b>
1	75,000	\$49,500	\$49,500
2	150,000	\$40,000	\$89,500
3	225,000	\$35,000	\$124,500
4	300,000	\$30,000	\$154,500
5	375,000	\$30,000	\$184,500

2. *Initial Training Fee.* Franchisee must pay Franchisor an initial training fee of Fifteen Thousand Dollars (\$15,000) (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 Marketing Investment.* Upon execution of this Agreement, Franchisee must expend a specified amount on certain digital and other marketing efforts within the two (2) months prior to the Franchised Business opening (the “Initial Marketing Investment”). The Initial Marketing Investment will be paid to Franchisor, an Approved Supplier, or any other third party that Franchisor designates, and Franchisor will use and/or direct all or a portion of these funds as Franchisor determines appropriate in its discretion to promote and market the Franchised Business within the Designated Territory(ies), including directing funds to suppliers Franchisor has designated approved for such services. If Franchisee purchases more than one (1) Designated Territory, Franchisee must spend the following amounts in the first two (2) months of each year of operation in addition to the Initial Marketing Investment spent prior to opening the Franchised Business:

<b>Period</b>	<b>Initial Marketing for 1 Designated Territory</b>	<b>Initial Marketing for 2 Designated Territories</b>	<b>Initial Marketing for 3 Designated Territories</b>	<b>Initial Marketing for 4 and 5 Designated Territories</b>
Within two months before Opening	\$20,000	\$20,000	\$20,000	\$20,000
During Your Second Year of Operation	-	\$10,000	\$10,000	\$10,000
During Your Third Year of Operation	-	-	\$7,500	\$10,000

4. *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.
  
  - c. Beginning when Franchisee opens for business, Franchisee shall pay Franchisor the then-current fee for Franchisor’s Business Management Software on the first of each month plus 0.25% of Franchise’s monthly Gross Sales generated by the Franchised Business. The Business Management Software fee is currently \$350 per month plus 0.25% of Franchise’s monthly Gross Sales generated by the Franchised Business.

5. *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.
6. *Royalty Fee.* Once the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee will pay Franchisor a continuing weekly royalty fee in the amount equal to seven percent (7%) (the “Royalty Fee”) of Gross Sales generated by Franchisee’s Franchised Business. 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.
7. *Fund Contribution.* Franchisor has established a System-wide marketing and technology fund (the “Fund”). Franchisee shall make monthly contributions to the Fund according to the chart in Section 9.E. Each month, Franchisee shall pay Franchisor the then-current Annual Fund Contribution amount (based on the number of Designated Territories Franchisee has purchased and the length of time the Franchised Business has been in operation), as reflected in the chart, divided by twelve (12). Franchisor reserves the right to select when the Fund contributions are made. Franchisor may modify these fund contribution requirements upon thirty (30) days written notice to Franchisee. Currently, the Fund Contribution is payable on the first of each month. The Fund Contribution is deemed fully earned and nonrefundable upon payment.
8. *Ancillary Equipment and Training.* If Franchisee is granted the right to provide Ancillary Services, then Franchisee will be required to purchase additional equipment to provide these Ancillary Services and may be required to pay Franchisor to attend any training that is necessary to perform the Ancillary Services. Franchisor reserves the right to require Franchisee to provide the Ancillary Services after operating for a period of two (2) years and purchase the equipment and pay for the training necessary to perform such Ancillary Services.
9. *Technology Fee.* Franchisor reserves the right to charge Franchisee its then-current technology fee (the “Technology Fee”) as consideration for any technology we (a) determine to associate, improve or otherwise develop with the System and cover all or some portion of with this fee, and/or (b) collect on behalf of our Approved Supplier and subsequently pay them under any type of agreement or relationship.

10. *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 business management software (collectively, the "Required Software"); (e) home-show booth and spray-booth; (f) computer hardware; and (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.

**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 designated by Franchisor (the "Payment 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 Payment Program (the "Payment Account"). Upon Franchisor's written request, Franchisee must make all such payments described in this Section by bank or certified check. Franchisor may, in its sole discretion, change the timing of and method by which Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement. Franchisee shall currently utilize Franchisor's designated software, Kolleno, for all payments due to Franchisor and its affiliates. Franchisee shall be responsible for either paying or reimbursing Franchisor for any and all bank charges or other electronic payment fees associated with any payments due or otherwise made to Franchisor and/or its affiliates.
2. *Use of Payment Account for Operational Funds.* Franchisee shall immediately deposit all revenues from operation of the Franchised Business into the Payment 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 or Franchisor's designated online platform (currently Kolleno), all documents, including (if required by Franchisor) Franchisor's form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the Payment Program and Franchisor's ability to withdraw funds from the Payment Account via electronic funds transfer or any other means determined by Franchisor in its sole discretion. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the Payment 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 (20th) 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 eighteen percent (18%) per year, 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. Franchisor further reserves the right to charge a late fee amounting to \$500 in connection with any payment that is late or that Franchisor is unable to collect via Franchisee's Payment Account. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay Fifty Dollars (\$50.00) 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 Approved Vehicle(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, etc. in to its business management software, then Franchisee will be charged Franchisor's then-current fee, which is currently \$500 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, Franchisee’s Premises 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.

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 Additional Training Fee for such initial training (as well as any costs and expenses incurred such as lodging and travel) 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 found 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, Franchisee’s Premises 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, its Designated Manager and any other SN Specialist to attend such courses no more frequently than: (i) two (2) sessions of additional/refresher training year, which, combined will not exceed seven (7) total days and may take place at Franchisor’s designated training facility; and (ii) twenty-four (24) hours of additional or refresher training via online learning management system (“LMS”) or other medium that allows for remote attendance and completion (“Additional Training”). Franchisor will not require Franchisee to pay its then-current Additional Training Fee, plus lodging and travel, in connection with any Additional Training that Franchisor requires under this

Section, but 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 Additional Training Fee, plus lodging and travel, 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 Additional Training Fee, plus lodging and travel, 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 "Spray-Net Web Portal"), where 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 Spray-Net 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 Investment (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 SPRAY-NET 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(G) 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 Approved Vehicles.** 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 Approved Vehicles 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 Approved Vehicles 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 Approved Vehicles 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 upon demand and prior to attending.
- Q. **Call Center and Sales Center.** Franchisor has established a system-wide call center (“Call Center”). Franchisee must participate with the Call Center. Within the Call Center, Franchisor has established a sales center (“Sales Center”), which includes personnel who will provide quotes to Franchisee’s customers and ultimately attempt to make sales to such customers. Franchisee understands and acknowledges that Franchisor may, in its sole discretion, require Franchisee to use the Sales Center at any time and for any length of time if Franchisor believes that Franchisee is not timely providing quotes to its customers. Franchisor reserves the right to charge a fee equal to five percent (5%) of the job price if Franchisor books a job for Franchisee. Franchisor reserves the right, in Franchisor’s sole discretion, to require Franchisee to utilize Franchisor’s Sales Center and to pay Franchisor the above fees.

## 6. **DUTIES OF FRANCHISEE**

### A. **Securing a Home Office or other Location.**

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 Services Unit and/or otherwise operating the Franchised Business, then Franchisee will be permitted to operate from a third-party premises.
2. Regardless, Franchisee must secure a Home Office or other location 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 Home Office 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 location that is not a Home Office (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 Home Office or other location 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 Home Office or other location, Mobile Services Unit and vehicle that Franchisor must approve to tow that Mobile Services Unit (the “Approved Vehicle”) 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 instead of a Home Office for the Franchised Business, 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 Home Office or other location is suitable for operations, complete all other pre-opening obligations under this Agreement and commence active operations no later than six (6) 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 real estate licenses and/or other certifications or approval, if any, necessary to provide the Approved Services at issue.
  - F. **Approved Products and Approved Services: SN Specialist Requirement.**
    1. *Authorized Products and Approved Services Only.* 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.
    2. *Personnel that May Provide Certain Approved Services and/or Approved Products.* Franchisee agrees and acknowledges that: (i) before Franchisee and other personnel of the Franchised Business may provide certain Approved Services and corresponding Approved Products through the Franchised Business, including those Approved Services involving the Proprietary Products, they must first complete the appropriate components of the Initial Training Program necessary to become an authorized provider for such Approved Services and Approved Products (a "SN Specialist"); (ii) upon completion of such initial training, Franchisor will provide Franchisee, its Designated Manager (if applicable) and/or other individual with a written acknowledgement that he/she is an SN Specialist (the "SN Specialist Notice") that confirms and details the specific Approved Services that the specialist may provide to customers of the Franchised Business (the "SN Specialist Services"); and (iii) Franchisee must ensure that any Approved Services and Approved Products provided through the Franchised Business are provided by an SN Specialist (which may be Franchisee or its Designated Manager

or other individual) that has received and SN Specialist Notice detailing the relevant services/products as part of the SN Specialist Services.

G. **Approved Vehicles, Signs, and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Approved Vehicles, 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 Approved Vehicles, 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. **Approved Vehicle; 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 Mobile Services Unit, Approved Vehicle, 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 Services Unit and Approved Vehicle to be wrapped or painted in signage and artwork as approved by Franchisor prior to opening the Franchised Business. Franchisee agrees to maintain any Approved Vehicle 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 by Franchisor 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 will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) 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 Meeting Attendance.**
1. Franchisee must ensure that Franchisee and, if appropriate, its Designated Manager and/or any other personnel that wishes to serve as an initial SN Specialist and

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 thirty (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 Investment amounting between \$20,000 and \$40,000 as discussed more fully in Section 9 of this Agreement;
  - ii. undertake all steps to establish the Payment 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 Payment;
  - 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 must, at Franchisor's discretion, attend regional meetings ("Regional Meetings") that are either hosted or organized by Franchisor, and Franchisee shall be solely responsible for all costs of attending such Regional Meetings, including (i) paying Franchisor's then-current attendance fee to Franchisor upon demand, (ii) travel and lodging for those attending the Regional Meetings, and (iii) employment expenses for those attending the Regional Meetings such as salary and other expenses. Franchisee and any other management personnel of the Franchised Business may be required, in Franchisor's discretion, 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 Additional Training Fee, plus lodging and travel, 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. Notwithstanding the foregoing, Franchisor shall not require Franchisee to attend more than two (2) meetings per year between the Regional Meetings, Third-Party Training, and Annual Convention.

5. Franchisee must also ensure that Franchisee and if appropriate, its Designated Manager and/or SN Specialists, attend and complete and Additional Training or Remedial Training that may be required under 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 under this Agreement; and (ii) paying Franchisor its then-current Additional Training Fee, plus lodging and travel, 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 our Initial Training Program, as set forth in this Agreement.
  7. Any failure by Franchisee, its Designated Manager or other SN Specialist 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.
  8. If Franchisee is granted the right to provide Ancillary Services, Franchisee must attend (and pay for) any training necessary to provide the Ancillary Services.
- 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 the Mobile Services Unit and other components, as well as the Approved Vehicle and Home Office or other location used in connection with the Franchised Business, at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that each Approved Vehicle and equipment 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 and Customer Service.** 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 shall collect and submit to Franchisor all data from providing services that Franchisor requires, including, without limitation, paint job conditions.

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 of whom 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. If Franchisee engages a Designated Manager to manage the day-to-day operations of the Franchised Business, such Designated Manager must, by one (1) year after the Franchised Business opens for business, either (i) own ten percent (10%) of the equity interest in Franchisee and/or the Franchised Business or (ii) be granted a compensation package that grants the Designated Manager ten percent (10%) of the equity interest in Franchisee and/or the Franchised Business within a reasonable period of time.
- 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 Gross Sales.**

1. The term “Minimum Gross Sales” means the minimum Gross Sales that Franchisee is required to generate in connection with the Franchised Business during a particular year of operation, which is based on (a) how long the Franchised Business has been open and (ii) the number of Designated Territories that Franchisee has purchased. Franchisee must achieve the following amounts of Minimum Gross Sales during the applicable years of operation:

<b>Minimum Gross Sales</b>				
<b>Period(s)</b>	<b>1 Designated Territory</b>	<b>2 Designated Territories</b>	<b>3 Designated Territories</b>	<b>4 and 5 Designated Territories</b>
First Year of Operation	\$350,000	\$350,000	\$350,000	\$350,000
Second Year of Operation	\$402,500	\$525,000	\$560,000	\$560,000
Third Year of Operation	\$472,500	\$630,000	\$700,000	\$770,000
Fourth Year of Operation	\$496,125	\$661,500	\$840,000	\$980,000
Fifth Year of Operation	\$520,931	\$694,575	\$882,000	\$1,190,000
Sixth Year of Operation	\$546,978	\$729,304	\$926,100	\$1,249,500
Seventh Year of Operation	\$574,327	\$765,769	\$972,405	\$1,311,975
Eighth Year of Operation	\$603,043	\$804,057	\$1,021,025	\$1,377,574
Ninth Year of Operation	\$633,195	\$844,260	\$1,072,077	\$1,446,452
Tenth Year of Operation	\$664,855	\$886,473	\$1,125,680	\$1,518,775

- AA. **Ongoing Purchase Credit.** Franchisee shall have a credit limit with Franchisor and its Affiliates, for all purchases, equal to three percent (3%) of Franchisee’s then-current Minimum Gross Sales.
  
- BB. **Referral Program Participation.** Franchisor may establish a referral program that governs the referrals of customers between System franchisees, including Franchisee (the “Referral Program”). Franchisee must participate in Franchisor’s Referral Program and perform all then-current obligations set forth in the Referral Program, which Franchisor may, in its sole discretion, change from time to time.
  1. **Current Referral Program Terms.** As of the Effective Date of this Agreement, Franchisor has established the Referral Program and Franchisee must participate and perform the following, which may be subject to change in Franchisor’s sole discretion:
    - a. **Referral Payment and Discount.** When a customer is referred to Franchisee through the Referral Program and such customer engages and pays Franchisee for goods and services, Franchisee shall pay a referral fee in the form of a prepaid Visa Gift Card to the person who referred such customer (the “Referral Payment”) **and** apply a discount on goods and services purchased from Franchisee by the referred customer (“Referral Discount”). Franchisor may designate the form of payment, vendor, and process for ordering and sending the Referral Payment, and Franchisor may, in its sole discretion, issue the

Referral Payment and collect reimbursement from Franchisee. The Referral Payment amount shall be based on the amount the referred customer actually pays to Franchisee and the Referral Discount shall be based on the amount the referred customer agrees to pay Franchisee (both the “Job Amount”) according to the table below:

<b>Job Amount:</b>	<b>\$2,500 - \$4,999</b>	<b>\$5,000 - \$7,499</b>	<b>\$7,500 - \$9,999</b>	<b>\$10,000+</b>
Referral Payment:	\$125	\$250	\$375	\$500
Referral Discount:				

**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, SPRAY-NET, under a license agreement with Spray-Net Inc."
  
- 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 under 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 under 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, 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, 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 Investment.** Franchisee must expend, and Franchisor will typically collect all or a portion of the Initial Marketing Investment amounting between \$15,000 and \$25,000 that will serve as the Initial Marketing Investment 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 Investment 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 certain minimum amounts on advertising and promoting the Franchised Business, based on the number of Designated Territories that Franchisee purchases and the length of time the Franchised Business has been in operation, within the Designated Territory(ies) in accordance with the advertising/marketing plan that Franchisor approves (the “Local Advertising Requirement”). Franchisee must annually spend the following amounts pursuant to the Local Advertising Requirement:

<b>Annual Local Advertising Requirement</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$40,000	\$40,000	\$40,000	\$40,000

Second Year of Operation	\$46,000	\$60,000	\$64,000	\$64,000
Third Year of Operation	\$54,000	\$72,000	\$80,000	\$88,000
Fourth Year of Operation	\$56,700	\$75,600	\$96,000	\$112,000
Fifth Year of Operation	\$59,535	\$79,380	\$100,800	\$136,000
Sixth Year of Operation	\$62,511.75	\$83,349	\$105,840	\$142,800
Seventh Year of Operation	\$65,637.34	\$87,516.45	\$111,132	\$149,940
Eighth Year of Operation	\$68,919.20	\$91,892.27	\$116,688.60	\$157,437
Ninth Year of Operation	\$72,365.16	\$96,486.89	\$122,523.03	\$165,308.85
Tenth Year of Operation	\$75,983.42	\$101,311.23	\$128,649.18	\$173,574.29

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 your 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 Spray-Net Businesses operating within the distribution area of the directory. If a joint listing is obtained, all Spray-Net 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(ies), unless (a) the geographic area where Franchisee wishes to advertise is contiguous to the Designated Territory(ies) 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.
  
7. Franchisee shall spend at least seventy-five percent (75%) of its applicable Local Advertising Requirement, which is based on the number of Designated Territories Franchisee has purchased and the length of time the Franchised Business has been in operation, on monthly digital marketing services (the “Digital Marketing Spend”). Franchisee shall pay Franchisor the Digital Marketing Spend on the first of each month, and Franchisor may provide the applicable digital marketing services or engage a supplier to provide such services. For avoidance of doubt, Franchisee’s annual minimum Digital Marketing Spend is stated in the following chart. Franchisee must spend at least the applicable Digital Marketing Spend amount divided by twelve (12) each month:

<b>Annual Digital Marketing Spend</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$30,000	\$30,000	\$30,000	\$30,000
Second Year of Operation	\$34,500	\$45,000	\$48,000	\$48,000
Third Year of Operation	\$40,500	\$54,000	\$60,000	\$66,000
Fourth Year of Operation	\$42,525	\$56,700	\$72,000	\$84,000
Fifth Year of Operation	\$44,651	\$59,535	\$75,600	\$102,000
Sixth Year of Operation	\$46,884	\$62,512	\$79,380	\$107,100
Seventh Year of Operation	\$49,228	\$65,637	\$83,349	\$112,455
Eighth Year of Operation	\$51,689	\$68,919	\$87,516	\$118,078
Ninth Year of Operation	\$54,274	\$72,365	\$91,892	\$123,982
Tenth Year of Operation	\$56,988	\$75,983	\$96,487	\$130,181

8. Franchisee shall pay Franchisor Franchisor’s then-current monthly Production Fee each month. Franchisee shall pay Franchisor the Production Fee on the first of each month. Franchisor may increase or decrease the Production Fee upon thirty (30) days’ notice as Franchisor’s costs for the related services increase or decrease subject to the following maximum amounts:

<b>Maximum Production Fee (on an annual basis)</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$6,300	\$8,400	\$9,660	\$10,500
Second Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Third Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Fourth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Fifth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Sixth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Seventh Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Eighth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Ninth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000
Tenth Year of Operation	\$9,000	\$12,000	\$13,800	\$15,000

- E. **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, on the first day of each month, a certain amount to the Fund as the “Fund Contribution,” as reflected in the chart below. Franchisee’s required Fund Contribution is based on the number of Designated Territories that Franchisee has purchased and the length of time the Franchised Business has been in operation. Franchisee’s monthly Fund Contribution is equal to the applicable amount for “Annual Fund Contribution” in the below chart divided by twelve (12). All payments by Franchisee to the Brand Development Fund shall be made by the terms of Franchisor’s Payment Program and are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund.

<b>Annual Fund Contribution</b>				
<b>Period</b>	<b>One Designated Territory</b>	<b>Two Designated Territories</b>	<b>Three Designated Territories</b>	<b>Four or Five Designated Territories</b>
First Year of Operation	\$15,000	\$15,000	\$15,000	\$15,000
Second Year of Operation	\$17,250	\$22,500	\$24,000	\$24,000
Third Year of Operation	\$20,250	\$27,000	\$30,000	\$33,000
Fourth Year of Operation	\$21,263	\$28,350	\$36,000	\$42,000
Fifth Year of Operation	\$22,326	\$29,768	\$37,800	\$51,000
Sixth Year of Operation	\$23,442	\$21,256	\$39,690	\$53,550
Seventh Year of Operation	\$24,614	\$32,819	\$41,675	\$56,228
Eighth Year of Operation	\$25,845	\$34,460	\$43,758	\$59,039

Ninth Year of Operation	\$27,137	\$36,183	\$45,946	\$61,991
Tenth Year of Operation	\$28,494	\$37,992	\$48,243	\$65,090

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 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.

F. **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.

G. **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.

## 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. into their business management software, then Franchisee will be charged a fee of \$500 per infraction. Franchisee must purchase and use the accounting and bookkeeping software that Franchisor designates, which Franchisor may change from time to time, including paying any initial fees and ongoing monthly fees for these services.

- 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. Franchisor shall at all times have administrative rights to Franchisee's accounting software (i.e., QuickBooks, etc.).
- 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.** Within the first three months of each year, and at any other time Franchisor shall 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. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:
1. Commercial general liability insurance, including personal injury, completed operations, contractual liability, and products liability, in an amount of not less than Two Million Dollars (\$2,000,000) per occurrence for bodily injury and not less than Two Million Dollars (\$2,000,000) per occurrence for property damage, and naming Franchisor as an additional insured in each such policy or policies;
  2. Fire, vandalism, and extended coverage insurance with primary and excess limits of not less than the full replacement value of the premises of the Franchised Business and its furniture, fixtures, and equipment;
  3. Auto insurance for any Approved Vehicle used in connection with operating the Franchised Business, including Franchisee-owned vehicles, and non-Franchisee-owned vehicles, which will include liability coverage in the minimum amount of Two Million Dollars (\$2,000,000) per year, as well as commercial auto insurance for Franchisee-owned vehicles, which will include collision and comprehensive coverage as well as liability coverage in the minimum amount of \$250,000 per person and \$500,000 per accident per year, or the minimum required by state regulations, whichever is greater;
  4. Employer's liability, workers' compensation insurance and such other insurance as

may be required by statute or rule of the state or locality in which the Franchised Business is located and operated;

5. Business interruption insurance in the amounts and with terms acceptable to Franchisor; and
6. Such insurance as necessary to provide coverage under the indemnity provisions set forth in this Section 11.

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. **General Contractor Insurance.** In required by an applicable law where the Franchised Business is authorized to operate, Franchisee shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for vehicles, builder's risk, private liability, and independent contractors coverage) in at least the amount of Two Million Dollars (\$2,000,000), with Franchisor named as an additional insured, and workers' compensation and employer's liability insurance as may be required by law.
- C. **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 under 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 under this 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 under (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), 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. If applicable, Franchisee will reimburse Franchisor for any and all costs of brokerage commissions, finder's fees, or similar charges before the Transfer occurs;
9. 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;
10. 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;
11. 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;
12. 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;
13. 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) the painting (spray-painting or traditional), and/or coating of exterior covering of doors, windows, roofs, and sidings of immovable structures including homes and other buildings, 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 fifty (50) mile radius of the Designated Territory;
    - iii. within a fifty (50) mile radius of any Spray-Net franchised business that is open and operating as of the date this Agreement expires and/or is terminated; or
    - iv. within a fifty (50) mile radius of any other designated territory that has been granted by Franchisor or its affiliates in connection with a Spray-Net 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, nor solicit any of



Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

- 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. Franchisor may suspend services to Franchisee during any period of time where Franchisee has failed to satisfy the amount that is due and owed;
14. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to provide the Approved Services using only the Proprietary Products and other products Franchisor approves or if Franchisee fails to offer and Approved Service or Approved Product Franchisor requires;
15. If Franchisee provides Ancillary Services without approval from Franchisor and after notification of non-compliance, fails to cease providing said Ancillary

Services within ten (10) days of notification;

16. 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;
17. 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;
18. 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;
19. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business for any competitive or other commercial use;
20. If there are insufficient funds in Franchisee's Payment Account to cover a check or payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period;
21. 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;
22. If Franchisee fails to generate seventy percent (70%) of the Minimum Gross Sales level for its then-current year; or
23. 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. **Loss of Designated Territory.** Notwithstanding the foregoing, if Franchisee is in default of this Agreement under Section 6(Z), Franchisor may, in its sole discretion and as an alternative to terminating this Agreement, elect to reduce the size of Franchisee's Designated Territory and own and operate, or license another to operate, additional Spray-Net businesses in the Designated Territory. In the event Franchisor elects to reduce Franchisee's Designated Territory and/or terminate Franchisee's exclusive rights therein, Franchisor will provide Franchisee with written notice thereof. Upon receipt of such notice,

Franchisee will have ten (10) calendar days to execute an addendum to this Agreement detailing the revised boundaries of the Designated Territory and/or termination of exclusive rights therein. If Franchisee does not execute this Addendum with the prescribed time period, then Franchisor may, at its option, immediately terminate this Agreement upon notice to Franchisee.

- E. **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 under 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.
- F. **Non-Compliance Fee.** In addition to Franchisor's rights under this Section 15, Franchisee must pay Franchisor (1) two-hundred and fifty dollars (\$250) upon the first instance of Franchisee's default of this Agreement, (2) five hundred dollars (\$500) upon the second instance of Franchisee's default of this Agreement, and (3) one thousand dollars (\$1,000) upon the third instance of Franchisee's default of this Agreement.

## 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 Approved Vehicles (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 “SPRAY-NET” 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.
- J. **Liquidated Damages.** Franchisee and Franchisor agree and acknowledge that the damages Franchisor will sustain upon an early termination of this Agreement are difficult to foresee and estimate. Therefore, upon the termination of this Agreement before the end of the Term, Franchisee shall pay Franchisor liquidated damages equal to seven percent (7%) of the applicable annual Minimum Gross Sales for the Franchised Business found in Section 6.Z. of this Agreement corresponding to the year of operation in which this agreement is terminated. For avoidance of doubt, the applicable annual Minimum Gross Sales will be based on the number of Territories Franchisee has purchased and the length of time that Franchisee has operated the Franchised Business. These liquidated damages are in addition to all remedies that Franchisor may have against Franchisee for breach of the restrictive covenants found in Section 14 of this Agreement or extracontractual claims such as fraud or unfair and deceptive trade practices.

## 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 under 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





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 the County of New Castle, Delaware or, if appropriate, the United States District Court for the District of Delaware. Franchisee acknowledges that this Agreement has been entered into in the State of Delaware, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's presence in Delaware, 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 Delaware 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 under 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.

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

**FRANCHISOR:**

**SPRAY-NET INC.**

By: \_\_\_\_\_  
Carmelo Marsala, 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)

Under 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

Under 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

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

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The number of Designated Territories under this Franchise Agreement is \_\_\_\_\_.  
The approximate population of the Designated Territories is \_\_\_\_\_.

4. Initial Franchise Fee. Under Section 4.A.1, Franchisee's Initial Franchise Fee is \_\_\_\_\_.

5. 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: \_\_\_\_\_

6. 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 t \_\_\_\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**SPRAY-NET INC.**

By: \_\_\_\_\_  
Carmelo Marsala, 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 SPRAY-NET INC. (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 SPRAY-NET 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 SPRAY-NET business (each, an "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 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; 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 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) the painting (spray-painting or traditional), and/or coating of exterior covering of doors, windows, roofs, and sidings of immovable structures including homes and other buildings, 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 SPRAY-NET franchise under 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 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 fifty (50) mile radius of the Designated Territory or Additional Territory;
- (iii) within a fifty (50) 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 fifty (50) 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, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

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 Delaware.

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 the County of New Castle, Delaware 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 the County of New Castle, Delaware or, if appropriate, the United States District Court for the District of Delaware. 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 under 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) SPRAY-NET INC., a Delaware corporation with its principal place of business at 1490 De Coulomb, Boucherville, Quebec, Canada J4B 7M2 (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, which the Franchisee plans to own and operate an SPRAY-NET franchised business (the “Franchised Business”) located at \_\_\_\_\_ (the “Site”). In addition, under 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 under the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor under 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**

**SPRAY-NET INC.**

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

Carmelo Marsala, 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 SPRAY-NET INC. (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 Investment, 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**

**FRANCHISOR**

**[INSERT FRANCHISEE NAME]**

**SPRAY-NET INC.**

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

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

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

Carmelo Marsala, President

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

**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

(1) (for Designated Mangers and other management personnel, SN Specialists, 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 SPRAY-NET INC. (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 Spray-Net 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 60 mile radius of the Premises; or (ii) within a 60-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

SPRAY-NET INC.  
Attn: Patrick Simpson, Chief Operating Officer  
1490 De Coulomb, Boucherville  
Quebec, Canada J4B 7M2

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 SPRAY-NET INC. (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 SPRAY-NET 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**

**SPRAY-NET INC.**

BY: \_\_\_\_\_  
Carmelo Marsala, President





**EXHIBIT B  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT  
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**EXHIBIT C  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

**UNAUDITED BALANCE SHEET DATED MARCH 31, 2023 AND UNAUDITED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM JANUARY 1, 2023 TO MARCH 31, 2023.**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

# Spray-Net Inc. (US)

## Balance Sheet

As of March 31, 2023

	TOTAL
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalent	
1060 CIBC Bank	41,650.67
1061 CIBC USA (american bank)	141,675.19
1310 Paiements en suspens	162,539.39
Fonds non déposés	0.00
<b>Total Cash and Cash Equivalent</b>	<b>\$345,865.25</b>
Accounts Receivable (A/R)	
Accounts Receivable (A/R)	409,099.13
<b>Total Accounts Receivable (A/R)</b>	<b>\$409,099.13</b>
1202 Account receivable accrued	100,984.11
1203 AR Non collectible (Audit 2021)	9,836.00
1300 Dépenses prépayées	0.00
1311 Deferred Commissions Revenue	2,243,928.00
1402 Interco - Distribution	-1,468,141.07
1403 Interco - Les Franchises Spray-Net	132,988.83
1404 Interco - VCM	-20,000.00
1405 Interco - Groupe Spray-Net	2,494,621.81
1408 Interco - Spray-Net Canada	0.00
1409 Interco - Marketing	0.00
1410 Interco - Spray-Net International	-1,503,854.01
1412 Interco - E.E.E"	159,205.81
Inventory Asset	-0.06
<b>Total Current Assets</b>	<b>\$2,904,533.80</b>
Non-current Assets	
Property, plant and equipment	
Acc Amortization Dom 1805	-14,822.00
<b>Total Property, plant and equipment</b>	<b>\$ -14,822.00</b>
1800 Domain name	22,231.70
1950 deferred tax asset	97,851.00
<b>Total Non Current Assets</b>	<b>\$105,260.70</b>
<b>Total Assets</b>	<b>\$3,009,794.50</b>
<b>Liabilities and Equity</b>	
Liabilities	
Current Liabilities	
Accounts Payable (A/P)	
2100 Accounts Payable (A/P)	107,801.65
<b>Total Accounts Payable (A/P)</b>	<b>\$107,801.65</b>
2106 Accrued liabilities	338,539.46
2400 Deferred incomes	3,355,821.81
2401 Deferred Convention revenues	35,790.00
2402 Brand fund deferred	79,347.00
income taxes payable 2150	24,000.00

# Spray-Net Inc. (US)

## Balance Sheet

As of March 31, 2023

	TOTAL
<b>Total Current Liabilities</b>	<b>\$3,941,299.92</b>
<b>Total Liabilities</b>	<b>\$3,941,299.92</b>
Equity	
3011 Capital Action class A	38.00
Retained Earnings	-816,921.00
Profit for the year	-114,622.42
<b>Total Equity</b>	<b>\$ -931,505.42</b>
<b>Total Liabilities and Equity</b>	<b>\$3,009,794.50</b>

# Spray-Net Inc. (US)

## Profit and Loss

January - March, 2023

	TOTAL
<b>INCOME</b>	
4012 Training	75,000.00
4013 Franchise Fee	166,668.48
4014 Royalties	65,672.53
4015-3 Brand Fund - USA	71,125.00
4016 Technology package	25,698.02
4020 Miscellaneous	41,500.00
4042 National Marketing	2,500.00
4043 Initial digital marketing	525.00
4045-3 Local digital - USA	39,075.06
<b>Total Income</b>	<b>\$487,764.09</b>
<b>GROSS PROFIT</b>	<b>\$487,764.09</b>
<b>EXPENSES</b>	
5007 Uniforms	1,477.33
5009 Shipping	88.00
5205 Admin Salary	125,786.90
5400 Convention	10,687.48
5501-6 Brand funds - digital	28,292.36
5512 Prod-Miscellaneous	630.00
5524 National video	1,750.00
5528 Website	124,000.00
5575 Broker groups (Fran dev)	29,685.00
5575-3 FranDEV - Travel	35,424.08
5606 Legal and professional fees	12,080.00
5622-12 Touch ups - US	337.20
5690 Bank Fees	205.34
5694 Pay Admin	276.00
5700 Frais de bureau	290.12
5780 Cellphones	98.72
5790-3 Travel - planes and airfares - Training	1,645.49
5900 Activities	207.40
Commissions et frais	194,425.09
<b>Total Expenses</b>	<b>\$567,386.51</b>
<b>OTHER EXPENSES</b>	
5740 Refund	35,000.00
<b>Total Other Expenses</b>	<b>\$35,000.00</b>
<b>PROFIT</b>	<b>\$ -114,622.42</b>



**SPRAY-NET INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**SPRAY-NET INC.  
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MONIS J. SIDDIQUI, CPA P.C.

Certified Public Accountant  
516.730.6064

**INDEPENDENT AUDITOR'S REPORT**

To the Stockholders of  
Spray-Net, Inc.

**Opinion**

We have audited the financial statements of Spray-Net, Inc., which comprises the balance sheet as of December 31, 2022, and 2021 and the related statement of operations, and changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Spray-Net, Inc. as of December 31, 2022, and 2021 and the results of its operations and its cash flows for the for the year 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 (GAAS). 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 Spray-Net, Inc., 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.

**Emphasis of a Matter**

As discussed in note 6 to the financial statements, the December 31, 2021, opening stockholder's deficit and 2021 financial statements have been restated to correct certain misstatements discovered subsequent to the issuance of the Company's financial statements for the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 Spray-Net, Inc.'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the 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 Spray-Net, Inc.'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 Spray-Net, Inc.'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.

*Monis Siddiqui, CPA P.C.*

Monis Siddiqui, CPA P.C.  
Bellerose, NY  
March 20, 2023

**SPRAY-NET INC.  
BALANCE SHEETS**

	<u>ASSETS</u>	
	<u>DECEMBER 31</u>	
	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash	\$ 53,690	\$ 305,228
Accounts receivable	541,504	254,651
Prepaid expenses	102,481	72,259
Deferred commissions	249,974	120,772
Deferred income taxes	111,573	97,851
<b>Total Current Assets</b>	<u>1,059,222</u>	<u>850,761</u>
Deferred Commissions, net of current	2,035,067	962,456
Intangibles, net	7,411	14,821
<b>Total non current assets</b>	<u>2,042,478</u>	<u>977,277</u>
<b>Total Assets</b>	<u>\$ 3,101,700</u>	<u>\$ 1,828,038</u>
 <b><u>LIABILITIES AND STOCKHOLDER'S (DEFICIT)</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 220,423	\$ 175,586
Commitment and Contingencies	150,000	—
Due to related parties	76,268	112,202
Deferred franchise fees	560,772	257,107
Customer deposits - convention	35,790	41,722
Brand fund liability	80,280	79,347
Income tax payable	—	24,000
<b>Total Current Liabilities</b>	<u>1,123,533</u>	<u>689,964</u>
<b>Long Term Liabilities</b>		
Deferred franchise fees, net of current	<u>2,795,050</u>	<u>1,305,784</u>
<b>Stockholder's (Deficit)</b>		
Common stock	38	38
Deficit	<u>(816,921)</u>	<u>(167,748)</u>
<b>Stockholder's (Deficit)</b>	<u>(816,883)</u>	<u>(167,710)</u>
<b>Total Liabilities and Stockholder's (Deficit)</b>	<u>\$ 3,101,700</u>	<u>\$ 1,828,038</u>

See notes to financial statements

**SPRAY-NET INC.**  
**STATEMENT OF STOCKHOLDER'S (DEFICIT)**  
**YEARS ENDING DECEMBER 31, 2022 AND 2021**

	Common Stock	Additional Paid in Capital	Retained Earnings	Total
Equity at January 1, 2021	\$ 38		\$ (115,646)	\$ (115,608)
Net (loss)			(52,102)	(52,102)
Equity at December 31, 2021	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (167,748)</u>	<u>\$ (167,710)</u>
Equity at January 1, 2022	\$ 38		\$ (167,748)	\$ (167,710)
Prior Period Adjustment			41,113	41,113
Net (loss)			(690,286)	(690,286)
Equity at December 31, 2022	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (816,921)</u>	<u>\$ (816,883)</u>

see notes to financial statements

**SPRAY-NET INC.**  
**STATEMENTS OF OPERATIONS AND STOCKHOLDER'S (DEFICIT)**

	YEARS ENDED DECEMBER 31	
	2022	2021
<b>Revenues</b>		
Franchise revenues	\$ 298,042	\$ 145,204
Training revenues	320,000	320,000
Royalties	260,661	65,928
Local and digital marketing revenues	551,057	248,781
Other	138,115	52,934
<b>Total Revenues</b>	<b>1,567,875</b>	<b>832,847</b>
<b>Operating Expenses</b>	<b>2,296,886</b>	<b>898,799</b>
<b>Net Income (Loss) Before Taxes</b>	<b>(729,011)</b>	<b>(65,952)</b>
<b>Income Tax Benefit</b>	<b>38,725</b>	<b>13,850</b>
<b>Net Income (Loss)</b>	<b>(690,286)</b>	<b>(52,102)</b>
<b>Stockholder's (Deficit) - Beginning</b>	<b>(167,748)</b>	<b>(115,646)</b>
<b>Stockholders' (Deficit) - Ending</b>	<b>\$ (858,034)</b>	<b>\$ (167,748)</b>

See notes to financial statements

**SPRAY-NET INC.**  
**STATEMENTS OF CASH FLOWS**

	YEARS ENDED DECEMBER 31	
	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (729,011)	\$ (65,952)
Amortization expense	7,411	\$ 7,411
Adjustments to reconcile net (loss) to cash provided by operating activities:		
<b>Changes in assets and liabilities</b>		
Accounts receivable	(286,853)	(184,151)
Prepaid expenses	(30,222)	(72,259)
Deferred commissions	(1,086,333)	(804,728)
Due from related parties	—	201,679
Deferred income taxes	5,470	(15,099)
Deferred tax benefit	(13,722)	(8,401)
Accounts payable and accrued expenses	44,837	71,045
Commitment and Contingencies	150,000	—
Due to related parties	(35,934)	(111,652)
Deferred franchise fees	1,792,931	1,002,656
Deferred convention revenue	(5,932)	41,722
Brand fund liability	933	79,347
Income tax payable	(24,000)	(21,800)
	<u>(210,425)</u>	<u>119,818</u>
<b>Cash Flows from Investing Activities:</b>		
Website domain purchase	—	(22,232)
<b>Cash Flows from Financing Activities:</b>		
Prior Period adjustment	(41,113)	—
<b>Net Increase in Cash</b>	<b>(251,538)</b>	<b>97,586</b>
<b>Cash - Beginning of year</b>	<b>305,228</b>	<b>207,642</b>
<b>Cash - End of year</b>	<b><u>\$ 53,690</u></b>	<b><u>\$ 305,228</u></b>

See notes to financial statements



SPRAY-NET INC.  
NOTES TO THE FINANCIAL STATEMENTS

---

**1. THE COMPANY**

Spray-Net Inc. ("the Company") is Delaware corporation that was incorporated in September 2016 to offer franchises for the right to own and operate a spray painting, staining and other coating service business, designed for the exterior of homes and other residential buildings.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

**Franchise Arrangements**-The company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Spray-Net franchise for a specified number of years.

**Concentration of Credit Risk**-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**3. REVENUE RECOGNITION**

The company adopted ASC-600 as of January 31, 2019 and reflected no changes to retained earnings as there were no franchises sold prior to the year ending December 31, 2019.

**4. DEFERRED FRANCHISE FEES**

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2022, and 2021 were \$3,355,822 and \$1,562,891, respectively. The prepaid commissions as of December 31, 2022, and 2021, were \$2,285,041 and \$1,083,228, respectively.

**SPRAY-NET INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**5. BRAND FUND**

The Company maintains a brand fund established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Advertising fees are collected from franchisees based on a percentage of franchisee gross revenues. Brand fund liability for the years ending December 31, 2022, and 2021 were \$80,280 and \$79,347, respectively.

**6. PRIOR YEAR ADJUSTMENT**

A restatement to the year ended December 31, 2020, financial statements was made to correct an understatement of prepaid commission by \$41,113. The net adjustment as of December 31, 2021, resulted in an increase of \$41,113 to shareholders' equity.

**7. RELATED PARTY TRANSACTIONS**

The Company periodically receives funds from its members or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2022 and 2021 the balances due to related parties were \$76,268 and \$112,202, respectively.

**8. TAXES ON INCOME**

The Company is a "C" corporation for income tax purposes. We account for income taxes in accordance with the relevant authoritative guidance. Deferred tax assets and liabilities are computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. There was an accrued liability for taxes payable at December 31, 2022 and 2021 of \$0 and \$24,000, respectively. As a result of ASC-600 revenue recognition rules the company had a deferred tax asset as of December 31, 2022 and 2021 of \$111,573 and \$97,851, respectively.

**9. COVID-19**

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The continuing impact on the Company's business has contributed to and may continue to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows. At this time the full impact cannot be determined.

**10. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through March 20, 2023 at which the financial statements were available to be issued.

**SPRAY-NET INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**SPRAY-NET INC.  
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**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRISON ST ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

To the Stockholders of  
Spray-Net, Inc.

**Opinion**

We have audited the financial statements of Spray-Net, Inc., which comprises the balance sheet as of December 31, 2021, and the related statement of operations, and changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Spray-Net, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the for the year 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 (GAAS). 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 Spray-Net, Inc., 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.

**Other Matter**

The financial statements for the year ending December 31, 2020, were audited by other auditors whose report dated May 17, 2021, included an unqualified opinion of those statements.

**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 Spray-Net, Inc.'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the 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 Spray-Net, Inc.'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 Spray-Net, Inc.'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.



Akiva Manne CPA  
Allentown PA  
April 27, 2022

SPRAY-NET INC.  
BALANCE SHEETS

	<u>ASSETS</u>	
	<u>DECEMBER 31</u>	
	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash	\$ 305,228	\$ 207,642
Accounts receivable	254,651	70,500
Prepaid expenses	72,259	—
Deferred commissions	120,772	33,000
Deferred income taxes	97,851	60,501
Due from related parties	—	201,679
<b>Total Current Assets</b>	<u>850,761</u>	<u>573,322</u>
Deferred Commissions, net of current	962,456	245,500
Intangibles, net	14,821	—
<b>Total non current assets</b>	<u>977,277</u>	<u>245,500</u>
<b>Total Assets</b>	<u>\$ 1,828,038</u>	<u>\$ 818,822</u>
 <b><u>LIABILITIES AND STOCKHOLDER'S (DEFICIT)</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 175,586	\$ 104,541
Due to related parties	112,202	223,854
Deferred franchise fees	257,107	108,346
Customer deposits - convention	41,722	—
Brand fund liability	79,347	—
Income tax payable	24,000	45,800
<b>Total Current Liabilities</b>	<u>689,964</u>	<u>482,541</u>
<b>Long Term Liabilities</b>		
Deferred franchise fees, net of current	<u>1,305,784</u>	<u>451,889</u>
<b>Stockholder's (Deficit)</b>		
Common stock	38	38
Deficit	<u>(167,748)</u>	<u>(115,646)</u>
<b>Stockholder's (Deficit)</b>	<u>(167,710)</u>	<u>(115,608)</u>
<b>Total Liabilities and Stockholder's (Deficit)</b>	<u>\$ 1,828,038</u>	<u>\$ 818,822</u>

See notes to financial statements

**SPRAY-NET INC.**  
**STATEMENT OF STOCKHOLDER'S (DEFICIT)**  
**YEARS ENDING DECEMBER 31, 2021 AND 2020**

	Common Stock	Additional Paid in Capital	Retained Earnings	Total
Equity at January 1, 2020	\$ 38		\$ (60,342)	\$ (60,304)
Net (loss)			(55,304)	(55,304)
Equity at December 31, 2020	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (115,646)</u>	<u>\$ (115,608)</u>
Equity at January 1, 2021	\$ 38		\$ (115,646)	(115,608)
Net (loss)			(52,102)	(52,102)
Equity at December 31, 2021	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (167,748)</u>	<u>\$ (167,710)</u>

See notes to financial statements



**SPRAY-NET INC.**  
**STATEMENTS OF OPERATIONS AND STOCKHOLDER'S (DEFICIT)**

	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Franchise revenues	\$ 145,204	\$ 75,849
Training revenues	320,000	15,000
Royalties	65,928	8,955
Local and digital marketing revenues	248,781	—
Other	52,934	1,879
<b>Total Revenues</b>	<u>832,847</u>	<u>101,683</u>
<b>Operating Expenses</b>	<u>898,799</u>	<u>171,688</u>
<b>Net Income (Loss) Before Taxes</b>	(65,952)	(70,005)
<b>Income Tax Benefit</b>	<u>13,850</u>	<u>14,701</u>
<b>Net Income (Loss)</b>	(52,102)	(55,304)
<b>Stockholder's (Deficit) - Beginning</b>	<u>(115,646)</u>	<u>(60,342)</u>
<b>Stockholders' (Deficit) - Ending</b>	<u>\$ (167,748)</u>	<u>\$ (115,646)</u>

See notes to financial statements

SPRAY-NET INC.  
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (65,952)	\$ (70,005)
Amortization expense	7,411	
Adjustments to reconcile net (loss) to cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(184,151)	(70,500)
Prepaid expenses	(72,259)	—
Deferred commissions	(804,728)	(278,500)
Due from related parties	201,679	(136,727)
Deferred income taxes	(15,099)	(60,501)
Deferred tax benefit	(8,401)	14,701
Accounts payable and accrued expenses	71,045	95,786
Due to related parties	(111,652)	78,771
Deferred franchise fees	1,002,656	533,235
Deferred convention revenue	41,722	—
Brand fund liability	79,347	—
Income tax payable	(21,800)	45,800
	<u>119,818</u>	<u>152,060</u>
<b>Cash Flows from Investing Activities:</b>		
Website domain purchase	(22,232)	—
	<u>(22,232)</u>	<u>—</u>
Net Increase in Cash	97,586	152,060
Cash - Beginning of year	207,642	55,582
Cash - End of year	<u>\$ 305,228</u>	<u>\$ 207,642</u>

See notes to financial statements

SPRAY-NET INC.  
NOTES TO THE FINANCIAL STATEMENTS

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**1. THE COMPANY**

Spray-Net Inc. ("the Company") is Delaware corporation that was incorporated in September 2016 to offer franchises for the right to own and operate a spray painting, staining and other coating service business, designed for the exterior of homes and other residential buildings.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

**Franchise Arrangements**-The company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Spray-Net franchise for a specified number of years.

**Concentration of Credit Risk**-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**3. REVENUE RECOGNITION**

The company adopted ASC-600 as of January 31, 2019 and reflected no changes to retained earnings as there were no franchises sold prior to the year ending December 31, 2019.

**4. DEFERRED FRANCHISE FEES**

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021 and 2020, were \$1,562,891 and \$560,235, respectively. The prepaid commissions as of December 31, 2021 and 2020, were \$1,083,228 and \$278,500, respectively.

**SPRAY-NET INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**5. BRAND FUND**

The Company maintains a brand fund established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Advertising fees are collected from franchisees based on a percentage of franchisee gross revenues. Brand fund liability for the years ending December 31, 2021 and 2020 were \$79,347 and \$0, respectively.

**6. RELATED PARTY TRANSACTIONS**

The Company periodically receives funds from its members or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2021, and 2020 the balance due from related parties were \$0 and \$64,952, respectively.

The Company periodically receives funds from its members or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2021 and 2020 the balances due to related parties were \$112,202 and \$223,854, respectively.

**7. TAXES ON INCOME**

The Company is a "C" corporation for income tax purposes. We account for income taxes in accordance with the relevant authoritative guidance. Deferred tax assets and liabilities are computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. There was an accrued liability for taxes payable at December 31, 2021 and 2020 of \$24,000 and \$45,800, respectively. As a result of ASC-600 revenue recognition rules the company had a deferred tax asset as of December 31, 2021 and 2020 of \$97,851 and \$60,501, respectively.

**8. COVID-19**

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The continuing impact on the Company's business has contributed to and may continue to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows. At this time the full impact cannot be determined.

**9. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through April 27, 2022 at which the financial statements were available to be issued.

**SPRAY-NET INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**SPRAY-NET INC.  
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**BARRY KNEPPER**  
**CERTIFIED PUBLIC ACCOUNTANT**  
33202 SPRUCE POND CIRCLE PLAINVIEW, NY 11803

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of  
SPRAY-NET INC.**

We have audited the accompanying financial statements of Spray-Net Inc. (the "Company"), which comprise the balance sheet as of December 31, 2020, and the related statements of income, stockholders' equity (deficit), and cash flows for the year ended December 31, 2020, and the related notes to financial statements. The financial statements for the year ending December 31, 2019 were audited by other auditors whose report dated March 31, 2020 included an unqualified opinion of those statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

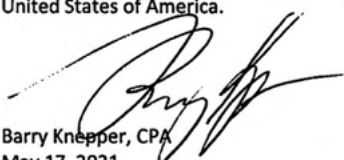
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S. ("U.S. GAAS"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spray-Net Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year than ended in accordance with accounting principles generally accepted in the United States of America.

  
Barry Knepper, CPA  
May 17, 2021

SPRAY-NET INC.  
BALANCE SHEETS

	<u>ASSETS</u>	
	DECEMBER 31	
	2020	2019
Current Assets		
Cash	\$ 207,642	\$ 55,582
Accounts receivable	70,500	—
Deferred commissions	33,000	—
Deferred income taxes	60,501	—
Due from related parties	201,679	64,952
Total Current Assets	573,322	120,534
Deferred Commissions, net of current	245,500	—
Total Assets	\$ 818,822	\$ 120,534
<u>LIABILITIES AND STOCKHOLDER'S (DEFICIT)</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 104,541	\$ 8,755
Due to related parties	223,854	145,083
Deferred revenue	108,346	3,000
Income tax payable	45,800	—
Total Current Liabilities	482,541	156,838
Long Term Liabilities		
Deferred revenue, net of current	451,889	24,000
Stockholder's (Deficit)		
Common stock	38	38
Deficit	(115,646)	(60,342)
Stockholder's (Deficit)	(115,608)	(60,304)
Total Liabilities and Stockholder's (Deficit)	\$ 818,822	\$ 120,534

See notes to financial statements



SPRAY-NET INC.  
 STATEMENT OF STOCKHOLDER'S (DEFICIT)  
 YEARS ENDING DECEMBER 31, 2020 AND 2019

	Common Stock	Additional Paid in Capital	Retained Earnings	Total
Equity at January 1, 2019	\$ 38		\$ (60,751)	\$ (60,713)
Net profit			409	409
Equity at December 31, 2019	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (60,342)</u>	<u>\$ (60,304)</u>
Equity at January 1, 2020	\$ 38		\$ (60,342)	(60,304)
Net (loss)			(55,304)	(55,304)
Equity at December 31, 2019	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (115,646)</u>	<u>\$ (115,608)</u>

see notes to financial statements

**SPRAY-NET INC.**  
**STATEMENTS OF OPERATIONS AND STOCKHOLDER'S (DEFICIT)**

	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Franchise revenues	\$ 75,849	\$ 3,000
Training revenues	15,000	30,000
Designated opening revenues	—	90,000
Royalties	8,955	—
Other	1,879	—
<b>Total Revenues</b>	<u>101,683</u>	<u>123,000</u>
<b>Operating Expenses</b>	<u>171,688</u>	<u>122,591</u>
<b>Net Income (Loss) Before Taxes</b>	(70,005)	409
<b>Deferred Tax Benefit</b>	<u>14,701</u>	—
<b>Net Income (Loss)</b>	<u>\$ (55,304)</u>	<u>\$ 409</u>

See notes to financial statements

**SPRAY-NET INC.  
STATEMENTS OF CASH FLOWS**

	YEARS ENDED DECEMBER 31	
	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (70,005)	\$ 409
Adjustments to reconcile net (loss) to cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(70,500)	—
Deferred commissions	(278,500)	—
Due from related parties	(136,727)	—
Deferred income taxes	(60,501)	—
Deferred tax benefit	14,701	—
Accounts payable and accrued expenses	95,786	8,228
Due to related parties	78,771	19,945
Deferred revenue	533,235	27,000
Income tax payable	45,800	—
	<u>152,060</u>	<u>55,582</u>
<b>Net Increase in Cash</b>	<b>152,060</b>	<b>55,582</b>
<b>Cash - Beginning of year</b>	<b>55,582</b>	<b>—</b>
<b>Cash - End of year</b>	<b><u>\$ 207,642</u></b>	<b><u>\$ 55,582</u></b>

See notes to financial statements

SPRAY-NET INC.  
NOTES TO THE FINANCIAL STATEMENTS

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**1. THE COMPANY**

Spray-Net Inc. (“the Company”) is Delaware corporation that was incorporated in September 2016 to offer franchises for the right to own and operate a spray painting, staining and other coating service business, designed for the exterior of homes and other residential buildings.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

**Franchise Arrangements**-The company's franchise agreements generally include a license which provides for payments of initial fees as well as continuing royalties to the company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Spray-Net franchise for a specified number of years.

**Concentration of Credit Risk**-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**3. REVENUE RECOGNITION**

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”, that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing and uncertainty of the revenue recorded.

The new standard changed how the Company records initial franchise fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

**SPRAY-NET INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The new standard requires that the franchise fee received from customers be allocated to each separate and distinct performance obligation. The following services (“distinct performance obligations”) are typically provided by the Company prior to the opening of a franchise location.

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiations
- Training of the franchisee’s personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee’s records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee’s business; and
- Inspection, testing, and other quality control programs.

The transaction price attributable to each separate and distinct performance obligation would then be recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise agreement.

The company adopted ASC-600 as of January 31, 2019 and reflected no changes to retained earnings as there were no franchises sold prior to the year ending December 31, 2019.

**4. DEFERRED FRANCHISE FEES**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2020 and 2019, were \$560,235 and \$27,000, respectively. The prepaid commissions as of December 31, 2020 and 2019, were \$278,500 and \$0, respectively.

**5. RELATED PARTY TRANSACTIONS**

The Company periodically receives funds from its members or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2020, and 2019 the balance due from related parties were \$201,679 and \$64,952, respectively.

The Company periodically receives funds from its members or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2020 and 2019 the balances due to related parties were \$223,854 and \$145,083, respectively.

**6. TAXES ON INCOME**

The Company is a “C” corporation for income tax purposes. There was an accrued liability for taxes payable at December 31, 2020 and 2019 of \$45,800 and \$0, respectively. As a result of ASC-600 revenue recognition rules the company had a deferred tax asset as of December 31, 2020 and 2019 of \$60,501 and \$0, respectively.

**SPRAY-NET INC.  
NOTES TO THE FINANCIAL STATEMENTS**

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**7. COVID-19**

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The continuing impact on the Company's business has contributed to and may continue to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows. At this time the full impact cannot be determined.

**8. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through May 17, 2021 at which the financial statements were available to be issued.

**EXHIBIT D  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS**

## LIST OF STATE ADMINISTRATORS

California Department of Financial Protection and  
Innovation  
TOLL FREE 1-(866) 275-2677

### LA Office

320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7500

### Sacramento Office

2101 Arena Boulevard  
Sacramento, CA 95834  
(866) 275-2677

### San Francisco Office

One Sansome St., #600  
San Francisco, CA 94104  
(415) 972-8559

Florida Department of Agricultural  
and Consumer Services  
Division of Consumer Services  
Mayo Building, Second Floor  
Tallahassee, Florida 32399-0800  
(904) 922-2770

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217) 782-4465

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-11  
Indianapolis, IN 46204  
(317) 232-6681

Kentucky Office of the Attorney General Consumer  
Protection Division  
P.O. Box 2000  
Frankford, KY 40602  
(502) 573-2200

Maryland Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202  
(410) 576-6360

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

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101-2198  
(651) 539-1600

Nebraska Department of Banking and Finance  
1200 North Street, Suite 311  
P.O. Box 95006  
Lincoln, NE 68509-5006  
(402) 471-3445

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8222

North Dakota Securities Department  
State Capital, 5<sup>th</sup> Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510  
(701) 328-291



Oregon Department of Consumer  
and Business Services  
Division of Finance and Corporate  
Securities labor and Industries  
350 Winter Street, NE, Room 410  
Salem, OR 97310-3881  
(503) 378-4140

Director, Department of Business Regulations  
Rhode Island Division Of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903-4232

South Dakota Division of Insurance  
Securities Regulation  
125 S. Euclid Suite 104  
Pierre, SD 57501  
(605) 773-3563

Statutory Document Section  
Texas Secretary of State  
P.O. Box 12887  
Austin, TX 78711  
(512) 475-1769

State of Utah  
Division of Consumer Protection  
P.O. Box 45804  
Salt Lake City, Utah 84145-0804  
(801) 530-6601

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219  
(804) 371-9051

State of Washington  
Director, Department of Financial Institutions  
Securities Division  
150 Israel Road, SW  
Olympia, WA 98501  
(360) 902-8760

Wisconsin Commissioner of Securities  
345 W Washington Ave., 4<sup>th</sup> Floor  
Madison, WI 53703  
(608) 266-8550

**EXHIBIT E  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

**AGENTS FOR SERVICE OF PROCESS**

Attn: Mr. Patrick Simpson  
1490 De Coulomb  
Boucherville, Québec  
Canada J4B 7M2

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California Department of Financial Protection and  
Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013-2344

Commissioner of Corporations of the Department of  
Financial Protection and Innovation  
One Sansome St., #600  
San Francisco, California 94104  
(415) 972-8559

Commissioner of Corporations of the Department of  
Financial Protection and Innovation  
2101 Arena Boulevard  
Sacramento, CA 95834

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

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

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

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

Michigan Department of Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
P.O. Box 30054, 6546 Mercantile Way  
Lansing, MI 48909

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

New York Secretary of State  
99 Washington Avenue  
Albany, NY 12231  
(518) 473 2492

North Dakota Securities Commissioner  
State Capitol – 5<sup>th</sup> Floor  
600 E. Boulevard Avenue  
Bismarck, ND 58505

Director, Department of business Regulation  
Division of Securities  
Suite 232  
233 Richmond Street  
Providence, RI 02903-4232

South Dakota Director of the Division of Insurance  
124 S Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

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

Director, Department of Financial Institutions  
Securities Division  
150 Israel Road, Southwest  
Olympia, WA 98501

Wisconsin Commissioner of Securities  
345 West Washington Avenue, 4<sup>th</sup> Floor  
Madison, WI 53703  
(608) 261-9555

**EXHIBIT F  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDA**

**SPRAY-NET INC.**  
**CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

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

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement grants us the option to submit disputes to mediation. The mediation will occur in New Castle, Delaware with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

**SPRAY-NET INC.**  
**HAWAII ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

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

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

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_

2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_

3. No states have refused, by order or otherwise to register these franchises.

4. No states have revoked or suspended the right to offer these franchises.

The proposed registration of these franchises has not been withdrawn in any state.

**SPRAY-NET INC.**  
**ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

To the extent the Illinois Franchise Disclosure Act, III. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the agreements between the parties to this franchise.

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

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

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

The following is a revision to Item 5 of the Disclosure Document:

Due to our financial condition, the Illinois Attorney General's Office requires that the payment of initial fees be deferred until franchisor has satisfied its pre-opening obligations to franchisee and the franchise is open for business.

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



**SPRAY-NET INC.**  
**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT**

The following are revisions to the Franchise Agreement:

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.
2. **Governing Law and Jurisdiction.** Notwithstanding any provision of this Agreement to the contrary, this Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.
3. **Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.
4. **Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim under the provisions of Title 9 of the United States Code. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. **Deferral.** Due to our financial condition, the Illinois Attorney General’s Office requires that the payment of initial fees be deferred until franchisor has satisfied its pre-opening obligations to franchisee and the franchise is open for business.
6. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

**FRANCHISOR**

**FRANCHISEE**

**SPRAY-NET INC.**

\_\_\_\_\_

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

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

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

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

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

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

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

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

**SPRAY-NET INC.**  
**MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

The following is added to Item 17:

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

You may bring an action under such law within three years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

**SPRAY-NET INC.**  
**MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

Under COMAR 02-02-08-16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.

Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

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.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**FRANCHISOR**

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

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

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

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

**FRANCHISEE**

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

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

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

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

**SPRAY-NET INC.**  
**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(j) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring 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 (1) any of the franchisee's rights as provided for in Minnesota Statute 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases) that (1) a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement, and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.14 Subd. 1(G). We will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits us from requiring a franchisee to assent to a general release.

The franchisee cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rule 2860.4400(I) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17Subd.5.

**SPRAY-NET INC.**  
**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

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 2860.4400(D).

Section 7(M) of the Franchise Agreement is hereby amended by the addition of the following language:

- M. Franchisor agrees to indemnify Franchisee from and against any losses, liabilities and damages for which Franchisee is held by a court of competent jurisdiction in any proceeding arising solely out of Franchisee’s use of the mark “SPRAY-NET” and all other trademarks, service marks and associated marks and symbols utilized by Franchisee under this Agreement, provided such use is in accordance with and under the provisions of this Agreement.

Section 15 of the Franchise Agreement is hereby modified to add the following language:

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 State Section 80C.14 Subd. 3-5, which require, except in certain specified cases, that 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 of the Franchise Agreement is hereby modified by adding the following language:

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.

Nothing in the Franchise Agreement is intended to abrogate or reduce any rights of the Franchisee as provided for Minnesota Statutes, Chapter 80C.

The Franchise Agreement is hereby amended to state that the franchisee cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rule 2860.4400(I).

**FRANCHISOR**

**FRANCHISEE**

**SPRAY-NET INC.**

\_\_\_\_\_

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

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

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

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

**SPRAY-NET INC.**  
**NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT NOTICE TO  
PROSPECTIVE FRANCHISEES IN 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 D 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 THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 the "Summary" section 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 Section 687.4 and 687.5 be satisfied.

4. 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.

5. The following is added to the end of the “Summary” section of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of Law**”:

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

**SPRAY-NET INC.**  
**NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF NEW YORK ARE HEREBY AMENDED AS FOLLOWS:**

The foregoing 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.

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

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**FRANCHISOR**

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

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

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

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

**FRANCHISEE**

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

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

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

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



**SPRAY-NET INC.**  
**NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENT**

In the State of North Dakota only, this Disclosure Document and the Franchise Agreement are amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

**FRANCHISOR**

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

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

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

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

**FRANCHISEE**

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

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

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

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

**SPRAY-NET INC.**  
**VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document and Franchise Agreement for **Spray-Net, Inc.** for use in the Commonwealth of Virginia shall be amended as follows:

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

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

Additional Disclosure: The following statement is added to Item 5:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

**FRANCHISOR**

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

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

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

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

**FRANCHISEE**

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

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

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

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT, AND RELATED AGREEMENTS**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

*[Signatures on the following page]*

The undersigned does hereby acknowledge receipt of this addendum.

**FRANCHISOR**

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

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

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

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

**FRANCHISEE**

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

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

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

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

**FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM**

Notwithstanding Section 22 of the Franchise Agreement, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement or Option Agreement. In the event of any conflict between the Franchise/Option 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:** \_\_\_\_\_

**SPRAY-NET INC.**

By: \_\_\_\_\_  
Patrick Simpson, Chief Operating Officer

**FRANCHISEE (IF AN INDIVIDUAL)**

\_\_\_\_\_  
(Signature Above)

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

**OR (IF FRANCHISEE IS A BUSINESS ENTITY)**

\_\_\_\_\_  
**NAME OF FRANCHISEE ENTITY**

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

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

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

**EXHIBIT G  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2022**

<u>State</u>	<u>Name</u>	<u>Address</u>	<u>City</u>	<u>Zip</u>	<u>Phone Number</u>	<u>Number of Territories</u>
AL	Stacey Fontenot	5259 Lakeside Terrace	Trussville	35173	(205) 852-0148	1
AR	Mellanie Joy	3370 N. Hayden Road, Suite 123237	Scottsdale	85251	509-951-6960	1
CO	Matthew Gibb	6727 Sea Oats Drive	Parker	80138	719-310-5629	1
FL	Michael Provenza	7519 Birds Eye Terrace	Bradenton	34203	(941) 248-7417	1
FL	Charles Fiumefreddo	163 Medio Drive	St. Augustine	32095	908-451-3123	1
FL	Ryan Anschuetz	11255 Marina Bay Road	Wellington	33449	561-714-5702	1
FL	James Thompson	12931 NE 38th Place	Williston	32696	904-248-1881	1
GA	Haley Stanford	4938 Cedar Lake Terrace	Douglasville	30135	(702) 686-9299	1
IN	Rodney Kuhl	12249 Cultured Stone Drive	Fishers	46037	(317) 408-4631	1
IN	Nolan Karowski	802 E Minnesota St.	Indianapolis	46203	(317) 502-8725	1
KS	Kurt Allen Schamberger	5150 Mansfield Lane	Shawnee	66203	913-444-0863	1
NJ	Kyle Johnson	3209 Simpson Avenue	Ocean City	08226	(609) 364-8056	1
NJ	Andres Sanchez Brayden Provan	870 Van Emburgh Ave	Washington Township	07676	201-274-3509	1
NC	John McKeown	537 Georgetown Drive NW	Concord	28027	(828) 989-8547	2
OH	Tony Lombardi	407 E. Whittier Street	Columbus	43206	(614) 648-9893	2
SC	Ryan Martel	1522 Hagood Ave	Columbia	29205	(843) 513-9393	1
TN	Josh Adams	1316 Heather Place	Murfreesboro	37128	(615) 686-0998	1
TX	Joe Foster	2300 Enfield Road, #303	Austin	78703	650-704-6592	1
TX	Carlo Boccia	3405 Crystal Hill Drive	Cedar Park	78613	914-497-7469	1

TX	Escobedo Munoz Jose Luis	6268 Wildwood Court	El Paso	79912	915-309-2258	1
TX	Jeffrey de Puzo William Wise	1801 Lakefront Drive	Prosper	75078	909-762-8705	3
TX	Yves Kouame Amani Jolene Kira	2950 E Old Settlers Blvd #111	Round Rock	78665	404-840-1142	1
TX	Gregory Patuela	6 Glen Canyon	San Antonio	78258	210-502-9311	1
TX	Amir Chowdhry Areli Pastrani	25219 Evergreen Bend Drive	Spring	77389	(281) 686-2936	2
TX	Steve Forsythe	604 Joshua Road	Lantana	76226	(773) 469-8033	1
TX	Kyler Gregory Dillon Heiman	4802 Carolina Circle	McKinney	75071	806-683-9021	1
WI	Dale Tomalin	6706 Colony Drive	Madison	53717	(608) 469-1764	1

**LIST OF FRANCHISEES THAT SIGNED FRANCHISE AGREEMENT BUT HAVE NOT  
OPENED AS OF DECEMBER 31, 2022**

<b><u>State</u></b>	<b><u>Name</u></b>	<b><u>Phone Number</u></b>	<b><u>Number of Territories</u></b>
FL	Daniel Benjamin	(813) 431-8939	1
FL	Paul & Yudelkis Gitman	305-968-8944	1
GA	Tracy & Shanna Bracken	770-490-6685	1
IL	Oluwole Adegbulugbe	312-731-5306	1
OH	Jaideep Balekar	513-376-3884	1
OK	Jimbo Taylor	(405) 205-0606	1
KY	Christopher Gordon	859-533-2915	1
TN	Alfonso Cruz	865-466-6428	1
TX	Darren Burks Karen Burks	(281) 839-6017	1
UT	Trevor Walston	405-833-7005	1

**EXHIBIT H  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES THAT LEFT OUR SYSTEM IN THE PAST FISCAL YEAR  
ENDING DECEMBER 31, 2022, OR THAT HAVE FAILED TO COMMUNICATE WITH US IN  
THE PAST 10 WEEKS**

<b><u>State</u></b>	<b><u>Name</u></b>	<b><u>Phone Number</u></b>
GA	Ken Brock	(770) 820-3716
GA	Haley Stanford Devin Tolbert	702-686-9299
MI	Zoltan Oszi	724-531-5318
OH	Leonard Lombardi	614-648-9893
TX	Oscar German	(832) 330-1615
TX	Purvi Ruiz	(713) 249-3353
TX	Larry Rice	281-615-3582



**EXHIBIT I  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE RELEASE AGREEMENT**

**SAMPLE FORM OF GENERAL RELEASE**

This General Release (“Release”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between Spray-Net Inc. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

**WITNESSETH:**

**WHEREAS**, Franchisor and Franchisee are parties to a franchise agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_, granting Franchisee the right to operate a Spray-Net business under Franchisor’s proprietary marks and system 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 “Releasers”), 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 Releasers. The Releasers, 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. Releasers 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 Releasers 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 Releasers 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. Releasers 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 Effective Date.

**FRANCHISOR**

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

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

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

**FRANCHISEE**

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

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

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

**EXHIBIT J  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws if an effective date is noted below for the state:

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	June 22, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT K  
TO  
SPRAY-NET INC.  
FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**

## RECEIPT (OUR COPY)

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 Spray-Net Inc. offers you a franchise, it must provide this disclosure document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon, and Wisconsin require that we give you this disclosure document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.**

If Spray-Net Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and your State Administrator listed in Exhibit D to this Franchise Disclosure Document. A list of franchisor's agents registered to receive service of process is listed in Exhibit F.

Issuance Date: April 21, 2023

I have received a Franchise Disclosure Document with an Issuance Date of April 21, 2023, which contained the following Exhibits:

- |  |                               |
|--|-------------------------------|
| A: Franchise Agreement                   | F: State Specific Addenda     |
| B: Operations Manual Table of Contents   | G: List of Franchises         |
| C: Financial Statements                  | H: List of Former Franchisees |
| D: List of State Administrators          | I: Sample Release Agreement   |
| E: List of Agents for Service of Process | J: State Effective Dates      |
|  | K: Receipts                   |

The name, principal business address and telephone number of each franchise seller offering the franchise: Patrick Simpson and Carmelo Marsala, 1490 De Coulomb, Boucherville, Quebec, Canada J4B 7M2; Bobby Brennan and Ben Rickford, 14301 First National Parkway, Suite 312, Omaha, NE 68154.

If an individual:

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

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

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

Telephone Number: \_\_\_\_\_

If a Partnership, Corporation or Limited Liability Corporation:

Name of Entity: \_\_\_\_\_

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

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

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

## RECEIPT (YOUR COPY)

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 Spray-Net Inc. offers you a franchise, it must provide this disclosure document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon, and Wisconsin require that we give you this disclosure document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.**

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If an individual:

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

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

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

Telephone Number: \_\_\_\_\_

If a Partnership, Corporation or Limited Liability Corporation:

Name of Entity: \_\_\_\_\_

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

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

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