

## FRANCHISE DISCLOSURE DOCUMENT



Daisyco, Inc.  
A Delaware corporation  
1117 Baker Street, #A  
Costa Mesa, CA 92626  
(909) 979-1830  
info@daisyco.com  
www.daisyco.com

The franchise offered is for the establishment and operation of a business that provides residential and commercial technology installation and ongoing maintenance solutions.

The total investment necessary to begin operation of a Daisy franchise is \$116,700 to \$308,500. This includes \$25,000 to \$50,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Hagan Kappler at 1117 Baker Street, #A, Costa Mesa, CA 92626 and (909) 979-1830.

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

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

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

**Issuance Date:** January 11, 2024 as amended on March 1, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
<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 B 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 Daisy 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 franchisor 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 Daisy franchisee?</b>	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Delaware than in your own state.

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.

**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

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

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 the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its terms 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 five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six 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 or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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

To simplify the language in this Franchise Disclosure Document, “Daisyco, Inc.,” “we,” “us,” and “our” means Daisyco, Inc., the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, that enters into a franchise agreement with Daisyco, Inc.

### ***The Franchisor***

Daisyco, Inc. is a corporation formed in the State of Delaware on June 6, 2023. Our principal place of business is 1117 Baker Street, #A, Costa Mesa, CA 92626. We do business under our corporate name and the name “Daisy”.

### ***Our Agent for Service of Process***

Our agents for service of process are listed in Exhibit A to this Disclosure Document. For the State of Delaware, our Agent for Service of Process is: A Best Registered Agent LLC, 8 The Green, Suite E, Dover, DE 19901

### ***Our Parents, Predecessors and Affiliates***

We do not have a parent or predecessor. We do not have any affiliates that provide products or services to franchisees. We do not operate a Daisy business directly.

### ***Our Business & the Franchise Offered***

We grant franchises to qualified individuals and business entities to establish and operate a business that will provide local residential and commercial technology solutions with the option to also provide residential and commercial technology and ongoing maintenance solutions within your territory under the name “Daisy” and certain other trademarks, service marks, trade names, and logos we designate from time to time (collectively referred to as the “Marks”). We refer to the Daisy business you will operate as the “Franchised Business”, “Daisy Business” or simply your “Business.” We began offering franchises in January 2024. We do not offer and have not previously offered franchises in any other line of business.

In addition to our standard franchise offering, we offer a conversion program for established technology solutions integrator businesses that wish to join the Daisy franchise system and that meet our financial and experience criteria (“Conversion Franchisees”). Through the conversion program, qualified existing technology solutions integrator businesses (“Existing Businesses”) can convert to a Daisy Franchised Business once all of the conversion program conditions have been met and after successfully completing our initial training program. In consideration of the franchise, we offer Conversion Franchisees discounted initial franchise fees based on the Existing Business’ established gross volume. A copy of the Conversion Addendum is attached as Attachment E to the franchise agreement.

### ***The Market and Competition***

The target market for your Franchised Business primarily consists of residential property owners and light commercial business owners, lessees, and managers who are seeking commercial and residential property technology installation and ongoing maintenance solutions. While established since at least the 1980s, the



technology solutions industry continues to change as technology evolves. You will compete with other entities, including national, regional, and local businesses, offering services similar to those offered by your Franchised Business. There are other commercial and residential property technology franchises, as well as independent businesses throughout the United States, that may offer similar products and services. The demand for the products and services offered by your Franchised Business are also affected by changes in consumer tastes, demographics, technology trends and economic conditions, and may be affected by seasonal demands during peak periods.

### ***Industry-Specific Regulations***

Some states have licensing, certification, or registration requirements applicable to some or all of the services you and your employees will be providing through your Franchised Business. You may be required to pay a fee to the state agency or association responsible for enforcing these requirements. Some states may require a minimum level of education or related work experience to obtain licenses.

You should investigate whether there are other regulations and requirements that may apply in the geographic area in which you are interested in locating a Daisy Business, and you should consider both their effect and the cost of compliance. Laws and regulations vary widely from place to place. You should consult an advisor in your area to determine all applicable laws and regulations. You must obtain all necessary permits, licenses, and operational licenses. The franchise agreement requires that you be responsible for complying with these laws and obtain these licenses.

## **ITEM 2: BUSINESS EXPERIENCE**

### **CEO: Hagan Kappler**

Ms. Kappler has served as our CEO since our inception in June 2023. From January 2023 to June 2023, Ms. Kappler was an independent advisor for brands nationwide. From July 2021 to January 2023, Ms. Kappler served as the CEO of Threshold Brands in Boston, MA. From April 2018 to January 2021, Ms. Kappler served as the President of ServiceMaster Brands in Memphis, TN.

### **Chief Growth Officer: Douglas Persson**

Mr. Persson has served as our Chief Growth Officer since our inception in June 2023. From November 2022 to June 2023, Mr. Persson served on the Board of Directors of three private equity-backed companies, including serving as Interim CEO of Premier Roofing from January 2023 to June 2023. From October 2017 to October 2022, Mr. Persson served as the Senior Vice President of Strategy and Business Development with Terminix in Memphis, TN.

### **Senior Vice President of Sales and Solutions: Steve Stary**

Mr. Stary has served as our Senior Vice President of Sales and Solutions since January 2024. Concurrently, Mr. Stary has served as the Vice President of Sales for Brilliant AV in Costa Mesa, CA since May 2014.

### **Senior Director of Franchise Development: Kirk Allen**

Mr. Allen has served as our Senior Director of Franchise Development since January 2024. From March 2012 to January 2024 Mr. Allen served as the Senior Director of Development with AlphaGraphics in Lakewood, CO.

### **Chief Marketing Officer: Mai Pham**

Ms. Pham has served as our Chief Marketing Officer since December 2023. From July 2020 to December 2023 Ms. Pham worked with Crumbl Enterprises in Lehi, UT and Chicago, IL as the Director of Digital, PR, Partnerships, the Vice President of Marketing and the Executive Vice President of Growth. From June 2018

to July 2020, Ms. Pham served as an Account Manager and Partner Manager with Meta in Austin, TX and Chicago, IL.

**Chief Operations Officer: Brian Wiersma**

Mr. Wiersma has served as our Chief Operations Officer since October 2023. From July 2022 to October 2023, Mr. Wiersma was the Chief Operating Officer of Farmwave in Dahlonega, GA. From July 2019 to July 2022, Mr. Wiersma served as the Senior Director of Operations for ServiceMaster Brands in Memphis, TN. From September 2018 to July 2019, Mr. Wiersma served as a Director of Client Services for Robert Half in Memphis, TN.

**Chief Sales Officer: Shiv Krishnan**

Mr. Krishnan has served as our Chief Sales Officer since November 2023. From April 2022 to November 2023, Mr. Krishnan served as Chief of Staff for ServiceMaster Brands in San Francisco, CA. From June 2021 to April 2022, Mr. Krishnan served as a Senior Associate of Strategy and Corporate Development with Rivian Automotive in San Francisco, CA. From August 2018 to June 2021, Mr. Krishnan served as a Manager with ServiceMaster Brands in Memphis, TN.

**Senior Vice President, Franchise Development and People: Rebecca Hochreiter**

Ms. Hochreiter has served as our Senior Vice President, Franchise Development and People since December 2023. From May 2023 to December 2023, Ms. Hochreiter served as a Consultant and Advisor for RSH Consulting in Weehawken, NJ. From May 2020 to April 2023, Ms. Hochreiter was the Chief Marketing Officer for GoStork in New Haven, CT. From November 2019 to May 2020, Ms. Hochreiter served as the Vice President of Marketing for Skift in New York, NY. From January 2017 to August 2019, Ms. Hochreiter served as the Vice President of Marketing & People for Paintzen in New York, NY.

**ITEM 3: LITIGATION**

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

The initial franchise fee (“Initial Franchise Fee”) for a single Daisy Business is \$50,000. The Initial Franchise Fee is payable in one lump-sum upon signing your franchise agreement. The Initial Franchise Fee is uniform and nonrefundable.

Conversion Franchise Fee

We offer Conversion Franchisees a discounted Initial Franchise Fee of \$25,000 (the “Conversion Franchise Fee”). The Conversion Franchise Fee is payable in one lump-sum upon signing your franchise agreement. The Conversion Franchise Fee is uniform and nonrefundable.

## ITEM 6: OTHER FEES

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Support Services Fee	10% of your Gross Sales	Remitted by EFT draft on or before the 15 <sup>th</sup> day of each month for the previous month.	This amount is due on all Gross Sales for services provided by you.
Experience Center Usage Fee	Currently, not assessed	Remitted by EFT draft on or before the 5 <sup>th</sup> day of each month for the previous month.	If we establish an Experience Center in or near your Territory, we reserve the right to require that you utilize the Experience Center and pay us the then-current Experience Center Usage Fee, subject to a 30-day written notice.
Local Advertising	3% of your Gross Sales to be spent within the Territory plus 3% of your Gross Sales to be held by us pending proof of your expenditures.	Monthly	You must provide us with a monthly accounting of these expenditures which must meet our standards and specifications and amounts paid will be promptly refunded to you upon approval, up to the amounts paid to us for Local Advertising.
Local and Regional Advertising Cooperatives	Established by cooperative members	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. Any amounts that you contribute to a cooperative will count towards your local advertising requirement. Item 11 contains more information about advertising cooperatives.
National Account Management Fee	5% of Gross Sales from national accounts	Monthly as incurred	Payable if you participate in our National Accounts Program. National Accounts invoicing is carried out centrally, and we remit customer payments to you National Account Management Fees.

<b>Name of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Transfer Fee	The greater of (a) \$25,000 or (b) 5% of the sales price	Upon transfer	No fee is due for transfers to an entity formed by you for the convenience of ownership.
Additional/Refresher Training	Currently, \$2,500 per person.	As incurred prior to additional training	The fee for Additional or Refresher training is paid to us.
Non-Compliance Fee	Up to \$5,000 per event of non-compliance	On demand	Each event of non-compliance may constitute a default under the franchise agreement, subject to the specific terms and conditions outlined in the franchise agreement. Depending on the event of non-compliance, we may exercise any rights we have under the franchise agreement, including termination in addition to the non-compliance fee.
Franchise Meetings Fee	Currently not assessed	On demand	If we host a franchise meeting, you may be required to pay our then-current attendance fee.
Renewal Fee	\$25,000	Due upon signing the renewal franchise agreement	Due upon signing the renewal franchise agreement
Audit	Cost of audit, but not less than \$500, plus interest equal to the lesser of 1.5% per month or the highest rate allowed by law and our expenses	15 days after billing	If an audit reveals a deficiency, you must pay the amount owed plus interest. If the audit reveals an understatement of Gross Sales by 2% or more, you must pay the amount owed plus applicable late fees with interest, and you must reimburse us for the cost of the audit, and our expenses including travel, lodging, wage expenses and reasonable accounting and legal costs.

<b>Name of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Late Fee	\$100 per occurrence plus interest at the lesser of 18% per month or the highest interest rate permitted by law	Upon demand	Payable on all overdue amounts owed to us
Indemnification	All damages and costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Business.
Insurance	Reimbursement of our costs plus a \$500 administrative fee	On demand	We may (but are not required to) obtain insurance coverage for your Daisy Business if you do not do so.
Supplier Review Fee	Our costs and expenses, or \$5,000, whichever is greater	Upon request	Supplier Review Fees are paid to us.

Notes:

1. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer ("EFT") or other similar means. You are required to complete the EFT authorization, as per the form attached to this Franchise Disclosure Document in Exhibit G-4. We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the franchise agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the franchise agreement.
2. "Gross Sales" means the total of all monies and receipts you derive in connection with the Business, and from all other business using the Marks, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property or services, including all proceeds received from any business interruption insurance policy (including actual deposits in your bank accounts as well as undeposited cash receipts). Gross Sales also include all commissions, finder's fees, referral fees, construction management fees or other compensation you receive arising from the operations of the Business as well as any amounts billed by you on behalf of the Business that remain unpaid after 90-days. Gross Sales does not include (i) promotional allowances or rebates paid to Franchisee in connection with its purchase of products or supplies; (ii) sales, use, merchants' or other taxes measured on the basis of the gross sales of the Business imposed by governmental authorities directly on sales or use and collected from customers, if the taxes are added to the selling price of your goods and services and are in fact paid by you to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by us, or any bona fide discounts or customer refunds approved by us.

3. Local and Regional Advertising Cooperatives. If a local or regional advertising cooperative is established, contribution amounts will be established by the cooperative members, subject to our approval. We anticipate that each Daisy franchisee and each Daisy Business that we own will have one vote for each Daisy Business operated in the designated market. Each Daisy Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees and will have one vote for each subject being voted on, including fee amounts to be paid by cooperative members. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. As of the issuance date of this Disclosure Document, no local or regional advertising cooperatives have been established.

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**ITEM 7: ESTIMATED INITIAL INVESTMENT**

<b>YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup></b>				
<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>2</sup>	\$25,000 - \$50,000	Lump Sum	Upon Signing	Us
Utilities	\$2,500 - \$5,000	As arranged	As incurred	Utility Companies
Equipment <sup>3</sup>	\$10,000	As arranged	As incurred	Vendors
Leasehold Improvements	\$10,000 - \$20,000	As arranged	As incurred	Vendors
Computer System	\$2,500-\$5,000	As arranged	As incurred	Vendors
Rent (3 months) <sup>4</sup>	\$7,500 - \$15,000	As arranged	As incurred	Landlord
Grand Opening Advertising	\$15,000 - \$25,000	In accordance with your initial marketing plan approved by us	Prior to commencing operations	Vendors
Uniforms	\$1,500 - \$2,000	As arranged	As incurred	Vendors
Insurance	\$1,200 - \$3,000	As arranged	Varies	Insurance Company
Vehicle <sup>5</sup>	\$18,000 - \$25,000 (Financed)  \$86,000 - \$108,000 (Purchased)	As arranged	As incurred	Vendors
Permits and Licenses	\$500 - \$1,500	As incurred	Prior to commencing operations	Government Authorities
Professional Fees <sup>6</sup>	\$2,000 - \$4,000	As incurred	As Necessary	Third Parties
Travel and Living Expenses While Training	\$6,000 - \$10,000	As incurred	As arranged	Airline, Hotel, Restaurants
Additional Funds – 12 months <sup>7</sup>	\$15,000 - \$50,000	As incurred	As Necessary	You Determine
TOTAL (financed) <sup>8</sup>	\$116,700 - \$225,500			
TOTAL (purchased) <sup>8</sup>	\$184,700 - \$308,500			

Notes:

1. These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Daisy Franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and nonrefundable under any circumstances once paid. All expenses payable to third parties are nonrefundable, unless otherwise specified in the individual agreements between you and the third party or as you may arrange for utility deposits and other payments.
2. Initial Franchise Fee. The Initial Franchise Fee is described in greater detail in Item 5 of this Disclosure Document. All expenditures are non-refundable unless specifically noted otherwise.
3. Equipment. In order to begin operations, you will need to purchase equipment from our approved vendors. The equipment necessary to begin operations includes tools and toolkits, wiring, outlets and inventory common in installations.
4. Rent. Your Daisy location will be between 1,000 and 2,500 square feet. The amount of your monthly rent will depend on the site's size, condition, and location, your ability to negotiate with the landlord, and the demand for the site among prospective lessees. Your proposed site must be approved by us, which will be subject to our reasonable discretion. Our estimates assume that you will be leasing space. If you choose to purchase real property and construct a building for your Daisy Business, we cannot estimate how your initial investment would increase. If you choose to purchase real property and construct a building, we cannot estimate how your initial investment would increase. You may elect to build an experience center, or use a Daisy-provided experience center, which may require additional expenses beyond those listed above.
5. Vehicle. You will be required to own at startup 2 vehicles of a type equivalent to a Chevy Silverado. These vehicles will be used to carry the equipment and provide services to customers in your market. The vehicles must be in excellent or better condition, clean, dent-free, wrapped according to our then-current standards and otherwise presenting a professional appearance. You may bring your own vehicles, purchase, or lease them. If you lease or finance the trucks, we estimate that you will be required to pay approximately 10% down and should be able to finance the balance of the truck over a four to six-year period with monthly payments of between \$600 to \$1,100 per vehicle. Your monthly payments will vary depending on cost of the truck, the time period of financing, and interest rates. In addition, once you purchase the truck, it will cost \$3000 - \$4000 per vehicle to paint and install required signage on each vehicle. The financed estimate assumes the cost for down payment of the 2 vehicles, monthly payments for a period of 3 months and cost to paint and wrap 2 vehicles. The purchased estimate assumes the cost for purchase of 2 vehicles and cost to paint and wrap 2 vehicles.
6. Professional Fees. We recommend that you have a minimum amount of money available to cover any legal or accounting fees that you may incur in establishing the Business. Your actual costs may vary based on the complexity of services needed.
7. Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including employees' salaries, for the first twelve months that the Business is open and the portion of the Grand Opening Advertising to be spent after opening. This estimate does not include a salary for you or the Designated Manager.



8. Total. In compiling this chart, we relied on our affiliate's experience operating businesses similar to the one offered in this Disclosure Document. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

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

You must operate your Business according to our System, which includes, but not limited to, using only certain products and services that we require or products and services that meet our specifications. In some cases, we require that you purchase those products and services only from specific vendors and suppliers, which may include us or one of our affiliates. We reserve the right to revise or update the lists of mandatory and approved products and services, required vendors and suppliers, and standards and specifications from time to time, and will provide you with reasonable notice of such changes.

It is estimated that required purchases will constitute approximately 75% to 100% of your purchases of goods and services in establishing your Business and 75% to 100% of your purchases of goods and services in operating your Business. However, these percentages may vary depending on the specific needs and circumstances of each franchise. If you are a Conversion Franchisee then we estimate that required purchases will be approximately 50% to 100% of your purchases of goods and services in operating your Business.

Except as indicated below, you are not required to purchase or lease products or services from us, from suppliers approved by us, or in accordance with our standards and specifications, unless explicitly required by us.

### ***Insurance***

You must obtain the following insurance policies and minimum coverage amounts: (i) commercial general liability insurance and product liability insurance coverage against bodily and personal injury, death, and property damage of at least \$1,000,000 per occurrence and \$2,000,000 aggregate; (ii) worker's compensation or other employer liability insurance that at least meets the minimum coverage available in the state where your Business is located; (iii) automobile liability coverage, including coverage of owned, non-owned and hired vehicles of at least \$1,000,000 per occurrence; (iv) third-party crime bond coverage in the minimum amount of \$25,000 to protect your business in the event of employee theft from a customer. Additionally, we recommend, but do not require that you obtain (a) an umbrella policy with a minimum limit of \$2,000,000; (b) employee dishonesty insurance of not less than \$10,000; (c) a third-party dishonesty bond of at least \$10,000; (d) employee practices liability insurance with a minimum limit of \$2,000,000 and (e) general casualty insurance including fire and extended coverage, vandalism, theft, burglary, and malicious mischief insurance for the replacement value of your Business and its contents. You may have to purchase additional coverage, either in dollar limits or types, if required by the laws of the state where your Business is located. Factors that may affect your cost of insurance include the value and age of your equipment, number of employees, your safety record and record of workers' compensation claims, record of liability claims and driving record. You may purchase this insurance from a vendor of your choice.

### ***Required Purchases from Specified Sources***

You currently must purchase, obtain a license for and/or use the following products or services from vendors or suppliers we designate, which may be us or our affiliate: all supplies and equipment for your business (audio/video equipment, home theatre equipment, security and surveillance equipment, lighting, blinds, control systems, wiring, home technology solutions, connected devices, WI-FI systems, etc.).

## Conversion Franchisee Purchasing Requirements

To the extent Conversion Franchisees do not already own or lease equipment meeting our standards and specifications, they must purchase or lease the equipment before opening their Franchised Business, as noted above. We will conduct an audit of each Conversion Franchisee's existing equipment and will provide a list of additional equipment and supplies to be purchased within 30 days after they sign a franchise agreement. Such equipment and supplies must be obtained from our designated supplier(s).

Conversion Franchisees may continue to use equipment on hand prior to the conversion which does not meet our standards and specifications, or is not purchased from us, until 1 year from the effective date of the franchise agreement.

### ***Approved Products, Services and Vendors***

We require that certain other products and services that you use in the operation of your Business be purchased only from an approved vendor or otherwise meet our standards and specifications. In particular, we currently have approved vendors for trucks and all required equipment. But you are not required to purchase from these vendors. You may purchase products or services that we approve as meeting our standards and specifications.

There are currently no purchasing or distribution cooperatives. We have not negotiated distribution and supply arrangements, commissions, and group rates for purchases of certain inventory and supplies necessary for the operation of the Business. The terms of these arrangements may vary, but may include preferential pricing or purchasing terms for franchisees, franchisee training and educational programs provided by the vendor, rebates paid to us and/or payments to us to support our annual convention or other franchisee meetings. Rebates and other financial considerations from vendors may be flat payments or based on the aggregate amount of franchisee purchases.

We and our affiliates may derive revenues or other material consideration as a result of required purchases or leases by franchisees. We may use any payments, discounts, or other amounts received from suppliers, lessors, or other parties in connection with those arrangements without restriction. We are not obligated to provide you with a detailed accounting of those payments, discounts, or other amounts, nor to share the benefits derived from them with you. Any such amounts may be kept by us as compensation for locating and negotiating with suppliers for the System. We do not provide material benefits to franchisees based on their use of designated or approved suppliers.

### ***Alternative Products, Services and Vendors***

The standards and specifications for products and services you use in the Business (and, where applicable, the vendors approved for those products and services) are contained in the Operations Manual. We may update the Operations Manual with additional or modified standards and specifications from time to time and you must comply with any additional or modified standard or specification. If you wish to use any product or service that we have not evaluated or to buy or lease from a supplier that we have not yet approved or designated, you must provide us with sufficient information, specifications, and samples so that we may determine whether the product or service meets our standards and specifications and our supplier criteria. We may charge you or the supplier a reasonable fee for the evaluation and will make our decision within 30 business days. We may establish procedures or requesting approval of additional products and services or vendors and we may limit the number of products, services or vendors as we decide it best.

Supplier approval may depend on factors such as product quality, delivery capabilities, service standards, financial capacity, customer relations, concentration of purchases with limited suppliers to obtain better

pricing or purchasing terms, warranties, incentives provided to us or the System, and any other criteria we determine is appropriate. We do not make our criteria for approving vendors available to franchisees. We reserve the right to revoke our approval of any vendor at any time, either by providing you with written notice or by updating the Operations Manual.

### ***Our Interests***

In the fiscal year 2023, neither we nor our affiliates derived any revenue from franchisee purchases and leases.

## **ITEM 9: FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Article/Section in franchise agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Article 2	Items 7, 8, 11
b. Pre-opening purchases/ leases	§§ 2.3, 2.4, 8.9	Items 7, 8, 11
c. Site development and other pre-opening requirements	§§ 2.5, 3.1	Items 7, 8, 11
d. Initial and ongoing training	Article 4	Items 7, 11
e. Opening	§ 2.5	Item 11
f. Fees	Article 3, § 9.3	Items 5, 6, 7, 11
g. Compliance with standards and policies/Operating Manual	§§2.3, 2.5, 3.10, 4.3, Article 5, 8.4, 8.6, 8.9, 9.4,	Items 8, 11, 16
h. Trademarks and proprietary information	Articles 5 and 6	Items 13, 14
i. Restrictions on products/ services offered	§§ 8.2, 8.3,	Items 8, 16
j. Warranty and customer service requirements	Article 8	Item 8
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	Article 8	Item 8

<b>Obligation</b>	<b>Article/Section in franchise agreement</b>	<b>Disclosure Document Item</b>
m. Maintenance, appearance and remodeling requirements	§§ 2.4, 8.1, 8.6	Items 6, 11
n. Insurance	§ 8.5,	Items 7, 8
o. Advertising	Article 9	Items 6, 7, 11
p. Indemnification	Article 16	Item 6
q. Owner's participation/management/staffing	§ 8.8	Item 15
r. Records and reports	Article 10	Item 6
s. Inspection and audits	Article 11	Items 6, 11
t. Transfer	Article 12	Items 6, 17
u. Renewal	Article 13	Items 6, 17
v. Post-termination obligations	Article XV	Item 17
w. Non-competition covenants	Articles 7 and 15	Item 17
x. Dispute resolution	Article 17	Item 17
Conversion Program	Attachment E to the franchise agreement	Items 1, 5, 7, 8, 11, 17

## **ITEM 10: FINANCING**

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

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

**Except as listed below, Daisyco, Inc. is not required to provide you with any assistance.**

### ***Pre-Opening Obligations***

Before you open your Business, we will:

1. Designate the Territory for your Daisy Businesses. (Franchise Agreement, Section 1.3).
2. Approve or disapprove your grand opening advertising plan (Franchise Agreement, Section 9.4).

3. Consult with you about the proposed economics of a lease for your Daisy Business, but you must have your own attorney review all terms of the lease. You must select a site that meets our site selection criteria. You will need between 1,000 and 2,500 square feet of space to host an office and storage. We will have 30 days after receipt of all information we require to notify you whether the site you propose to use is accepted. Unless we provide our specific written acceptance of a site, it is deemed not accepted. We must also approve the lease for the accepted site (Franchise Agreement, Section 2.1). We generally do not own and then

lease any sites to you. We reserve the right to require that your lease includes an option to purchase the site and that it may be assigned to us. During the Term of your franchise agreement, either you or we may establish an experience center in or around your Territory. Should we establish an experience center, we reserve the right to require that you utilize this facility and pay us a usage fee, which will be determined at that time.

4. Provide you with one copy of the Franchise Operations Manual for your use. The Franchise Operations Manual contains approximately 152 pages and consists of digital material such as videos and online courses. The table of contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit F (Franchise Agreement, Section 4.4).

5. Provide a list of approved suppliers, which we may revise during the term of your franchise agreement (Franchise Agreement, Section 8.3). We will conduct an inventory of each Conversion Franchisee's Existing Business' furniture, fixtures, equipment, and inventory and provide each Conversion Franchisee with a detailed list of additional purchases each Conversion Franchisee will need to make to conform the Existing Business to our current standards (Conversion Addendum, Section 11).

6. Provide an initial training program at our headquarters for up to 2 people, the cost of which is included in the Initial Franchise Fee (Franchise Agreement, Section 4.1). We do not provide training to any other employees of yours unless you request we provide additional training or on-site assistance, and pay our then-current training fees. We do not hire any of your employees either prior to the opening or during the operation of your Daisy Business. We will provide Conversion Franchisees and/or their designated managers with initial training at the next available training session after they sign the franchise agreement. (Conversion Addendum, Section 8).

### ***Typical Length of Time Before Operation***

We estimate that the typical length of time between the signing of the franchise agreement and the opening of a Daisy Business is approximately 90 to 120 days from the date you sign the franchise agreement. Your total time frame may be influenced by factors such as the time necessary to obtain the required trucks, to secure the permits and licenses for the operation of the Daisy Business, and to complete preparation for operating the Daisy Business, including purchasing inventory and supplies. You are required to open the Daisy business and commence operations within 180 days after signing the franchise agreement. In the event that you are unable to open your Daisy Business within this stipulated period, we reserve the right to either terminate your franchise agreement or extend the period of time for you to open, at our sole discretion. You may not open your Daisy Business for business until we have approved you to do so.

Conversion Franchisees must complete their pre-opening obligations and open the Franchised Business within 60-120 days of signing the franchise agreement.

### ***During the Operation of the Business***

After the opening of the Business, we will:

1. Upon your request and if approved by us, provide you with additional opening assistance with sales, promotional and operations matters regarding the Business. This assistance will be provided on days and times as mutually agreed upon by you and us. (Franchise Agreement, Section 4.2);

2. Periodically advise and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods. Our advice and guidance may consist of knowledge and experience relating to the authorized

services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (Franchise Agreement, Section 4.2);

3. At our discretion, make periodic visits to the Daisy Businesses for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the Business and make available to you operations assistance and ongoing training as we deem necessary (Franchise Agreement, Section 4.2);

4. Provide you with an email address and design, update and host [your] website (Franchise Agreement, Section 9.5);

5. Provide you with changes and additions to the System, the Operations Manual, the approved or designated suppliers, and the approved products and services, as generally made available to all franchisees. (Franchise Agreement, Section 8.3);

6. Allow you to use the Marks in your Territory (Franchise Agreement, Section 5.1);

7. Approve forms of advertising materials you will use for Local Advertising, Grand Opening Advertising and Cooperative Advertising, if any. (Franchise Agreement, Sections 9.4 and 9.5);

8. If you participate in our National Accounts Program we will distribute leads, in our sole discretion, to participating franchisees and make payments to you, upon receipt of payment for services from customers. (Franchise Agreement, Section 8.11). There is no guarantee that you will receive any leads under the National Accounts Program.

9. You will be responsible for setting the minimum prices for the products and services you offer. We reserve the right to establish maximum prices for sales promotions, to the extent permitted by law. (Franchise Agreement, Sections 3.3 and 8.9). On certain National Accounts, we or the national account entity may set the maximum price which you may charge for defined services and products. If you elect not to participate or do not qualify for a National Account, we may authorize another party to perform the work in your Territory with no payment to you; and

10. We may offer additional training programs and/or refresher courses to you, your manager, and/or your employees. We may require you and your employees' attendance at these programs and/or courses, at a location designated by us. As of the issuance date of this Disclosure Document, we anticipate these additional training programs will be provided tuition-free but you must pay for you and your employees' travel, meal, lodging, and payroll expenses while attending our additional training programs. We reserve the right to charge a tuition fee for these additional training programs in the future in our sole discretion without restriction. (Franchise Agreement, Section 4.3).

## ***Advertising and Promotion***

### **Grand Opening**

You must spend at least \$15,000 on Grand Opening Advertising during the period that is 60 days before and 90 days after the opening of the Daisy Business. You may choose to spend more than this amount. Your Grand Opening Advertising, including the beginning and ending dates, must be approved by us.

## Brand Development Fund

We do not have a Brand Development Fund that you must contribute to. We are not obligated to establish a Brand Development Fund or to conduct marketing on behalf of the System.

## Advertising Council

We do not have an advertising council.

## Cooperative Advertising

Although we are not currently obligated to do so, we reserve the right to create a Cooperative Advertising program for the benefit of all Daisy Businesses located within a particular region. Each Cooperative will be administered by its individual members. If we establish a Cooperative, governing documents will be available for review by franchisees prior to signing. We have the right to collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We will determine the geographic territory and market areas for each Cooperative Advertising program, and we may require cooperatives to be changed, dissolved or merged. You must participate in any Cooperative Advertising program established in your region. Payments to any Advertising Cooperative shall be determined by Daisy Businesses and those other Daisy Businesses of the Daisy System and/or us, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than the Local Advertising Requirement in connection with any Advertising Cooperative. (Franchise Agreement, Section 9.6)

## Local Advertising

After the Grand Opening program, you must spend a minimum of 3% of your Gross Sales per month on advertising in the Territory (either by way of direct promotion or participation in an Advertising Cooperative). We may require that your minimum local advertising expenditure be allocated to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign. (Franchise Agreement, Section 9.2)

Your advertising must be in such media, and of such type, format and other particulars as we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by us must be submitted to us at least 5 days prior to any publication or run date for approval, which we may withhold for any or no reason. We will provide you with written notification of approval or disapproval within a reasonable time. If we do not notify you of approval or disapproval within 5 days of our receipt of the materials, the materials will be denied. You must discontinue the use of any approved advertising within 5 days of your receipt of our request to do so. You may not conduct advertising or promotion on or through the Internet/world wide web or other electronic transmission via computer without our express prior written approval. All of your advertising and promotion must be factually accurate and shall not detrimentally affect the Marks or the System, as we determine. You must use the telephone number provided by us in connection with all marketing initiatives. We are not required to conduct local advertising for you.

## National Accounts

You must participate in required promotional and national accounts programs unless you request, and we agree to relieve you of this responsibility or unless you fail to meet our then-current standards for participation, as defined in the Manuals. “National Accounts” include any account or customer which contracts with Daisy for services in more than one franchised area. The leads produced by our National Account program may vary materially by franchise territory. If you qualify for participation and choose not to participate, requests to opt out of the National Account program must be in writing and clearly state the reason you should be permitted to opt out of the National Account Program. Participation in National Accounts programs may require you to complete an approval process required by the national account entity, agree to specific rules and regulations associated with service that National Account, and, in some instances, agree to pay penalties for any violation of those rules and regulations. We do not guaranty that you will obtain or maintain approval from a national account entity to participate in any National Account programs. Further, if approved, a national account may elect not to do business with you or we could determine you may no longer service a National Account. In any of these events, we, another franchisee, or a third-party may provide the necessary services. We may retain a referral or processing fee with respect to any national account you service. (Franchise Agreement, Sections 3.3 and 8.9).

## ***Computer/Point-of-Sale System***

### Hardware and Software

You are required to purchase or lease a computer system that can operate our required software, point-of-sale system, customer relationship management system, and other computer or technology equipment that we designate from time to time (“Computer System”). We estimate the cost of purchasing the Computer System will be between \$2,500 and \$5,000.

### Internet

You must obtain and install a high-speed Internet connection (through DSL or cable modem) to your computer system and maintain and use the e-mail address and account (or accounts) we provide to you, to which you will have access and through which we may contact you. (Franchise Agreement, Section 2.4). We own your email account and have the right to independently access it at any time without first notifying you. You must cooperate with us to enable our access to your computer system to enable us to obtain this data (for example, by providing your password). You will not have the right to update, upgrade, amend or host the websites. You may suggest changes to the webpage designated for your Daisy Business. The websites will contain information on the services provided by the System. We reserve the right to establish an e-commerce platform on the website and require you to participate with any such program. (Franchise Agreement Section 9.5).

### Our Access to Your Data

We have the right at all times to independently access the information and data on your computer system, and to collect and use your information and data in a manner that is compliant with applicable laws and regulations, and that promotes the development of the System and the sale of franchises. The information we may download includes financial and sales information, reservation information, client database, and similar information concerning your operation of the Daisy Business. There is no contractual limitation on our right to receive information through your computer system. You must make sure that we have electronic access to your computer system at all times, at your expense. Your client database will at all times remain our property, but will be used in accordance with applicable privacy laws and regulations. If, for any reason, we are prohibited from owning any or all of the client database, you agree to grant us a worldwide, exclusive, fully-



paid-up, royalty-free, transferable right and license in perpetuity to use, copy, reproduce, distribute, disclose, publish, broadcast, communicate, display and/or perform (whether publicly or otherwise), host, store, prepare derivative works from, translate, modify, combine with other data or information or content, sublicense, and/or otherwise exploit any and all of the client database in any manner we deem appropriate, without any further consent, notice, or payment to you.

### Upgrades, Updates and Maintenance

During the term of your franchise agreement, we may require you to upgrade or purchase additional computer hardware and software. There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire upgrades and updates or to replace obsolete or worn-out hardware or equipment. You must at all times have a maintenance contract for the computer system, which we anticipate will cost approximately \$500 to \$1,000 per year. We cannot estimate the cost of maintaining, updating or upgrading the Computer System or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time. Neither we nor our affiliates will provide you with any updates, upgrades or maintenance for your computer system.

### ***Site Selection***

Upon opening an office within your Territory, you must provide to us all of the information we require to evaluate the site you propose, which may include photographs of the proposed site and demographic studies. We will have 30 business days after we receive all information we need to accept or not accept your proposed site. We will not unreasonably withhold our approval if the site meets our minimum requirements. Our acceptance only indicates that the site meets our minimum requirements for a Daisy Business. Unless we provide our specific acceptance of a proposed site, the site is deemed not accepted. Our criterion for reviewing a proposed site includes its size, parking availability for your trucks, term of the lease, and the location of the site within your territory.

Conversion Franchisees must operate their Franchised Business from their Existing Business's location (Conversion Addendum, Section 10)

The lease rider, the form of which is attached to this Franchise Disclosure Document in Exhibit G-6, must be included in and become a part of the lease you sign for the Daisy Business.

### ***Training***

We will provide one initial training course to you (or your designated owner if you are an entity). You may send up to 2 individuals to initial training. Our training program is mandatory for all new franchisees; however, we expect franchisees to proceed through training at different rates based on their prior experience in the industry. If you request that we provide our training program on additional occasions, whether before you open or while it is operating, you must pay our then-current training fee, if any. You must also pay for all expenses your trainees incur while attending the training program, including travel, lodging, meals and applicable wages.

Our training program must be completed to our satisfaction before your Business opens. You and your manager, if any, must complete our training program to our satisfaction before you will be permitted to open your Business. We will conduct approximately five days of training at our offices and our affiliates' Daisy' business in Costa Mesa, CA or at another location we designate.

The material we use for training includes our Franchise Operations Manual as well as any other material that we deem beneficial to incorporate in our training program.

You must train your own employees and other management personnel in accordance with our training guidelines and standards.

The initial training program is overseen and conducted by Matt Walin and Brian Wiersma. Mr. Walin has been in the home and light commercial technology installation business since at least 1995, and has owned his own successful integration company since 2011. Mr. Wiersma is our Chief Operations Officer and has several years of experience working with franchise brands.

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Operations	4	8	Virtual and/or Newport Beach, CA
Client Service	4	4	Virtual and/or Newport Beach, CA
Sales	8	4	Virtual and/or Newport Beach, CA
Technology	8	4	Virtual and/or Newport Beach, CA
Finance	0	4	Virtual and/or Newport Beach, CA
Products	8	4	Virtual and/or Newport Beach, CA
Marketing	4	4	Virtual and/or Newport Beach, CA
Technician	4	8	Virtual and/or Newport Beach, CA
<b>Total</b>	<b>40</b>	<b>40</b>	

Currently, we do not have planned or scheduled required training programs in addition to the initial training program.

We may periodically require you to attend additional training programs that address new developments in the market or changes to the System. Any costs incurred by you (including any travel and living expenses) in connection with any additional training will be borne by you, unless otherwise agreed upon in writing by us. Any fees associated with additional training will be as described in Item 6 and will be communicated to you in advance. The instructional materials for any additional training programs may include the Operations Manual or third-party technical manuals.

### **ITEM 12: TERRITORY**

We will designate the Territory within which you will perform services and must locate your office and, if applicable, experience center. We consider total population and relative affluence to determine your Territory; we do not offer a minimum territory. You may not alter your Territory without our prior written consent. Should you wish to relocate your office within the Territory, you must obtain our written permission in advance.

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

During the term of the franchise agreement, we and any our affiliates have the right to: (a) establish, or allow another franchise owner to establish, another Daisy Business within your territory, (b) offer and sell and to grant others the right to offer and sell the products and services offered at Daisy Businesses, both inside and

outside of the Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate; (c) operate and to grant others the right to operate Daisy Businesses located inside or outside the Territory; (d) solicit and service national accounts; (e) establish Experience Centers within your Territory from which other franchisees may meet with customers; (f) engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or to be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with your Daisy Franchise, wherever located, provided that in such situations the newly acquired businesses will not operate under the Marks inside the Territory; (g) implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs, and (h) to engage in any other business activities not expressly prohibited by the franchise agreement, both within and outside your Territory.

We and our affiliates may also sell products or services under the Marks both within and outside your Territory through any method of distribution other than a dedicated Daisy Business, including sales through channels of distribution such as the Internet, catalog sales and the like, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Territory and you will not receive any compensation for our sales through alternative distribution channels. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Territory, you will not be deemed to be in violation of the franchise agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Territory. You are prohibited from directly soliciting customers outside of your Territory; however, you may provide services to customers who reside outside of your Territory, but only with our prior written consent. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You are strictly prohibited from selling any product at wholesale, unless we have given you our advance written permission to do so.

Except for Daisy Businesses operated by our affiliates, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned businesses that sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

**ITEM 13: TRADEMARKS**

We grant you the right to operate a Franchised Business under the name “Daisy.”

The following is a description of the principal trademarks and service marks we have applied for in the United States:

<b>Mark</b>	<b>Serial Number</b>	<b>Filing Date</b>	<b>Register</b>
Daisy	98090361	July 18, 2023	Principal

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have

been filed. There are no agreements currently in effect which significantly limit our right to use or to license others to use the Marks that could materially affect your use of the trademarks.

You must adhere to our guidelines when using the Marks. You are prohibited from using any Mark (1) as part of your corporate or legal business name; (2) in conjunction with any prefix, suffix or other modifying words, terms, designs, or symbols (except for those we license to you); (3) in selling any services or products not authorized by us; (4) as part of any domain name, electronic address, or search engine you maintain on any website; (5) in any manner not expressly authorized by us in writing; or (6) in a way that may harm or cause damage to us, our affiliates, the Marks, the System, or our principals. You may not make any disparaging remarks related to us, our affiliates, our franchisees, the Marks, the System or our principals.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We may defend you against any third-party claim, suit or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with your Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Marks in accordance with your Agreement, the cost of the defense, including the cost of any judgment or settlement, will be yours. If there is any litigation relating to your use of the Marks, you must sign any and all documents and do any acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except if this litigation is the result of your use of the Marks in a manner inconsistent with the terms of your Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

There are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Marks in your state or elsewhere.

We reserve the right, at our sole discretion, to substitute different Marks for use in identifying the System and the businesses operating under it. We are not obligated to reimburse you for any costs you incur as a result of such change or substitution, including but not limited to the cost of changing stationery or signage, and we shall not be liable to you for any consequences arising from such change or substitution.

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

There are no patents of which we are aware that are material to the Daisy Businesses, and there are no patents pending. We own copyrights in the Operations Manual, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating the Franchised Business, and you must stop using them if we direct you to do so.

You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We are not obligated to indemnify you for losses brought by a third party concerning your use of this information, but we will take all steps we think are appropriate to protect our copyright in the Operations Manual.

You are required to operate your Daisy Business strictly in accordance with the standards, methods, policies and procedures specified in the Operations Manual, which consists of several guides and other documents.

Any deviation from these standards, methods, policies and procedures must be approved in writing by us. One copy of the Operations Manual is loaned to you by us for the term of the franchise agreement after you complete our initial training program to our satisfaction.

You must treat the Operations Manual, any other of our manuals that are used in the operation of your Daisy Business and the information in them as strictly confidential, and must use all reasonable efforts, including implementing appropriate security measures, to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part or otherwise give them to any unauthorized person. The Operations Manual will remain our sole property and must be kept in a secure place at the Daisy Business.

We may revise the contents of the Operations Manual and you must comply with each new or changed standard within a reasonable period after receiving written notice of such revisions. You must make sure that the Franchise Operations Manual is kept current at all times. In the event of any dispute as to the contents of the Franchise Operations Manual, the terms of the master copy maintained by us at our home office will be controlling.

You must not, during the term of your Agreement or at any time after the expiration or termination of your Agreement, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Daisy Business which may be communicated to you, or which you may learn because of your operation under the terms of your Agreement. You may divulge this confidential information only to those of your employees who have access to, and are directly involved in, the operation of your Daisy Business. The term “Confidential Information” includes System standards, market research, advertising and promotional campaigns, approved suppliers, operating results of Daisy Businesses, proprietary software (if we choose to develop proprietary software for the System), the terms of your Agreement with us, the Operations Manual, graphic designs and other intellectual property, and your client database.

At our request, you must require your general manager and any personnel having access to any of our confidential information to sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment by you at your Daisy Business. The agreements must be in the form provided by us.

If you, your owners, managers or employees develop any ideas, techniques, services and products in the operation or promotion of the Daisy Business, you must seek our prior written approval by providing us with all necessary information, free of charge. You, your owners, managers and employees must acknowledge that any of these ideas, techniques, services and products, developed in connection with the operation or promotion of the Daisy Business, will become our sole and exclusive property and we may give the information to other franchisees.

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

The Daisy Franchise shall be managed by you, or if you are an entity, one owner who is designated in writing to us as the person to make all decisions for the franchisee entity and will be principally responsible for communicating with us about the Daisy Business (“Designated Owner”). The Designated Owner must have the authority and responsibility for the day-to-day operations of your Daisy Business and must own at least 10% of the overall equity interests in your Daisy Business.

While the franchise agreement does not mandate your personal participation in the direct operation of the Franchised Business, we strongly encourage and recommend active participation by you or a designated representative for the successful operation of your Daisy Business. Under certain circumstances, we may allow you to appoint a General Manager (“General Manager”) to run the day-to-day operations of the Daisy Business. The Designated Owner and General Manager must each successfully complete our training program (See Item 11). We do not require that the General Manager have an ownership interest in the legal entity of the Franchise owner. If the Designated Owner or General Manager is replaced, the new Designated Owner or General Manager must satisfactorily complete our training program at your own expense.

During any time that your Franchised Business is operating, it must be under the active fulltime management and on-site supervision of your Designated Owner or a General Manager (who has successfully completed (to our satisfaction) our initial training program). You may not permit your Franchised Business to be operated, managed, directed or controlled by any other person without our prior written consent.

Any General Manager and, if you are an entity, an officer that does not own equity in the franchisee entity, must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit G-2. All of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit G-3. If you are an entity, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign an owners agreement, the form of which is attached to the franchise agreement as Attachment D. We do require that the spouses of the Franchise owners sign the owner’s agreement.

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

You must offer all products and perform all services that we periodically require for Daisy Businesses and you are not permitted to offer any products or services that we have not approved. All suppliers, products and services approved by us must be offered for sale on a continuous basis from your Daisy Business at the time and in the manner required by us. No sale of any product or service except those products and services from approved suppliers may be solicited, accepted or made at or from your Daisy Business. If requested by us with at least 30 days’ notice, the marketing of a product or service may be discontinued. If we notify you that a specific product or supplier is no longer approved, you must immediately stop purchasing that product and/or stop purchasing and/or refrain from further contracts with that supplier. Our System standards may regulate required and authorized vendors, products and services and product and service categories. We periodically may change required and/or authorized vendors, products and services and product and service categories. There are no limitations on our rights to make changes to the required services and products offered by you.

You may elect not to perform services for any one or more of the national accounts located in the Territory, but such decision is subject to our prior written approval. (See Items 11 and 12) In addition, a national account may elect not to do business with you or we could determine you may no longer service an account. In any of these events, we, another franchisee or a third party designated by us may provide services for the national account in the Territory. Neither we nor any other franchisee will be liable or obligated to pay you any compensation for doing so and neither we nor any franchisee will be considered in breach of any provision of the franchise agreement or any other agreement between us and you. We may retain a referral or processing fee with respect to any national account you service. If any multi-location account requests that you perform services outside the Territory, you must refer the business to us.

Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You are prohibited from selling products through other channels of distribution such as wholesale, Internet or mail order sales unless explicitly approved by us in writing. Otherwise, we place no restrictions

upon your ability to serve customers provided you do so from the location of your Daisy Business in accordance with our policies.

We may periodically advise you regarding the prices you charge for the products and services offered from your Daisy Business, but you will set your own prices. If you choose to follow any pricing advice we provide, we make no guarantees or warranties that offering the products or services at the recommended price will enhance your sales or profits.

## ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

FRANCHISE AGREEMENT		
Provision	Article in Franchise Agreement	Summary
a. Length of the franchise term	Article 1	10 years
b. Renewal or extension of the term	Article 13	10 years
c. Requirements for franchisee to renew or extend	Article 13	The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your franchise agreement expires. You must give us a written notice at least 180 days prior to the expiration of the current term; ensure compliance with all material terms and conditions of your current franchise agreement; achieve or exceed our required minimum annual revenue; settle all monetary obligations owed to us; agree in writing to update your Franchised Business to meet our current standards; you and your principals sign a general release of any claims against us (subject to applicable state law); and sign our then-current standard franchise agreement. The then-current form of franchise agreement may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.

<b>FRANCHISE AGREEMENT</b>		
<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
d. Termination by franchisee	Not Applicable	You may terminate under any grounds permitted by law.
e. Termination by franchisor without cause	Not Applicable	We may not terminate you without cause.
f. Termination by franchisor with cause	Article 14	Each of your obligations under the franchise agreement is a material and essential obligation, the breach of which may result in termination. (subject to state law)
g. "Cause" defined – curable defaults	Article 14	You have 15 days to cure monetary defaults, 30 days to cure operational defaults and other defaults not listed in (h) below. Curable defaults include non-compliance with our System, unauthorized use of the Marks, suspension of a required license and failure to pay taxes. (subject to state law)
h. "Cause" defined – non-curable defaults	Article 14	Non-curable defaults include material misrepresentation, failure to open Daisy Business within the agreed timeline, failure to properly equip Daisy Business, failure to complete the mandatory training, abandonment of the Daisy Business, unapproved transfers of the business, loss of required licenses; conviction of a felony or misdemeanor involving violence or moral turpitude, interference with our right to inspect the business, dishonest or unethical conduct, unauthorized use or disclosure of the Franchise Operations Manual or confidential information, repeated defaults (even if cured), failing three inspections in a 12 month period, declaration of bankruptcy, an assignment for the benefit of creditors, appointment of a trustee or receiver, violation of a non-compete restriction, uncured default under your lease, violation of any law, ordinance or regulation relating to terrorist activities or if assets, property or interests are "blocked" due to violations, failure to comply with any other provisions of the Agreement and failure not



FRANCHISE AGREEMENT		
Provision	Article in Franchise Agreement	Summary
	Conversion Addendum § 16	cured within the stipulated time. (subject to state law)  We reserve the right to terminate the franchise agreement with notice but without opportunity to cure if Conversion Franchisees: (a) relocate their Existing Businesses without obtaining our prior written consent, or operate the franchise granted to them in connection with any other businesses they may currently own or acquire in the future, without our prior written consent; and (b) transfer any interest in their Existing Businesses without our prior written consent. (subject to state law)
i. Franchisee’s obligations on termination/non-renewal	Article 15	Obligations include paying outstanding amounts; complete de-identification of the premises; and returning confidential information (also see (o) and (r) below).
j. Assignment of contract by franchisor	Article 12	There is no restriction on our right to assign the franchise agreement; we may assign it without seeking your approval.
k. “Transfer” by franchisee – defined	Article 12	Includes transfer of franchise agreement, sale of Daisy Business’s assets and ownership change.
l. Franchisor approval of transfer by franchisee	Article 12	You may not transfer the franchise agreement without our prior written approval.

<b>FRANCHISE AGREEMENT</b>		
<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
m. Conditions for franchisor approval of transfer	Article 12	You must be in full compliance with the franchise agreement; the transferee and its owners agree to our then applicable standards for franchisees; the transferee has sufficient business experience; you are current on all fees due to us and our affiliates; the transferee does not operate a competitive business; the transferee satisfactorily completes our training; the transferee signs our then current franchise agreement; you pay us a transfer fee and sign a general release; we determine that the purchase price and payment terms will not adversely affect the Daisy Business; the landlord has consented, if applicable; you agree to all post-term non-competition covenants.
n. Franchisor's right of first refusal to acquire franchisee's business	Article 12	We have the right to match the offer to purchase your Daisy Business or an ownership interest in you.
o. Franchisor's option to purchase franchisee's business	Article 15	We may purchase your Daisy Business upon termination of the franchise agreement.
p. Death or disability of franchisee	Article 12	In the event of your death or disability, your representative must designate an operator who meets our approval criteria for your Daisy Business within 60 days and transfer your interest to a party that we have approved within 90 days. This transfer is subject to the same terms and conditions as any other business transfer under this agreement.
q. Non-competition covenants during the term of the franchise	Article 7	Neither you, your principals, guarantors, owners or Designated Managers, nor any immediate family members of you your principals, guarantors, owners or Designated Managers, may (i) own, operate, or otherwise be involved with any Competitive Business; or (ii) divert, attempt to divert, any current or prospective customer to a Competitive Business. (subject to state law)

**FRANCHISE AGREEMENT**

<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement Article 15  Conversion Addendum §14	For a period of 3 years after the termination, expiration or transfer of your franchise agreement, neither you, your principals, guarantors, owners nor any immediate family members of you your principals, guarantors, or owners may own, operate or otherwise be involved with a Competitive Business (i) within the Territory, (ii) within a 30-mile radius of the Territory, or (iii) within a 30-mile radius of any other franchisee open and operational at the time of termination, expiration or transfer. (subject to state law)  We will permit franchisees who sign the Conversion Addendum to continue offering and selling any products or services which are not offered or authorized for sale by System franchisees during and after the term of the franchise agreement, if the additional products or services offered by Conversion Franchisees are not substantially similar to or serve a similar purpose as the goods and services authorized or offered for sale by System franchisees. (subject to state law)
s. Modification of the Agreement	Article 17	No modifications except by mutual agreement of the parties. The Franchise Operations Manual is subject to change during the term of the franchise agreement.
t. Integration/Merger Clause	Article 17	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 17	Except for certain specified claims, all disputes arising from this agreement must be mediated and arbitrated in the principal city closest to our State of incorporation (currently Delaware), subject to applicable federal and state law.

<b>FRANCHISE AGREEMENT</b>		
<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
v. Choice of forum	Article 17	Except for certain claims, all disputes must be mediated or litigated in the principal city closest to our State of incorporation (currently Delaware), subject to applicable state law.
w. Choice of law	Article 17	The laws of Delaware govern this agreement, subject to the applicable laws of the state where the franchise is located.

### **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.

### **BASES AND ASSUMPTIONS**

The financial information was prepared on a basis consistent with generally accepted accounting principles during the respective Calendar Years. Data for our Company Owned Outlet is based on information reported to us by our affiliate. Data for our Franchise Outlet is based on information reported to us by our franchisee. We do not have any other Company Owned Outlet or Franchise Outlet as of the issuance date of this Disclosure Document. The information in this analysis has not been audited, is based on historical financial data and is not a forecast or projection of future financial performance.

### **ANALYSIS OF RESULTS OF COMPANY OWNED OUTLET**

We have one Company Owned Outlet. Our Company Owned Outlet operates in a densely populated metropolitan market in Norwalk, CT. As of the issuance date of this Disclosure Document, our Company owned outlet is operating under the name of DavCo and is transitioning to the Daisy name. It may operate across multiple territories.

<b>Company Owned Outlet</b>	<b>Year Opened</b>	<b>Description and Territory Size</b>
Norwalk, CT	2011*	This Company Owned Outlet operates in Multiple Territories including Fairfield County, CT and Westchester County, NY

\* Under current management

Below we report select financial performance data of our Company Owned Outlet for the 2021 and 2022 Calendar Years, and for LTM 2023.

Table 1

<b>Company Owned Outlet Norwalk, CT</b>						
2022-2021 YOY Sales Growth: + 16.1%   LTM 2023-2022 YOY Sales Growth: + 15.8%						
	<b>2021 Calendar Year</b>		<b>2022 Calendar Year</b>		<b>LTM 2023</b>	
<b>Gross Sales*</b>	\$1,557,000	100%	\$1,807,000	100%	\$2,092,000	100%
Cost of Goods and Services Sold	\$800,000	51%	\$1,040,000	58%	\$1,064,000	51%
<b>Gross Profit</b>	\$757,000	49%	\$767,000	42%	\$1,028,000	49%
<b>LESS: Disclosed Expenses:</b>						
- Marketing	\$3,000	0.2%	\$17,000	1%	\$5,000	0.2%
- Administrative payroll	\$233,000	15%	\$262,000	15%	\$305,000	15%
- Insurance	\$26,000	2%	\$28,000	2%	\$26,000	1%
- Rent and utilities	\$45,000	3%	\$49,000	3%	\$50,000	2%
- Professional fees	\$20,000	1%	\$14,000	1%	\$11,000	1%
- Computer and internet	\$9,000	1%	\$13,000	1%	\$12,000	1%
- Auto/truck	\$12,000	1%	\$9,000	1%	\$10,000	1%
- Miscellaneous	\$26,000	2%	\$22,000	1%	\$25,000	1%
<b>Adjusted Profit – Before Franchise Related Expenses</b> <sup>Note 1</sup>	\$383,000	25%	\$353,000	19.5%	\$584,000	27.9%
<b>LESS:</b> Adjustments for other recurring franchisee related expenses that will be incurred by you but that were not incurred or paid by our Company Owned Outlet <sup>Note 1</sup>						
<b>Adjustment: Disclosed Expenses not paid by Company Owned Outlet but charged to Franchisees:</b>						
- Support Services Fee <sup>Note 2</sup>	\$155,700	10%	\$180,700	10%	\$209,200	10%
- Local Marketing Adjustment <sup>Note 3</sup>						
<b>Adjusted Profit – After Franchise Related Expenses</b> <sup>Note 1</sup>	\$227,300	15%	\$172,300	9.5%	\$374,800	18%
*Gross Sales does not include any government or federal loan assistance.						
Notes to Table 1:						
1. <u>Adjustments for Franchisee Related Expenses</u> – These adjustments are for expenses that you will be required to pay us as a franchisee but that were not incurred by our Company Owned Outlet.						
2. <u>Support Service Fee</u> – The recurring Support Service Fee is equal to 10% of Gross Sales. We based our adjustment on 10% of Gross Sales.						
3. <u>Local Marketing</u> – You will be required to spend not less than 3% of your Gross Sales on the local marketing of your Business. In 2021, 2022 and LTM 2023 our Company Owned Outlet spent less than 3% of Gross Sales on local marketing. We did not reflect this spend in the financial performance data provided above because it was impractical to adjust for the benefits from the local marketing spend and, without the benefits, the above financial disclosure would be misleading. However, had our Company Owned Outlet spent the required 3% for Local Marketing then it would have spent \$46,710 in 2021; \$54,210 in 2022; and \$62,760 for LTM.						

### **ANALYSIS OF RESULTS OF FRANCHISE OUTLET**

We have one Franchise Outlet that has converted its existing business to a Daisy franchise. Our Franchise Outlet operates in densely populated metropolitan markets in Costa Mesa, CA and surrounding markets.

As of the date of issuance date of this Disclosure Document, our Franchise outlet is operating under the name of Brilliant AV and is transitioning to the Daisy name. It may operate across multiple territories.

Company Owned Outlet	Year Opened	Description and Territory Size
Costa Mesa, CA	2011*	This Franchise Outlet operates in Multiple Territories across Orange County and Los Angeles County, CA

\* Under current name

Below we report select financial performance data of our Franchise Outlet for the 2021 and 2022 Calendar Years, and for LTM 2023, on a pro forma basis reflecting the historical impact of changes we have made in the Franchise Outlet since we began working with them in November 2023 in a consulting role.

**NOTE: THE FRANCHISE OUTLET HAS ONLY BEEN A FRANCHISEE OF DAISY FOR LESS THAN ONE MONTH. AS A RESULT, THE MOST SUBSTANTIAL IMPROVEMENTS OF THE DAISY OPERATING SYSTEM HAVE NOT BEEN REALIZED AT OUR FRANCHISE OUTLET.**

Table 2

Franchise Outlet Costa Mesa, CA 2022-2021 YOY Sales Growth: + 0.7%   LTM 2023-2022 YOY Sales Growth: + 18.8%						
	2021 Calendar Year		2022 Calendar Year		LTM 2023	
<b>Gross Sales*</b>	\$5,202,000	100%	\$5,237,000	100%	\$6,220,000	100%
Cost of Goods and Services Sold	\$2,965,000	57%	\$3,127,000	60%	\$3,539,000	57%
<b>Gross Profit</b>	\$2,237,000	43%	\$2,110,000	40%	\$2,681,000	43%
<b>LESS: Disclosed Expenses:</b>						
- Marketing	\$13,000	0.2%	\$13,000	0.2%	\$26,000	0.4%
- Administrative payroll	\$870,000	17%	\$1,014,774	19%	\$972,000	16%
- Insurance	\$128,000	2%	\$135,000	3%	\$139,000	1%
- Rent and utilities	\$82,000	2%	\$68,000	3%	\$138,000	2%
- Professional fees	\$54,000	1%	\$83,000	2%	\$87,000	1%
- Computer and internet	\$97,000	2%	\$90,000	2%	\$93,000	1%
- Auto/truck	\$65,000	1%	\$83,000	2%	\$75,000	1%
- Miscellaneous	\$85,000	2%	\$110,000	2%	\$25,000	1%
<b>Adjusted Profit – Before Franchise Related Expenses</b> <sup>Note 1</sup>	\$843,000	16%	\$513,226	10%	\$1,126,000	18%
<b>LESS:</b> Adjustments for other recurring franchisee related expenses that will be incurred by you but that were not incurred or paid by our Company Owned Outlet <sup>Note 1</sup>						
<b>Adjustment: Disclosed Expenses not paid by Company Owned Outlet but charged to Franchisees:</b>						
- Support Services Fee <sup>Note 2</sup>	\$520,200	10%	\$523,700	10%	\$622,000	10%
- Local Marketing Adjustment <sup>Note 3</sup>						
<b>Adjusted Profit – After Franchise Related Expenses</b> <sup>Note 1</sup>	\$322,800	6%	\$(10,474)	(0.2%)	\$504,000	8%
*Gross Sales does not include any government or federal loan assistance.						
Notes to Table 2:						
1. <u>Adjustments for Franchisee Related Expenses</u> – These adjustments are for expenses that you will be required to pay us as a franchisee but that were not incurred by our Franchise Outlet.						

2. Support Service Fee – The recurring Support Service Fee is equal to 10% of Gross Sales. We based our adjustment on 10% of Gross Sales.
3. Local Marketing – You will be required to spend not less than 3% of your Gross Sales on the local marketing of your Business. In 2021, 2022 and LTM 2023 our Company Owned Outlet spent less than 3% of Gross Sales on local marketing. We did not reflect this spend in the financial performance data provided above because it was impractical to adjust for the benefits from the local marketing spend and, without the benefits, the above financial disclosure would be misleading. However, had our Franchised Outlet spent the required 3% for Local Marketing then it would have spent \$156,060 in 2021; \$157,110 in 2022; and \$186,600 for LTM.

## DEFINITIONS

(a) Adjusted Profit – means Gross Profit less Disclosed Expenses. Adjusted Profit is not equal to net profit or income and, except as to Cost of Goods and Services Sold and Disclosed Expenses, does not include the deduction of all other expenses incurred by a Daisy Business including, but not limited to, other operating expenses, interest, taxes, depreciation, and amortization.

(b) Calendar Year – means, as to each respective year, the 12 month period commencing on January 1 and ending on December 31.

(c) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate, or any person identified in Item 2.

(d) Costs of Goods and Services Sold – means the direct non-managerial and non-administrative cost of goods sold and labor incurred by an Outlet in directly performing and/or installing Approved Services and Products resulting in Gross Sales. Cost of Goods and Services Sold do not include managerial expenses, administrative expenses, Disclosed Expenses, general expenses, or operating expenses.

(e) Disclosed Expenses – refers to a limited selection of expenses as disclosed in the tables to this Item 19, comprised of the following select expense categories: labor, rent, utilities, service vehicle, insurance, office supplies, technology fee, credit card processing fees, and miscellaneous expenses.

(f) Franchise Outlet – refers to a Daisy Business operated under a Franchise Agreement that is not a Company Owned Outlet.

(g) Gross Profit – means Gross Sales less Cost of Goods and Services Sold. Gross Profit is not net profit or income and, except as to Cost of Goods and Services Sold, does not include the deduction of all other expenses incurred by a Daisy Business including, but not limited to, Disclosed Expenses, operating expenses, interest, taxes, depreciation, and amortization.

(h) Gross Sales – means the total revenue derived by each outlet less sales tax, discounts, allowances and returns.

(i) LTM 2023 – means the 12 month period from July 2022 to July 2023.

(j) Outlet – refers to either a Company Owned Outlet or Franchise Outlet, as the context requires.

(k) YOY Sales Growth – refers to the year over year calculation of the percentage of growth for Gross Sales for each Outlet. YOY Sales Growth is calculated by comparing the Gross Sales of a particular Calendar Year with the Gross Sales for the next Calendar Year.

(l) Some Outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

(m) Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representations, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Daisyco, Inc. at 1117 Baker Street, #A, Costa Mesa, CA 92626 and (909) 979-1830, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**ITEM 20 TABLE NO. 1  
System-wide Outlet Summary  
For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned*	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	0	0

**ITEM 20 TABLE NO. 2  
Transfers of Franchised Outlets to New Owners  
(other than the Franchisor)  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Totals	2021	0
	2022	0
	2023	0



ITEM 20 TABLE NO. 3  
**Status of Franchised Outlets  
For Years 2021 to 2023**

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
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

ITEM 20 TABLE NO. 4  
**Status of Company-Owned Outlets  
For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total Outlets	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

\*Note that as of the amended issuance date of this Disclosure Document, we have acquired 2 existing companies as company-owned outlets in Connecticut and Florida.

ITEM 20 TABLE NO. 5  
**Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Delaware	0	3	0

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Total	0	3	0

Attached as Exhibit D to this Disclosure Document is a list of the Daisy franchisees as of the date of this Disclosure Document. Additionally, attached as Exhibit D is a list of Daisy franchisees who have been terminated, cancelled or otherwise ceased to do business under the franchise agreement during the year ended December 31, 2023 or who have not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy a Daisy franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

### ***Confidentiality Agreements***

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Daisy franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. During the last 3 fiscal years, we have not required any franchisees to sign confidentiality agreements.

### ***Trademark-Specific Franchisee Organizations***

As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the Daisy system that we have created, sponsored, or endorsed, and there are no independent trademark-specific franchisee organizations that have asked to be included in our Disclosure Document.

## **ITEM 21: FINANCIAL STATEMENTS**

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission. Attached to this Disclosure Document as Exhibit B is our audited opening financial statement as of December 31, 2023. Our fiscal year end is December 31.

## **ITEM 22: CONTRACTS**

Attached to this Disclosure Document are the following contracts and their attachments:

Exhibit C	Franchise Agreement
Exhibit E	State Addenda and Agreement Riders
Exhibit G-1	Sample Waiver and Release of Claims
Exhibit G-2	Sample System Protection Agreement
Exhibit G-3	Sample Confidentiality Agreement
Exhibit G-4	Electronic Funds Transfer Authorization Form
Exhibit G-5	Sample Approval of Requested Assignment
Exhibit G-6	Lease Addendum

## **ITEM 23: RECEIPTS**

Two copies of an acknowledgement of your receipt of this Disclosure Document appear at the end of the Disclosure Document under Exhibit I. Please return one signed copy to us and retain the other copy for your records.

**EXHIBIT A**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process (if different from State Administrator)</b>
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Securities Unit 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500

New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division PO Box 9033 Olympia, WA 98507 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Securities And Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

**EXHIBIT B**  
**FINANCIAL STATEMENTS**

**DAISYCO, INC.**

FINANCIAL REPORT  
AS OF DECEMBER 31, 2023



DAISYCO, INC.  
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Statement of Changes in Members' Equity	7
Statement of Cash Flows	8
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## Independent Auditor's Report

To the Members  
Daisyco, Inc.  
Newport Beach, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying balance sheet of Daisyco, Inc. as of December 31, 2023, and the related statements of operations, stockholders' equity, and cash flows for the period from June 6, 2023 (Inception) through December 31, 2023, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daisyco, Inc. as of December 31, 2023, and the results of their operations and their cash flows for the period from June 6, 2023 (Inception) through December 31, 2023, 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 Daisyco, 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.

#### *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 Daisyco, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

2580 East Harmony Road, Ste. 301-10 • Ft. Collins, CO 80528  
Office: (303) 999-6485



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 Daisyco, 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 Daisyco, 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.

*Reese CPA LLC*

Ft. Collins, Colorado  
January 22, 2024

**DAISYCO, INC.**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2023**

	<b>2023</b>
<b>ASSETS:</b>	
<b>CURRENT ASSETS</b>	
Cash and equivalents	\$ 1,672,804
Prepaid expense	360
Advances to shareholders	125,000
<b>TOTAL CURRENT ASSETS</b>	1,798,164
<b>NON-CURRENT ASSETS</b>	-
<b>TOTAL ASSETS</b>	\$ 1,798,164
 <b>LIABILITIES AND MEMBERS' EQUITY:</b>	
<b>CURRENT LIABILITIES</b>	
Advances from shareholders	\$ 95
<b>TOTAL CURRENT LIABILITIES</b>	95
<b>NON-CURRENT LIABILITIES</b>	-
<b>TOTAL LIABILITIES</b>	95
<b>STOCKHOLDERS' EQUITY</b>	
Common stock, 1,000,000 authorized, par \$.01, shares outstanding 554	6
Additional paid-in capital	2,300,053
Retained (deficit)	(501,990)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	1,798,069
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	\$ 1,798,164

The accompanying notes are an integral part of these financial statements.

**DAISYCO, INC.**  
**STATEMENTS OF OPERATIONS**  
**PERIOD FROM JUNE 6, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

	<b>2023</b>
<b>REVENUES</b>	
Franchise fees	\$ -
<b>OPERATING EXPENSES</b>	
Advertising and promotion	3,158
General and administrative	66,827
Professional fees	152,876
Payroll and related costs	284,658
<b>TOTAL OPERATING EXPENSES</b>	<b>507,519</b>
<b>OPERATING (LOSS)</b>	(507,519)
<b>OTHER INCOME</b>	5,529
<b>NET (LOSS)</b>	<b>\$ (501,990)</b>

The accompanying notes are an integral part of these financial statements.

**DAISYCO, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**PERIOD FROM JUNE 6, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained (Deficit)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares Outstanding</u>	<u>Amount</u>			
BALANCE, JUNE 6, 2023 (INCEPTION)	-	\$ -	\$ -	\$ -	\$ -
Issuance of Common Stock	554	6	53	-	59
Proceeds from safe agreements	-	-	2,300,000	-	2,300,000
Net (loss)	-	-	-	(501,990)	(501,990)
<b>BALANCE, DECEMBER 31, 2023</b>	<b><u>554</u></b>	<b><u>\$ 6</u></b>	<b><u>\$ 2,300,053</u></b>	<b><u>\$ (501,990)</u></b>	<b><u>\$ 1,798,069</u></b>

The accompanying notes are an integral part of these financial statements.

**DAISYCO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**PERIOD FROM JUNE 6, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net (loss) income	\$ (501,990)
Changes in assets and liabilities:	
Prepaid expense	(360)
Net cash used for operating activities	(502,350)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net cash used for investing activities	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Issuance of common stock	59
Issuance of safe agreements	2,300,000
Advances to shareholders, net	(124,905)
Net cash provided by financing activities	2,175,154
<b>NET INCREASE IN CASH</b>	1,672,804
<b>CASH, BEGINNING</b>	-
<b>CASH, ENDING</b>	<b>\$ 1,672,804</b>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Cash paid for interest	\$ -
Cash paid for taxes	\$ -

The accompanying notes are an integral part of these financial statements.

**DAISYCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Daisyco, Inc. (“Company”) was formed on June 6, 2023, (Inception) in the State of Delaware as a corporation. The Company grants franchises to qualified individuals and business entities to establish and operate a business that will provide local residential and commercial technology solutions with the option to also provide residential and commercial technology and ongoing maintenance solutions within your territory under the name “Daisy” and certain other trademarks, service marks, trade names, and logos we designate from time to time (collectively referred to as the “Marks”).

The following table summarizes the number of locations open and operating for the period from June 6, 2023 (Inception) through December 31, 2023:

	2022
Locations in operation, beginning	-
Locations opened	-
Locations terminated or closed	-
Locations in operation, ending	-
Franchised locations	-
Affiliate owned locations	-

A summary of significant accounting policies follows:

Development Stage Operations

The Company’s planned franchising activities, as previously described, have not yet commenced. Since its inception the Company has not sold any franchises or earned any revenue. The Company’s activities are subject to significant risks and uncertainties, including failing to secure additional capital to fund operations until the Company achieves break-even operational status.

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Preparation of the Company’s financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2023.



DAISYCO, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts Receivable

The timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of December 31, 2023, and did not charge-off any accounts receivable for the period from June 6, 2023 (Inception) through December 31, 2023.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment as of December 31, 2023.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had no intangible assets as of December 31, 2023.

Income Taxes

The Company has adopted the liability method of accounting for income taxes ASC 740, "Income Taxes." Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25 "Accounting for Uncertainty in Income Taxes," (formerly "FIN 48"). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest

DAISYCO, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes (Continued)

and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

The Company net operating carryforwards of \$498,000 as of December 31, 2023, which if recognized would affect the Company's effective income tax rate.

Franchisee Revenue Recognition, Non-refundable Deferred Franchise Fee Revenue, Contract Acquisition Costs

The Company recognizes revenue under the guidance of ASC 606 "Contracts with Customers".

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The Company is using the practical expedient under the guidance of ASU 2021-02 and is treating all pre-opening activities as distinct from the franchise license as defined in the next paragraph. The Company has not yet determined the portion of its initial franchise fee that is allocable to the pre-opening obligations in the franchise contract. The remainder of performance obligations not related to the grant of the license represent a single performance obligation. and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as non-refundable deferred revenue and recognized as revenue over the term of the contract which is currently 10 years. The company had no sales of initial franchise fees for the period from June 6, 2023 (inception) through December 31, 2023.

When a franchisee purchases a franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos ("the license") for a specific period of time and in a specific territory. The license is symbolic intellectual property. Revenues related to the license are continuing support service fees of 10% of gross sales. Support service revenues are compensation for the use of the license in the territory, over the term of the contract, and will be used in part to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. The royalties are billed monthly and are recognized as revenue when earned. The company had no revenues from support service fees for the period from June 6, 2023 (inception) through December 31, 2023.

Contract Acquisition Costs

Contract acquisition costs consist of commissions paid on the sale of a franchise by the Company. They are capitalized as an incremental cost of the franchise agreement and are recognized as an expense over the life of the franchise agreement under the guidance of ASC 340-40, "Other Assets and Deferred Costs - Contracts with Customers". The Company had no contract acquisition costs for the period from June 6, 2023 (Inception) through December 31, 2023.

DAISYCO, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Franchisee Revenue Recognition, Non-refundable Deferred Franchise Fee Revenue, Contract Acquisition Costs (continued)

Ancillary Franchise Fees

Revenue from experience center usage, national account management and additional training is when control of the related good or service has been transferred to the control of the franchisee and recognized as revenue when delivery has occurred. All ancillary fees are billed monthly as the service is delivered or available. Training is billed at the conclusion of the training. The company has no revenue from ancillary fees for the period from June 6, 2023 (inception) through December 31, 2023.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense the period for the period from June 6, 2023 (Inception) through December 31, 2023, was \$3,158.

Fair Value of Financial Instruments

For the Company's financial instruments consist of cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

**NOTE 2 - INCOME TAXES**

The components of the deferred income tax asset of December 31, are as follows:

	<u>2023</u>
Net operating loss	\$ 148,650
Net operating loss allowance	<u>(148,650)</u>
	<u>\$ -</u>

**DAISYCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - INCOME TAXES (CONTINUED)**

The following is a reconciliation of the amount of income tax expense that would result from applying the statutory federal income tax rates to pre-tax income and the reported amount of income tax for the years ended December 31:

	2020
Tax (benefit) at federal statutory rates	\$ (105,399)
Permanent differences	786
State income tax (benefit)	(44,037)
Increase in allowance	148,650
	\$ -

**NOTE 3 – STOCKHOLDERS’ EQUITY**

The Company has entered into “Simple Agreement for Future Equity” (SAFE”) agreements with several investors. The substance of the agreements is that in exchange for cash paid by the Investor, the Company issues to the investor the right to certain shares of the Company’s Capital Stock when it is issued upon the future occurrence of an Equity Financing Event, a Liquidity Event, a Dissolution Event, or the Termination of the SAFE agreement as defined in the agreement. Upon the occurrence of an Event the Investor will receive shares of Capital Stock equal in value to the Purchase Amount as defined in the SAFE agreement. The total purchase amount received by the Company for the period from June 6, 2023 (Inception) through December 31, 2023, was \$2,100,000 and is reported as additional paid-in capital on the attached balance sheet and statement of stockholders’ equity. There was no issuance of capital stock to the Investors under the SAFE agreements as of December 31, 2023.

**NOTE 4 – ADVANCES FROM SHAREHOLDERS**

The Company has received advances from and made advances to the Company’s founding shareholders. The advances are due on demand, bear no interest and are not collateralized. The advances to shareholders were \$125,000 as of December 31, 2023. The advances from shareholders was \$95 as of December 31, 2023.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

DAISYCO, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - SUBSEQUENT EVENTS

*Date of Management's Evaluation*

Management has evaluated subsequent events through January 22, 2024, the date on which the financial statements were available to be issued.

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered on the “Effective Date,” which is identified in Attachment A to this Agreement, by and between Daisyco, Inc., a Delaware corporation whose principal business address is 1117 Baker Street, #A, Costa Mesa, CA 92626 (“we”, “us” or “our”) and the “Franchise Owner” identified in Attachment A to this Agreement (“Franchisee,” “you”, or “your”). If more than one person or entity is listed as the Franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Agreement.

### ARTICLE 1 PREAMBLES AND GRANT OF FRANCHISE

#### 1.1 Preambles

1.1.1 We and our affiliate have designed and developed a method of operating a residential and commercial technology installation services company (the “Services”) operating under our Marks and System (each defined below). The businesses (each a “Franchised Business”) have distinctive business formats, methods, procedures, designs, layouts, standards and specifications, all of which we may improve, further develop and otherwise modify from time to time. Our system (the “System”) includes, but is not limited to, uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be changed, updated, improved and further developed by us from time to time.

1.1.2 We and our affiliates have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating Franchised Businesses, including the mark “Daisy,” which have gained and will continue to gain public acceptance and goodwill, and we may create, use and license other trademarks, service marks and commercial symbols for use in operating Daisy Businesses (collectively, the “Marks”).

1.1.3 We grant a franchise to own and operate a Franchised Business offering the products and services we authorize and using our System, to persons who meet our qualifications, are willing to undertake the investment and effort, and comply with our standards and requirements as outlined in this Agreement.

1.1.4 You have applied for a franchise to own and operate a Franchised Business, and we have approved your application relying on all of your representations, warranties and acknowledgments contained in such application and this Agreement.

#### 1.2 Grant of Franchise; Term

Subject to the terms of this Agreement, we grant you a franchise (the “Franchise”) to operate as a Franchised Business within the “Territory” identified on Attachment C, and to use the Marks and the System in your operation. The term of this Franchise begins on the date of this Agreement and expires ten (10) years from that date, unless sooner terminated as provided herein. You may request to renew this Agreement as described in Article 13, subject to our approval.

### **1.3 Territorial Rights**

We will describe your “Territory” in Attachment C hereto. The Territory may be described in terms of zip codes and may be depicted on a map attached to Attachment C. You shall not provide Services to or solicit clients outside of the Territory, unless that client is located in an area that has not yet been sold to another franchisee in the System, or that client initiates the contact with you, or we provide you with written permission to do so. You shall not offer or sell any products or services by catalog, direct mail, telephone order, by use of electronic means (e.g., the Internet), or in any other medium not approved in writing by us.

### **1.4 Rights Reserved to Us**

Except as expressly limited by Section 1.3 above, we and our affiliates retain all rights with respect to Franchised Businesses, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

1.4.1 the right to offer and sell and to grant others the right to offer, within or outside of your Territory, the products and services offered at Franchised Businesses, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

1.4.2 the right to own, franchise, establish and license to others to establish or operate Franchised Businesses located inside or outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to your Franchised Business;

1.4.3 the right to establish and operate Experience Centers inside or outside the Territory and permit other franchisees to meet with customers at such Experience Centers;

1.4.4 the right to allow another franchisee or third party designated by us to service national accounts in the Territory if you elect not to service a national account, if a national account elects not to do business with you or if we determine, in our sole discretion, that you may no longer service an account;

1.4.5 the right to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as Internet, catalog sales and the like, telemarketing or other direct marketing sales (together, the “Alternative Distribution Channels”). You may not use Alternative Distribution Channels to make sales outside or inside your Territory and you will not receive any compensation for our sales through Alternative Distribution Channels;

1.4.6 the right to add on additional services or offerings;

1.4.7 the right to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted to a new system with any business whether franchised or corporately owned, including a business that competes directly with your Franchised Business, provided that in such situations the newly acquired businesses will not operate under the Marks in your Territory;



1.4.8 the right to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

1.4.9 the right to engage in any other business activities not expressly prohibited by this Agreement, both within and outside your Territory.

We are not required to pay you if we exercise any of the rights specified above within your Territory. The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. We do not pay compensation for soliciting or accepting orders inside your Territory.

## **1.5 Relocation**

You may relocate the office for your Franchised Business within your Territory with our consent, which will not be unreasonably withheld, provided you notify us in writing at least 30 days in advance. If you wish to relocate outside your Territory, you will need our consent, which will not be unreasonably withheld. Your new office for your Franchised Business must be within your Territory. You shall use our then-current criteria and requirements for locating a suitable replacement Business Office for your Franchised Business and for constructing the Business Office for your Franchised Business at the new site.

## **ARTICLE 2** **SITE SELECTION AND OPENING OF BUSINESS**

### **2.1 Acceptance of Business Office and Lease**

You shall obtain our written acceptance of any proposed Business Office for the Franchised Business in accordance with our procedures, which acceptance will not be unreasonably withheld. For purposes of this Agreement, “Business Office” shall include any commercial office used on behalf of the Franchised Business. Unless we provide our specific acceptance of a proposed Business Office, the Business Office is deemed not accepted. We will periodically establish procedures for submitting requests for approval of professionals. You acknowledge that in approving a proposed Business Office we may consider such matters as we deem material including, without limitation, ingress and egress, proximity to major roadways, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the exclusivity granted to other franchisees of ours, the site’s size, its appearance, and other physical characteristics.

Within thirty (30) days after our receipt of all information we require concerning the proposed Business Office, we will accept or not accept the Business Office you propose for the operation of the Franchised Business by giving written notice to you. Unless we provide our specific acceptance of your proposed Business Office, the Business Office is deemed unaccepted. We will not unreasonably withhold our acceptance of a proposed Business Office that meets our standards and specifications for a Franchised Business. You must find an approved site within ninety (90) days of the Effective Date of this Agreement. Upon our acceptance of a proposed

Business Office for the Franchised Business, the Business Office's address will be inserted on Attachment C to this Agreement.

You hereby acknowledge and agree that our acceptance of the Business Office does not constitute an expressed or implied assurance, representation or warranty of any kind as to the suitability of the site for a Franchised Business or for any other purpose. Our acceptance of the Site indicates only that we believe the Business Office complies with acceptable minimum criteria established by us solely for our purposes as of the time of evaluation. We shall not be responsible for the failure of the Business Office to meet your expectations as to revenue, operational performance or other measures. You further acknowledge and agree that your acceptance of a franchise for the operation of the Franchised Business at the Business Office is based on your own independent investigation of the suitability of the Business Office.

Before you may execute a lease for the Business Office, you must submit the lease to us for our review and approval. Our approval will not be unreasonably withheld. At our request, you and your landlord must sign our then-current form of Lease Addendum and/or Collateral Assignment of Lease, the current form of which is attached to Exhibit H to the Franchise Disclosure Document.

## **2.2 Build-Out of Business Office**

We shall provide you suggested prototype plans and standard design specifications for the design, interior layout, fixtures, displays, equipment, signs, color scheme and décor of your Business Office.

## **2.3 Operating Assets**

You agree to use, in developing and operating the Franchised Business, only such furniture, fixtures, equipment, trucks, supplies and other operating assets that we approve in writing from time to time for Franchised Businesses as meeting our specifications and standards for quality, design, appearance, function and performance ("Operating Assets"). A list of Operating Assets is included in the franchise operations manual (which is defined in Section 4.4) and is subject to change from time to time. You agree to place or display at the Business Office (interior and exterior) only the signs, emblems, lettering, logos and display materials that we approve in writing from time to time. If we require, you must purchase or lease only approved brands, types and/or models of Operating Assets and/or purchase or lease them only from suppliers we designate or approve from time to time (which may include or be limited to us and/or our affiliates). If you desire to use any Operating Asset that we have not yet evaluated, you may submit such Operating Asset for our consideration by following the procedure set forth in Section 8.3.

## **2.4 Computer System**

You agree to use in operating the Franchised Business the computer equipment, hardware, and software (including, without limitation, laptops, desktops, point of sale systems, firmware, QuickBooks software, web technologies, or applications, internet access, modems, printers, scanners, or related equipment and methods of operation and maintenance thereof, and collectively, the "Computer System"), that we specify from time to time. We may periodically modify specifications for and components of the Computer System. Our modification of

specifications for the Computer System and/or other technological developments or events may require you to purchase, lease and/or license new or modified, equipment, computer hardware and/or software and to obtain service and support for the Computer System, and we reserve the right to require that some of these purchases, leases, or licenses be paid to us or to approved suppliers. Although we cannot estimate the future costs of the Computer System, you agree to incur the costs of obtaining the equipment or the computer hardware and software comprising the Computer System (or additions or modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and to ensure that your Computer System, as modified, is functioning properly. You understand that technology is dynamic, and there are no limitations on the frequency or cost of your obligation to acquire upgrades and updates or to replace obsolete or worn-out hardware or equipment for your Computer System.

Notwithstanding the fact that you must buy, use and maintain the Computer System under our standards and specifications, you will have sole and complete responsibility (including, without limitation, responsibility for the cost thereof) for: (1) the acquisition, operation, maintenance and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third-parties; and (3) any and all consequences that may arise if the system is not properly operated, maintained and upgraded. You agree to maintain, at all times during the term of this Agreement, a high-speed internet connection for your Computer System. You further agree to maintain a maintenance contract for the Computer System and a maintenance contract for upgrades to the required operational software. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Franchised Business, including all data protection or security laws.

## **2.5 Opening**

You agree not to open the Franchised Business for business until:

- 2.5.1 all persons that we require satisfactorily complete pre-opening training;
- 2.5.2 the initial franchise fee and all other amounts then due to us have been paid, unless other arrangements have been made;
- 2.5.3 all amounts due and owing to suppliers have been paid;
- 2.5.4 you give us certificates for all required insurance policies or other evidence of insurance coverage and premium payment that we request;
- 2.5.5 the Business Office has been built out, furnished, equipped and decorated according to our requirements and specifications;
- 2.5.6 you provide us with copies of all licenses and permits required for the Franchised Business's proper operation and any approval or condition set forth in this Agreement have been met;

2.5.7 we have approved your grand opening advertising campaign as provided in Section 9.5;

2.5.8 you have received our written approval to open the Franchised Business.

You agree to comply with these conditions and open the Franchised Business for business not later than one hundred eighty (180) days after executing this Agreement. Time is of the essence. If you fail to open your Franchised Business within the timeframe required herein, except for delay caused by circumstances outside of your control, we have the right to terminate this Agreement without providing you with a refund of any monies you have paid to us, unless we agree to provide you with an extension of the timeframe to open.

### **ARTICLE 3** **FEES**

#### **3.1 Initial Franchise Fee and Conversion Franchise Fee**

You agree to pay us, upon execution of this Agreement, a nonrecurring and non-refundable initial franchise fee (“Initial Franchise Fee”) or conversion franchise fee (“Conversion Franchise Fee”), as applicable, in the amount listed in Attachment A hereto, payable in a lump sum upon execution of this Agreement. The Initial Franchise Fee or Conversion Franchise Fee is in consideration of all of our pre-opening assistance that we provide to allow you to open your Franchised Business and our lost or deferred opportunity to enter into this Agreement with others, and it offsets some of our expenses for franchisee recruitment. Any application fee you have paid to us in connection with your application for a franchise shall be credited towards the Initial Franchise Fee.

#### **3.2 Support Services Fee**

You shall pay us, in the manner provided in Section 3.6, Support Services Fees (“Support Services Fee”) each month equal to ten percent (10%) of Gross Sales, to be withdrawn on or before the fifteenth (15<sup>th</sup>) day of each month for the Gross Sales of the previous month, based upon statistical reports provided by you and/or generated by the any other software we designate. If the fifteenth day of any month is a bank holiday, funds are due the following day. The Support Services Fee is an ongoing payment that allows you to use the Marks and the other intellectual property of the System and that pays for our ongoing support and assistance.

If any state imposes a sales or other tax on the Support Services Fees, then we have the right to collect this tax from you.

#### **3.3 National Account Management Fee.**

We shall facilitate billing for all National Accounts Program orders as further described in this Agreement. Upon payment of all invoiced amounts by a National Accounts Program customer, we shall remit customer payments to you less National Account Management Fee equal to a five percent (5%) of the Gross Sales. You may elect to participate in certain additional programs,

including national accounts programs, other sales or lead generation programs, or other programs that may be offered by us from time to time, as such programs are described and updated in the Operations Manual. In order to qualify for participation in such programs, you must be in good standing, as determined by us in our sole discretion, and meet any other qualifications specified in the Operations Manual. You acknowledge and agree that you may not receive and are not entitled to receive leads and/or jobs from National Account Programs offered by us from time to time, and that if you do receive such leads or jobs: (a) those leads or jobs may not be distributed equally; (b) the model for distributing those leads will be designated in our sole discretion and may be modified from time to time; (c) national account customers may limit the number of participating franchisees in a market and direct work to specific franchisees; and (d) lead and/or job volume varies greatly across the United States, and that some geographic regions have few or no leads/jobs.

### **3.4 Experience Center Usage Fee**

We reserve the right to establish an experience center which will display then-current products offered by Daisy franchisees for you and other franchisees to meet with customers (an “Experience Center”). If we establish an Experience Center within twenty-five (25) miles of your Territory, you shall be required to use the established Experience Center and pay to us our then-current Experience Center usage fee. The Experience Center usage fee, if imposed, shall be due and payable at the same time and in the same manner as the Support Services Fee.

You are also permitted to establish your own Experience Center within your Territory at any point during the Term of this Agreement. If you establish your own Experience Center then you will not be obligated to use any Experience Center that we establish in the future and will not be required to pay to us any Experience Center usage fee.

### **3.5 Definition of “Gross Sales”**

As used in this Agreement, “Gross Sales” shall mean the total of all monies and receipts you derive in connection with the Business, and from all other business using the Marks, whether evidenced by cash, credit, check, gift certificate, gift card, script or other property or services, including all proceeds received from any business interruption insurance policy (including actual deposits in your bank accounts as well as undeposited cash receipts). Gross Sales also include all commissions, finder's fees, referral fees, construction management fees or other compensation you receive arising from the operations of the Business as well as any amounts billed by you on behalf of the Business that remain unpaid after 90-days. Gross Sales does not include (i) promotional allowances or rebates paid to Franchisee in connection with its purchase of products or supplies; (ii) sales, use, merchants’ or other taxes measured on the basis of the gross sales of the Business imposed by governmental authorities directly on sales or use and collected from customers, if the taxes are added to the selling price of your goods and services and are in fact paid by you to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by us, or any bona fide discounts or customer refunds approved by us.

### **3.6 Electronic Funds Transfer**

All Support Services Fees and other fees payable hereunder shall be made via monthly electronic funds transfer or automatic debit of funds, in a method determined by us in our sole discretion. You shall sign and deliver to us the EFT authorization and any documents required to

authorize us to debit your bank account automatically for the Support Services Fee and other amounts due under this Agreement. You agree to make the funds available for withdrawal by electronic transfer before each due date. We reserve the right to require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under this Agreement.

If the Support Services Fee we debit is less than the Support Services Fee you actually owe us, once we have been able to determine your true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Support Services Fee we debit is greater than the Support Services Fee you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following month.

### **3.7 Interest on Overdue Amounts**

To encourage prompt and timely payment of the Support Services Fees and other amounts due hereunder, and to cover the costs and expenses involved in handling and processing any payments not received by their due dates, you shall also pay, upon demand, interest on any overdue amount equal to one hundred dollars (\$100) per occurrence plus interest at the lesser of: (i) one and one-half percent (1.5%) per month; or (ii) the highest rate permitted by law. Interest shall accrue from the date payment was due until the date payment is actually received in full by us. Notwithstanding the foregoing, each failure to pay the Support Services Fees or other payments payable to us when due will be a material breach of this Agreement. The foregoing shall not apply if the lateness is the result of our failure to debit your account in a timely manner.

The acceptance of any interest payment by us shall not be construed as a waiver of any other rights or remedies available to us under this Agreement or at law and shall be without prejudice to our right to terminate this Agreement with respect to such default in accordance with the provisions of this Agreement.

### **3.8 Application of Payments and Right of Set-Off**

Notwithstanding any designation by you, we may apply any of your payments to any of your past due indebtedness to us (or our affiliates). We may set-off any amounts you owe us or our affiliates against any amounts we or our affiliates might owe you. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement or any other agreement between us (and/or our affiliates) and you.

### **3.9 Non-Compliance Fee**

In the event you are, at any time during the term of this Agreement, found to not be in compliance with the terms hereof and/or the System Standards or this Agreement, you agree to pay to us five thousand dollars (\$5,000) (the "Non-Compliance Fee"). If your non-compliance is monetary in nature, we reserve the right to notify your credit union or other banking institution that issued a loan or line of credit for the Franchised Business of your failure to comply with this Agreement. You agree that such fee and banking notification is in addition to any other rights or remedies we may have under this Agreement or at law.

We reserve the right to grant you the opportunity to cure the non-compliance prior to

imposing the Non-Compliance Fee. We have the right to require any form of verification to determine non-compliance, with or without cause, including but not limited to documentation, photos, video tours, etc. and that you shall be required to furnish such verification within seventy-two (72) hours of our written request. We maintain the right to make personal visits to the Franchised Business, provided that such visits are conducted during regular business hours and do not unduly disrupt the Franchised Business operations.

### **3.10 Late Fee**

Any payment not made by the due date will be deemed overdue. In the event of any overdue amounts, you will pay us, besides the overdue amounts, a late fee equal to one hundred dollars (\$100) per occurrence plus the lesser of the daily equivalent of eighteen percent (18%) per month simple interest or the highest amount allowed under law, on any overdue amount for each day any amount is past due, accruing until the past-due amount is paid in full. This provision does not permit or excuse late payments. You agree that such fee is in addition to any other rights or remedies we may have under this Agreement or at law.

### **3.11 Supplier Review Fee**

You must reimburse us for our reasonable costs in connection with testing a particular product or evaluating an unapproved supplier at your request, or pay us a fee of five thousand dollars (\$5,000), whichever is greater, regardless of whether we subsequently approve the item or supplier. Nothing in the foregoing will be construed to require that we approve any particular supplier.

### **3.12 Payment of Additional Fees**

You shall pay such other fees or amounts described in this Agreement.

## **ARTICLE 4 TRAINING AND ASSISTANCE**

### **4.1 Training**

Before the Franchised Business opens, we will conduct one training course for you and up to one additional person on the operation of a Franchised Business. If you request that we provide our training program to additional trainees or on additional occasions, whether before your Franchised Business opens or while it is operating, you shall pay our then-current training fee for each additional trainee, and you shall pay any expenses associated with that training. We will provide approximately ten (10) days of training at either our designated training site (which may include our headquarters, an operating Franchised Business and/or another location) or virtually. Initial training will be held at such time and location and for such duration as we designate. You (or your Designated Owner if you are an entity) and your General Manager (if any) identified in Section 8.8 must complete the initial training to our satisfaction and participate in all other activities we require not later than 30 days before opening the Franchised Business. We provide this training at no additional fee; however, you must pay all travel and living expenses which you and your trainees incur in connection with such training, including, but not limited to, travel, lodging, meals and applicable wages. You agree to replace any General Manager if we determine

that he or she is not qualified and/or has not completed our training program to our satisfaction, and to pay our then-current fee for training his or her replacement. You may not employ any person who has not completed our training program to our reasonable satisfaction.

We may offer to you and/or your employees refresher training courses, and we may designate that attendance at such training courses is mandatory. We will not charge a separate fee for such refresher training, but you shall be solely responsible for the expenses you and/or your employees incur while attending such courses, including travel, lodging, meals and wages.

#### **4.2 Ongoing Guidance**

We will advise you regarding the Franchised Business's operation based on your reports or our inspections. We also will guide you on standards, specifications, and operating procedures and methods that Franchised Businesses use; purchasing required Operating Assets and inventory; advertising and marketing programs; and employee training, administrative, bookkeeping, and accounting procedures. We will guide you in our Franchise Operations Manual, bulletins, or other written materials, emails, during telephone consultations, and/or during consultations at our office or at your Franchised Business. We are not obligated to perform services set forth in this Agreement to your particular level of satisfaction, but as a function of our experience, knowledge and judgment. We do not represent or warrant that any other services will be provided to you, other than as set forth in this Agreement. To the extent any other services, or any specific level or quality of service is expected, you must obtain a commitment to provide such service or level of service in writing signed by our authorized officer.

#### **4.3 Additional Training**

We may, in our sole discretion, hold refresher and ongoing training courses, or training courses upon a significant change to the System, in order to provide additional assistance to you. We may require that you and your employees attend such training at our then-current fee for providing such training. All expenses, including you and your employees' transportation, meal, and lodging expenses to attend such training shall be your sole responsibility.

#### **4.4 Franchise Operations Manual**

We will loan to you, to use in operating the Franchised Business during this Agreement's term, one copy (or access to an electronic copy) of our franchise operations manual ("Franchise Operations Manual"), which might include audiotapes, videotapes, computer disks, compact discs and/or written materials. We may provide the Franchise Operations Manual in hard copy format or electronic format, such as USB drive or a password-protected Website. You agree to develop and operate the Franchised Business pursuant to this Agreement and the Franchise Operations Manual, including all directives, requirements, standards, methods of operations, systems and any and all modifications, additions, deletions and changes made to the Franchise Operations Manual from time to time during the term of this Agreement (collectively, "System Standards"), however communicated including, but not limited to intranet system, email, fax, video, verbal or mail. You agree to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply at your sole cost. The Non-Compliance Fee, as described in Section 3.9, shall apply to this Section 4.4 if you fail to implement the changes within a reasonable time as determined by us. You agree to keep



your copy of the Franchise Operations Manual current and in a secure location at the Franchised Business. If there is a dispute over the contents of the Franchise Operations Manual, the master copy of the Franchise Operations Manual at our office controls. You agree that the contents of the Franchise Operations Manual are confidential and that you will not disclose the Franchise Operations Manual to any person other than Franchised Business employees and/or independent professionals who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Franchise Operations Manual. In the event you require a replacement copy of the Franchise Operations Manual, if a hard copy of the Franchise Operations Manual was provided to you, you agree to pay our then-current replacement fee for the replacement volume of the Franchise Operations Manual.

#### **4.5 Delegation of Performance**

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees. However, we shall remain responsible for the performance of our obligations under this Agreement, regardless of whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

#### **4.6 Franchisee Meetings**

We reserve the right to hold a meeting or convention of our franchisees, which will not be held more frequently than annually. We also reserve the right to hold regional meetings of our franchisees not more than twice a year. We may designate that attendance at a franchisee meeting by you and/or any Designated Owner or General Manager is mandatory. We may conduct franchisee meetings to discuss new procedures or protocols, marketing strategies, new products and/or to provide training. We may designate the location of the meeting, but we will not designate an unreasonably expensive location. We reserve the right to charge a reasonable fee to attend the meeting. Regardless of whether we charge a fee to attend the meeting, you are responsible for all expenses incurred by you, your manager and/or any other attendees at the franchisee meeting, including travel, lodging, meals, applicable wages and any meeting supplies or material we designate.

### **ARTICLE 5**

#### **MARKS**

#### **5.1 Ownership and Goodwill of Marks**

You acknowledge that the Marks are owned by us, and that any references to our right, title or interest in the Marks in this Article 5 shall include the owner's right, title or interest. You agree that your right to use the Marks is derived only from this Agreement and is limited to your operating the Franchised Business according to this Agreement and all System Standards we prescribe during its term. Any unauthorized use of the Marks by you constitutes a breach of this Agreement and infringes our rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Business under this Agreement). All provisions of this Agreement

relating to the Marks apply to any additional and substitute trademarks and service marks we authorize you to use.

## **5.2 Limitations on Your Use of Marks**

You agree to use the Marks as the sole trade identification of the Franchised Business, provided that you shall identify yourself as the independent owner of the Franchised Business in a manner acceptable to us. You may not use any Mark or any variation thereof (1) as part of any corporate or legal business name, (2) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, electronic address or search engine you maintain on any website; (5) in any other manner we have not expressly authorized in writing; or (6) that may damage or cause harm to us, our affiliates, the Marks, the System or our principals. You may not make any disparaging remarks related to us, our affiliates, our franchisees, the Marks, the System or our principals. You may not use any Mark in advertising the transfer, sale or other disposition of the Operating Assets or the Franchised Business without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Franchised Business and on forms, advertising and other materials we designate. You agree to give the notices of trademark and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

## **5.3 Notification of Infringements and Claims**

You agree to notify us immediately of any apparent infringement of or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge or claim. We may take the action we deem appropriate (including no action) and may control exclusively any settlement, litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. You agree to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

## **5.4 Discontinuance of Use of Marks**

If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We shall not be required to reimburse you for your expenses in complying with these directions (such as costs you incur in changing the Franchised Business's signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

## **5.5 Indemnification for Use of Marks**

We agree to indemnify you and hold you harmless from all damages and expenses you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided that you have timely notified us of the proceeding, have complied with

this Agreement, and comply with our directions in responding to the proceeding. At our option, we may defend and control the defense of any proceeding relating to any Mark. If any action taken by us with respect to any such claim or proceeding results in any monetary recovery for you which exceeds your costs, then the amount of such recovery which exceeds your costs will first be used to reimburse us for our expenses in connection with such action, and any remainder will be distributed to you.

## **ARTICLE 6**

### **CONFIDENTIAL AND GENERAL INFORMATION**

#### **6.1 Confidential Information**

We and our affiliates possess (and will continue to develop and acquire) certain confidential information relating to the development and operation of the Franchised Business (the “Confidential Information”), which includes (without limitation):

6.1.1 methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating the Franchised Business (including, without limitation, the System Standards);

6.1.2 market research and promotional, marketing and advertising programs for the Franchised Business;

6.1.3 knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, materials, equipment and fixtures that the Franchised Business uses;

6.1.4 knowledge of the operating results and financial performance of our business, System, and franchisees other than your Franchised Business;

6.1.5 client communication programs, along with data used or generated in connection with those programs;

6.1.6 the terms of this Agreement;

6.1.7 the Franchise Operations Manual;

6.1.8 graphic designs and related intellectual property; and

6.1.9 the Client Database (as described in Section 6.3 below).

#### **6.2 Restriction on Use of Confidential Information**

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information solely for the purpose of operating the Franchised Business during this Agreement’s term and in accordance with this Agreement’s terms and conditions, and that your use of any Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees and may violate certain laws. You further acknowledge and agree that the Confidential Information is

proprietary, includes our trade secrets, and is disclosed to you only on the condition that you, your Owners, managers, employees and/or independent contractors who have access to it agree, and they do agree, that you and they:

6.2.1 will not use any Confidential Information in any other business or capacity;

6.2.2 will keep the Confidential Information absolutely confidential during and after this Agreement's term;

6.2.3 will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and

6.2.4 will adopt and implement all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to Franchised Business personnel and others needing to know such Confidential Information to operate the Franchised Business, and requiring all employees, independent contractors, and third-parties having access to Confidential Information to sign confidentiality and non-competition agreements in a form acceptable to us. We have the right to regulate the form of confidentiality and non-competition agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

You must disclose to us all ideas, techniques, services and products concerning the development and operation of the Franchised Business that you or your employees, contractors, or third parties conceive or develop during the term of this Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of Franchised Business that you or your employees conceive or develop during the term of this Agreement in all similar product and service businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval. Such ideas, techniques, services and products will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us and agree to sign whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

"Confidential Information" does not include information, knowledge or know-how which: (a) at or prior to the time of disclosure was in the public domain, provided that such information did not enter the public domain as a result of a breach of this Agreement or any other agreement by you, your employees, contractors, or third parties; (b) at or prior to the time of disclosure by us or the signing of this Agreement, whichever occurred first, was known to you and in actual commercial use by you or generally within the industry, in the manner and combination disclosed; or (c) is subsequently received by you from an independent third party not in breach of any duty of nondisclosure, secrecy, nonuse or similar duty, but only to the extent and in the form, manner

and combination so disclosed, and provided that you promptly notify us upon receipt of such information.

You acknowledge that failure to comply with the terms of this Article 6 could potentially cause substantial and irreparable damage to us and/or other franchisees for which there may not be an adequate remedy at law. Therefore, you agree that any violation of the terms of this Article 6 will entitle us to injunctive and all other equitable relief that a state or federal court nearest to our principal place of business (currently, New Castle, Delaware) or any other court with jurisdiction may deem just and proper. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). All remedies available to us under this Agreement are cumulative and not exclusive, and may be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed an election of such remedy to the exclusion of other remedies. This includes but is not limited to injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you or your Owners may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Article 6.

### **6.3 Client Database**

You agree that the list of the names, addresses and other information regarding your current clients, former clients, and those who have inquired about the Services (the “Client Database”) shall be included in the Confidential Information, shall be our property and shall constitute a trade secret of ours. You agree that you may not disclose the Client Database, or any portion thereof, to any person other than us either during the term of this Agreement or thereafter. You further agree that a breach of this Section shall be grounds for immediate termination of this Agreement pursuant to Section 14.1.12. If, for any reason, we are prohibited from owning any or all of the Client Database, you agree to grant us a worldwide, exclusive, fully-paid-up, royalty-free, transferable right and license in perpetuity to use, copy, reproduce, distribute, disclose, publish, broadcast, communicate, display and/or perform (whether publicly or otherwise), host, store, prepare derivative works from, translate, modify, combine with other data or information or content, sublicense, and/or otherwise exploit any and all of the Client Database in any manner we deem appropriate, without any further consent, notice, or payment to you.

## **ARTICLE 7** **EXCLUSIVE RELATIONSHIP**

You and your Owners acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us. You and your Owners therefore agree that, during this Agreement’s term, neither you, nor any Owner, nor any member of your or an Owner’s immediate family, without our written consent, will:

(a) have any direct or indirect, controlling or non-controlling interest as an owner (whether of record, beneficial or otherwise), or lend money to, a Competitive Business (as defined

hereinafter), wherever located or operating, without our prior written consent, which may be withheld at our sole discretion;

(b) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, for a Competitive Business, wherever located or operating; or

(c) divert or attempt to divert any actual or potential business or client of the Franchised Business to a Competitive Business.

The term “Competitive Business” means any business that provides residential and commercial technology installation or maintenance services, or any business which grants franchises or licenses to others to operate such a business, other than a Franchised Business operated under a franchise agreement with us. You and your Owners also agree that they will not, during the term of this Agreement, operate or otherwise become affiliated with any website involving, referring to, or in any way related to a Competitive Business. Competitive Business shall not apply to ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any corporation which is registered and publicly traded under the Securities Exchange Act of 1934.

## **ARTICLE 8**

### **BUSINESS OPERATION AND SYSTEM STANDARDS**

#### **8.1 Condition and Appearance of the Franchised Business**

You agree that you will not use the Franchised Business or any part of the Business Office for any business purpose other than operating a Franchised Business in compliance with this Agreement, and that you will place or display at the Business Office (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we approve from time to time. You further agree to maintain the condition and appearance of the Franchised Business, its Operating Assets and the Business Office (including any parking area) in accordance with the System Standards and consistent with the image of a Franchised Business as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness and efficient, courteous service. We shall have the right to inspect the Franchised Business and Business Office at any time, with or without advance notice to you, as outlined in Article 11 of this Agreement. Therefore, you agree to take, without limitation, the following actions during this Agreement’s term at your expense: (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Business Office at intervals that we may prescribe; (b) interior and exterior repair of the Business Office as needed; and (c) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any Operating Asset, as that Operating Asset needs to be repaired or replaced).

Notwithstanding the generality of the foregoing paragraph, and in addition to periodic technological upgrades and general maintenance of the Franchised Business, we have the right to require you to refurbish, renovate and/or redecorate your Franchised Business to meet our then-

current image for new Franchised Businesses entering the System. We do not anticipate making this request more frequently than every five years during the term of this Agreement. We also have the right to make this request upon renewal or transfer of this Agreement. You agree to incur any expenses related to such refurbishment, renovation and/or redecoration.

## **8.2 Products and Services the Franchised Business Offers**

You agree that you (a) will offer and sell from the Franchised Business only the products and services that we periodically specify; (b) will not offer or sell at the Franchised Business, the Business Office or any other location any products or services we have not authorized; and (c) will discontinue selling and offering for sale any products or services that we at any time disapprove.

You acknowledge that every detail of the quality of client service, client relations, appearance and demeanor of you and your employees and/or independent contractors, equipment and materials used by you in the Franchised Business is important to us, the System, and to other franchisees. We will try to maintain high standards of quality and service by all Franchised Businesses. You must cooperate with us by maintaining our high standards in the operation of your Franchised Business and you must give prompt, courteous and efficient service to your clients. All work performed by the Franchised Business will be performed competently and in a workmanlike manner. The Franchised Business will in all dealings with its clients, suppliers and the public adhere to the highest standards of honesty, fair dealing and ethical conduct. Any complaints you receive from a client must be handled by you or your manager.

If we deem an employee, independent contractor or volunteer at the Franchised Business a potential threat or danger to the welfare of a customer or employee, or if their conduct threatens the goodwill associated with the Marks, your Franchised Business or other franchisees, we reserve the right to recommend that you consider terminating the individual's employment or contract, and banning the individual from the premises effective immediately, as permitted by law.

## **8.3 Approved Products, Services, and Suppliers**

We reserve the right to periodically designate and approve standards, specifications, suppliers and/or distributors of the Operating Assets and the products and services that we periodically authorize for use or sale at or in the Franchised Business. During this Agreement's term you must purchase or lease all Operating Assets and other products and services for the Franchised Business only according to our standards and specifications and, if we require, only from suppliers or distributors that we designate or approve (which may include or be limited to us and/or our affiliates). You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases and leases (including, without limitation, from charging you for products and services we or our affiliates provide to you and from payments made to us by suppliers that we designate or approve for some or all of our franchisees).

We strictly prohibit any form of solicitation, distribution or display of any materials in the Franchised Business that have not been requested by us, provided for in the Franchise Operations Manual or other written communication or expressly approved by us in writing. We reserve the right to withdraw any approval we provide at any time and for any reason, at our sole discretion.

Upon our request, or if you want to use any Operating Assets or products that we have not yet evaluated or want to purchase any item from a supplier or distributor that we have not yet approved (for items that we require you to purchase from designated or approved suppliers or distributors), you first must submit sufficient information, specifications and samples for us to determine whether the item complies with our standards and specifications or the supplier or distributor meets our criteria. You must reimburse us for our reasonable costs in connection with testing a particular product or evaluating an unapproved supplier at your request, or pay us a fee of five thousand dollars (\$5,000), whichever is greater, regardless of whether we subsequently approve the item or supplier. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, at our option, either directly to us or to any independent, certified laboratory which we designate for testing. We reserve the right periodically to re-inspect the facilities and products of any approved supplier or distributor and to revoke our approval if the supplier or distributor does not continue to meet our criteria.

You acknowledge, understand, and agree that your failure to purchase items from the approved suppliers, or failure to purchase only the products and services we designate or approve, shall be considered a breach of this Agreement. This will require, among other things, that you pay to us the Non-Compliance Fee described in Section 3.9 above. It may also result in termination of this Agreement at our sole discretion.

You agree to maintain minimum levels of inventory in the Franchised Business at all times as set forth in the Franchise Operations Manual or otherwise prescribed by us. The minimum inventory levels may depend on the location and size of your Franchised Business, and the demographics of your Territory.

#### **8.4 Compliance with Laws and Good Practices**

You must secure and maintain in force throughout this Agreement's term all required licenses, permits and certificates relating to the provision of the Services and Franchised Business operation, and operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. The Franchised Business must in all dealings with its clients, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You shall participate in any customer surveys and satisfaction audits which may require you to provide discount or complimentary products, provided that such discounted or complimentary sales shall not be included in the Gross Sales. Additionally, you shall participate in any complaint resolution and other programs as we may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

You agree to refrain from any business or advertising practice which might injure our business, the goodwill associated with the Marks or other Franchised Businesses, or our reputation, as determined by us in our sole discretion.



You must notify us in writing within three (3) business days of: (a) the commencement of any action, suit or proceeding relating to the Franchised Business; (b) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to the Franchised Business (including, without limitation, the revocation or threatened revocation of any license, permit or certification applicable to the Franchised Business); (c) any notice of violation from a governing authority of any law, ordinance or regulation relating to the Franchised Business; and (d) receipt of any notice of complaint from the Better Business Bureau, any local, state or federal consumer affairs department or division, or any other government or independent third party involving a complaint from a client or potential client relating to the Franchised Business. You must immediately provide to us copies of any documentation you receive of events in (a) through (d) above. If we believe you are not adequately responding to or handling any event listed in (a) through (d), we reserve the right to require you to resolve the matter in a prompt and reasonable manner in accordance with good business practices, we may require you to participate in consultation, issue resolution and/or retraining to address such matters, and we may charge you for such ongoing guidance in accordance with Section 4.2 herein.

You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your Owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" refer to Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts, acts of war, or any other form of illegal or harmful activity. Any proven violation of the Anti-Terrorism Laws by you or your Owners, or any confirmed blocking of your or your Owners' assets under the Anti-Terrorism Laws, may constitute good cause for termination of this Agreement, as provided in Section 14, subject to our reasonable discretion and subject to any applicable laws and regulations.

## **8.5 Insurance**

You shall procure, at your sole expense, and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting you, us, our respective officers, directors, partners and employees against any loss, liability, personal injury, death or property damage or expense whatsoever arising or occurring upon or in connection with the Franchised Business, as we may require for our own and your protection. You shall ensure that we and our affiliates are named as additional insureds in such policy or policies (except for employment liability insurance policies).

Such policy or policies shall be underwritten by an insurance company licensed in the state in which you operate in accordance with standards and specifications set forth in the Franchise Operations Manual, shall include, at a minimum (except as different coverages and policy limits may reasonably be specified for all franchisees from time to time by us in the Franchise Operations Manual or otherwise in writing), the following: (i) commercial general liability insurance and product liability insurance coverage against bodily and personal injury, death, and property damage of at least \$1,000,000 per occurrence and \$2,000,000 aggregate; (ii) worker's compensation or other employer liability insurance that at least meets the minimum coverage

available in the state where your Business is located; (iii) automobile liability coverage, including coverage of owned, non-owned and hired vehicles of at least \$1,000,000 per occurrence; (iv) third-party crime bond coverage in the minimum amount of \$25,000 to protect your business in the event of employee theft from a customer; and (v) employee practices liability insurance with a minimum limit of \$2,000,000.

The amounts required herein may be modified from time to time by us to reflect inflation, future experience with claims, or changes in market conditions. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by us. Within sixty (60) days of the signing of this Agreement, but in no event later than thirty (30) days prior to commencement of operations of the Franchised Business, a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by you to us for approval. Such certificate shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to us and shall reflect proof of payment of premiums. You shall be subject to the Non-Compliance Fee described in Section 3.9 above for each certificate that has not been submitted to us. Maintenance of such insurance and the performance by you of the obligations under this Article 8 shall not relieve you of liability under the indemnity provision set forth in this Agreement. Minimum limits as required above may be modified from time to time by us, as conditions require, by written notice to you.

Should you, for any reason, not procure and maintain such insurance coverage as required by this Agreement, we shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance coverage and to charge same to you, which charges, together with a five hundred dollar (\$500) administrative fee for our expenses and efforts in connection with such procurement, shall be payable by you immediately upon notice.

## **8.6 Compliance with System Standards**

You acknowledge and agree that operating and maintaining the Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and the goodwill of all Franchised Businesses. Therefore, you agree at all times to operate and maintain the Franchised Business according to each and every System Standard, as we periodically modify and supplement them. System Standards may regulate any aspect of the Franchised Business's operation and maintenance, including but not limited to any one or more of the following:

8.6.1 sales, marketing, advertising and promotional programs and materials and media used in these programs;

8.6.2 staffing levels for the Franchised Business and employee and/or independent contractor's qualifications, training, dress and appearance (although you have sole responsibility and authority concerning staff selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions);

8.6.3 use and display of the Marks;

8.6.4 days and hours of operation, subject to applicable law and/or the terms of the Business Office's lease;

8.6.5 methods of payment that you may accept from clients;

8.6.6 participation in market research and testing and product and service development programs;

8.6.7 bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to us of sales, revenue, and financial performance and condition; and giving us copies of tax returns and other operating and financial information concerning the Franchise (we will use reasonable efforts to keep such records confidential);

8.6.8 types, amounts, terms and conditions of insurance coverage required for the Franchised Business, including criteria for your insurance carriers; and

8.6.9 any other aspects of operating and maintaining the Franchised Business that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Franchised Businesses.

You agree that System Standards we prescribe in the Franchise Operations Manual, or otherwise communicate to you in writing or another form, are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified. Subject to your rights under Section 8.1 relating to alterations to the Franchised Business's appearance, layout and/or design and/or replacement of a material portion of your Operating Assets, you acknowledge that our periodic modification of the System Standards (including, without limitation, changes to the hardware and software required for the Computer System) may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs.

## **8.7 Pricing**

With respect to the offer and sale of all Services, we may from time-to-time offer guidance with respect to the selling price for such Services, but you shall ultimately have the discretion to set your own prices. If you elect to sell any or all of your Services at any price recommended by us, you acknowledge that we have made no guarantee or warranty that offering such Services at the recommended price will enhance your sales or profits.

## **8.8 Management**

If you are an entity, you shall complete and update throughout the term of this Agreement, as necessary, the statement of ownership attached hereto as Attachment B. The Franchised Business shall be managed by you, or if you are an entity, by one of your shareholders, partners, or members who is a natural person, holding at least a ten percent (10%) interest in the franchisee entity, and who is designated in writing to us as the person to make all decisions for the franchisee entity and to be principally responsible for communicating with us about the Franchised Business ("Designated Owner"). Under certain circumstances we may allow you to appoint a designated manager ("General Manager") to run the day-to-day operations of your Franchised Business; the General Manager need not have an ownership interest in the franchisee entity. In addition, if you are an entity, all persons who own more than five percent (5%) of the beneficial ownership interests

in the entity and each such person's respective spouse shall guaranty franchise owner's performance under this Agreement by signing the Owners Agreement attached hereto as Attachment D. The Designated Owner shall have the authority to speak for and bind franchise owner in all matters pertaining to this Agreement, and all matters relating to the Franchised Business.

You must at all times faithfully, honestly, and diligently perform your contractual obligations. System Standards may regulate the staffing levels and employee qualifications, training, dress, and appearance of the Franchised Business. Any Designated Owner or General Manager must successfully complete the mandatory training as evaluated by us.

Either you, or your Designated Owner if you are an entity, and any General Manager must be present to operate the business during business hours. If your Designated Owner or General Manager resigns, is terminated, or is otherwise no longer performing as a Designated Owner or General Manager, you must designate a replacement Designated Owner or General Manager (either, a "Replacement"), as applicable, and we must pre-approve the Replacement in writing. Before being employed as Designated Owner or General Manager, the Replacement must complete the mandatory training to our satisfaction. You must pay our then-current fee for the Replacement's training and bear all associated costs, including but not limited to travel, lodging, meals, and wages.

Any General Manager and, if you are an entity, an officer that does not own equity in the franchisee entity, must sign the "System Protection Agreement," the form of which is attached to the Franchise Disclosure Document. All of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to the Franchise Disclosure Document.

## **8.9 National Accounts Program**

We have the right to establish a National Accounts Program designed to address the needs of customers desiring central billing accounts, multiple service destinations, and similar requests that are typical of large volume customers or businesses that have customers at more than one location or facility. You may participate in the National Accounts Program if you satisfy our then-current qualifications and our then-current standard form National Accounts Agreement, acknowledging the performance requirements and standards for participation in the National Accounts Program. You understand that we will establish the rules under which you will participate and be compensated for participation in the National Accounts Program, and that we may terminate or modify the National Accounts Program consistent with the terms of a National Accounts Agreement. If you do not accept an assignment, then notwithstanding any other provision of this Agreement, we may assign such work to another franchisee or other independent contractor. The work performed by the franchisee or independent contractor will be deemed not to violate your Territory rights. You acknowledge and agree that you may not receive and are not entitled to receive leads and/or jobs from National Accounts Programs offered by us from time to time, and that if you do receive such leads or jobs: (a) those leads or jobs may not be distributed equally; (b) the model for distributing those leads will be designed in our sole discretion and may

be modified from time to time; (c) national account customers may limit the number of participating franchisees in a market and direct work to specific franchisees; and (d) lead and/or job volume varies greatly across the United States, and that some geographic regions have few or no leads/jobs.

## **8.10 Vehicle**

You are required to have a minimum of two (2) vehicles that meet our then-current standards, as communicated to you in writing, and as determined in our sole discretion. You shall ensure that all vehicles comply with all applicable System Standards, including without limitation required equipment and exterior décor. You shall keep all vehicles in excellent or better condition, clean, and free of dents and other damage, and shall ensure that the vehicles present a first-class image appropriate to the Daisy System. You shall use the vehicles solely for operation of the Franchised Business.

## **ARTICLE 9 ADVERTISING AND MARKETING**

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

### **9.1 Participation in Advertising**

We may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Businesses operating under the System. You shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by us for each program, provided that such terms and conditions do not conflict with any existing laws or regulations. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by us shall be final and binding upon you.

### **9.2 Local Advertising**

You shall, throughout the term of this Agreement, conduct advertising for the Franchised Business in your Territory (“Local Advertising”). During the term of this Agreement, you must spend at least three percent (3%) of your Gross Sales on Local Advertising (“Local Advertising Requirement”). You shall submit to us, within thirty (30) days of our written request, advertising expenditure reports accurately reflecting your Local Advertising expenditures, including verification copies of all advertising and any other information that we require.

You understand and acknowledge that you shall not engage in any promotional activities or sell any products or services outside your designated Territory, whether directly or indirectly, through or on the Internet or any other similar proprietary or common carrier electronic delivery System; through catalogs or other mail order devices sent or directed to customers or prospective customers located outside of your Territory; or by telecopy or other telephonic or electronic

communications, including toll-free numbers, directed to or received from customers or prospective customers located outside of your Territory. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Territory, you will not be deemed to be in violation of the Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Territory. You may not directly solicit customers outside of your Territory.

### **9.3 Conduct of Advertising; Our Approval**

All advertising and promotion by you in any medium shall be conducted in a professional manner and shall conform to our standards and requirements as set forth in the Franchise Operations Manual or otherwise. You shall obtain our approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by us or previously approved by us during the twelve (12) months prior to their proposed use. You shall submit such unapproved plans and materials to us not later before you intend to use such materials, and we will respond in writing within five (5) days from the date we receive all requested information. If we do not provide our specific approval of the proposed materials within this five (5) day period, the proposed materials are deemed to be not approved. Any plans and materials that you submit to us for our review will become our property, and we will have the unrestricted right to use or disseminate such materials, provided that we do not disclose any confidential information or trade secrets contained in such materials without your prior written consent. You shall not advertise or use the Marks in any fashion on the Internet or via other means of advertising through telecommunication without our express written consent.

We reserve the right to require you to include certain language on all advertising to be used locally by you, including, but not limited to, “Franchises Available” and/or “Each Franchise Location Independently Owned and Operated”. All advertising must include a reference to our telephone number and/or Website. All of your advertising must also comply with any applicable laws or regulations.

### **9.4 Grand Opening Advertising**

In addition to the ongoing advertising expenditures set forth herein, you shall be required to spend a minimum of fifteen thousand dollars (\$15,000) on a grand opening advertising campaign to advertise the opening of Franchised Business. The grand opening advertising campaign must be conducted in the sixty (60) days before and ninety (90) days after the opening of your Franchised Business. Your grand opening advertising campaign, including the beginning and ending dates, must be approved by us before you may begin the campaign. You may include brochures, newspaper advertising, billboards, internet marketing, social media, direct mailings, and flyers. You may not mail any advertising until you have received our approval of your grand opening advertising campaign.

### **9.5 Websites**

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators (“URLs”) and, if we do, we may design

and provide for the benefit of your Franchised Business a “click through” subpage at our website for the promotion of your Franchised Business. If we establish one or more websites or other modes of electronic commerce and if we provide a “click through” subpage at the website(s) for the promotion of your Franchised Business, you must routinely provide us with updated copy, photographs and news stories about your Franchised Business suitable for posting on your “click through” subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your “click through” subpage.

Any websites or other modes of electronic commerce that we establish or maintain may—in addition to advertising and promoting the products, programs or services available at Franchised Businesses—also be devoted in part to offering franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee email, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website or establish a link to any website we establish at or from any other website or page without our express written consent. Any website, electronic commerce presence or URL which in whole or in part incorporates “Daisy” name or any name confusingly similar to the Marks must be approved by us in writing prior to its establishment.

You are not permitted to promote your Franchised Business or use any of the Marks in any manner on any social or networking websites, such as Facebook, Pinterest, Instagram, LinkedIn or Twitter, or any other website, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your operation of the Franchised Business, including reasonable prohibitions on you and your employees posting or blogging comments about the Franchised Business or the System, other than on a website established or authorized by us (“social media” includes, without limitation, personal blogs, social networking sites like Facebook, Pinterest and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, crowd-funding, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

## **9.6 Cooperative Advertising**

We may, in our discretion, create a regional advertising cooperative (“Cooperative”) in any area where two or more Franchised Businesses are located, and establish the rules and regulations therefor. Immediately upon our request, you must become a member of the Cooperative for the area in which your Franchised Business is located. The Franchised Business shall not be required to be a member of more than one Cooperative. The Cooperative must be governed in the manner we prescribe. You shall make contributions to the Cooperative in such amounts at the times and in the manner as determined by majority vote of the Cooperative members, subject to our approval.

Any amounts that you contribute to a Cooperative will count toward your Local Advertising requirement, but if the amount you contribute to a Cooperative is less than the amount you must spend on Local Advertising you must spend the difference locally. The following provisions apply to each Cooperative:

9.6.1 the Cooperative must be organized and governed in a form and manner, and commence operation on a date that we approve in advance in writing;

9.6.2 the Cooperative must be organized for the exclusive purpose of administering marketing programs; developing, subject to our approval, standardized promotional materials for the members' use in Local Advertising within the Cooperative's area;

9.6.3 the Cooperative may adopt its own rules and procedures, but such rules or procedures must be approved by us and must not restrict or expand your rights or obligations under this Agreement;

9.6.4 except as otherwise provided in this Agreement, and subject to our approval, any lawful action of the Cooperative at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the Cooperative is binding upon you if approved by members possessing more than fifty percent (50%) of the total voting power possessed by members in attendance, with each franchised business having one vote (including businesses we own that exist within the Cooperative's area), but no franchisee (or commonly controlled group of franchisees) may have more than twenty-five percent (25%) of the vote in the Cooperative regardless of the number of franchised businesses owned;

9.6.5 without our prior written approval, the Cooperative may not use, nor furnish to its members, any marketing or promotional plans or materials; all such plans and materials must be submitted to us for our approval in accordance with the procedure set forth in Section 9.4;

9.6.6 no later than the fifteenth (15<sup>th</sup>) day of each month, each member/franchisee must submit its contribution to the Cooperative, together with such other statements or reports as we or the Cooperative may require, with our prior written approval; and

9.6.7 if an impasse occurs because of a Cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the Cooperative's establishment or effective functioning, upon request of any Cooperative member, that issue must be submitted to us for consideration, and our resolution of such issue is final and binding on all Cooperative members.

## **ARTICLE 10**

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

#### **10.1 Maintenance of Records**

10.1.1 You shall maintain throughout the term of this Agreement, and shall preserve for a period of five (5) years after termination or expiration of this Agreement, computer



record backups, and other related backups, in the form prescribed by us from time to time in the Franchise Operations Manual or otherwise in writing.

10.1.2 You shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete, and accurate books, records, computer record backups and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time in the Franchise Operations Manual or otherwise in writing.

## **10.2 Reporting Financial Information**

We require the use of QuickBooks, or any other accounting software as we may specify from time to time, for the accounting necessary to operate your Franchised Business. We may, at any time require you to update your QuickBooks software or utilize QuickBooks subscription or cloud-based services, and you must update your QuickBooks software at your own expense. We have the right at all times to independently access the information and data on your computer system, and to collect and use your information and data in any manner we choose to promote the development of the System and the sale of franchises. The information we may download includes financial and sales information, reservation information, client database, and similar information concerning your operation of the Franchised Business. There is no contractual limitation on our right to receive information through your computer system. You must make sure that we have electronic access to your computer system at all times, at your expense.

## **10.3 Annual Reports**

You shall, at your expense, provide to us an annual profit and loss statement and balance sheet, together with a review report prepared by an independent certified public accountant satisfactory to us, within ninety (90) days after the end of each fiscal year of the Franchised Business during the term hereof, showing the results of operations of the Franchised Business during said fiscal year.

## **10.4 Other Reports Required by Us**

You shall also submit to us, for review or auditing, such other forms, reports, records, information, and data as we may reasonably designate, in the form and manner (including electronic telecommunications) and at the time and places reasonably required by us, upon request and as specified from time to time in the Franchise Operations Manual or otherwise in writing.

## **10.5 Our Right to Audit**

From the date of this Agreement until three years after the termination of this Agreement, we or our designated agents shall have the right, at all reasonable times, to examine and copy, at our expense, the books, records, and tax returns of the Franchised Business. We shall also have the right at any time to have an independent audit made of the books of the Franchised Business. If an inspection should reveal that any payments have been understated in any report to us, then you shall immediately upon demand pay to us the amount understated plus applicable interest as described in Article 3. If an inspection discloses an understatement of Gross Sales of two percent (2%) or more, you shall, in addition to paying the understated amount plus applicable late fees and interest, reimburse us for any and all costs and expenses connected with the inspection or audit

(including, without limitation, travel, lodging, wage expenses and reasonable accounting and legal costs). This fee shall under no circumstances be less than five hundred dollars (\$500). The foregoing remedies shall be in addition to any other remedies we may have.

## **ARTICLE 11** **INSPECTIONS**

To determine whether you and the Franchised Business are complying with this Agreement and all System Standards, we and our designated agents and representatives may at all times, with or without prior written notice to you:

- (a) enter the Franchised Business and have unlimited and unrestricted access to inspect the Franchised Business;
- (b) observe, photograph and videotape the Franchised Business's operation for consecutive or intermittent periods we deem necessary;
- (c) interview the Franchised Business's personnel and clients;
- (d) inspect and copy any books, records and documents relating to the Franchised Business's operation;
- (e) upon any reason we deem necessary, you will arrange for us to have immediate and unrestricted access to the premises during non-business hours, including holidays, and for as long as we deem necessary;
- (f) remove any and all samples of any products and supplies or remove any and all products, supplies, advertisements, decorations, or any and all other unauthorized items.

You agree to cooperate with us and/or our agents fully. Any costs you incur due to an inspection will be your sole expense. If we exercise any of these rights, you will use your best efforts not to interfere unreasonably with the Franchised Business's operation. Your failure to cooperate with us and our agents will result in termination of this Agreement and any other agreements you have with us as outlined in Article 14 of this Agreement. You agree to present to your clients the evaluation forms that we periodically prescribe and to participate and/or request your clients to participate in any surveys performed by or for us.

We shall notify if in our judgment as a result of an inspection, the Franchised Business's appearance, equipment, trucks, signs or decor does not meet the System Standards and/or the lease requirements for the premises, and to provide written notification of what actions you must take to correct the deficiency(ies). You shall, within thirty (30) days after receipt of this notice, take all steps needed to correct the deficiency(ies) or be subject to the Non-Compliance Fee described in Section 3.9 for each area that was not corrected within the cure period. Additionally, we reserve the right to correct the deficiency(ies) necessary to the Franchised Business at your expense to ensure compliance with our System Standard and/or the lease or any agreement involving either party. You agree you will reimburse for any and all costs of any and all modifications made in

order to bring the Franchised Business compliant. In the event you fail three inspections of the Franchised Business in any twelve (12) month period, we reserve the right to terminate this Agreement.

## **ARTICLE 12** **TRANSFER**

### **12.1 By Us**

We shall have the sole and absolute right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “Daisyco, Inc.” as Franchisor. Nothing contained in this Agreement shall require us to remain in the residential and commercial technology installation services business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

### **12.2 By You**

You understand and acknowledge that the rights and duties this Agreement creates are personal to you and your Owners and that we have granted you the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Accordingly, neither (i) this Agreement (or any interest in this Agreement), nor (ii) any interest in the ownership of you, the Franchise, the Franchised Business (or any right to receive all or a portion of the Franchised Business’s profits or losses), or all or substantially all of the Operating Assets, may be transferred without our prior written approval. A transfer of the rights to the Franchised Business’s and the Operating Assets’ ownership, possession or control may be made only with a transfer of this Agreement and the transferee’s agreement to execute our then-current form of franchise agreement to replace this Agreement in its entirety. Any transfer without our prior written approval is a breach of this Agreement and has no effect. In this Agreement, the term “transfer” includes your voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

12.2.1 transfer of an interest in this Agreement, the Operating Assets or the Franchised Business (or any right to receive all or a portion of the Franchised Business’s profits or losses) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law; or

12.2.2 if you die, transfer of an interest in this Agreement, the Operating Assets or the Franchised Business (or any right to receive all or a portion of the Franchised Business's profits or losses) by will, declaration of or transfer in trust, or under the laws of intestate succession; or

12.2.3 pledge of this Agreement (to someone other than us) as security, foreclosure upon the Franchised Business, or your transfer, surrender or loss of the Franchised Business's possession, control or management; or

12.2.4 the transfer of shares, partnership or member interests, or other ownership interests of you; or

12.2.5 merger or consolidation or issuance of additional securities representing ownership interests; or

12.2.6 any sale of ownership interests carrying voting rights of you or any security convertible to voting ownership interests of you or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an ownership interest.

### **12.3 Conditions for Approval of Transfer**

If you and your Owners are in full compliance with this Agreement, then, subject to the other provisions of this Section, we will not unreasonably withhold our approval of a transfer that meets all the requirements in this Section; provided, however, that if the transfer is of a minority ownership interest in you (and you retain a majority equity interest and voting control), Subsections 12.3.2, 12.3.5, 12.3.6, 12.3.7, 12.3.10 and 12.3.11 below shall not apply. Except as described in the previous sentence, all of the following conditions must be met before or concurrently with the effective date of the transfer:

12.3.1 the transferee and its owners must meet our then applicable standards for a Daisy franchisee;

12.3.2 the transferee has sufficient business experience, aptitude and financial resources to operate the Franchised Business;

12.3.3 you have paid all required Support Services Fees and other amounts owed to us and our affiliates, have submitted all required reports and statements, and are not in violation of any provision of this Agreement or any other agreement with us or our affiliates;

12.3.4 the transferee does not operate, or have an ownership or other interest in or relationship with a Competitive Business (as defined in Article 7) or has fully divested all such ownership or other interest in such Competitive Business at least fourteen (14) days prior to transfer, and shall execute an affidavit undertaking to such effect;

12.3.5 the transferee satisfactorily completes our training program at transferee's sole cost and expense, including our then-current fee (if any) for providing the training program to transferee;

12.3.6 the transferee and any other persons designated by us sign our then-current form of franchise agreement and related documents, including Owners Agreement or other guaranty, the provisions of which may differ materially from any and all of those contained in this Agreement;

12.3.7 Except in the case of a one-time transfer to a corporate entity formed for the convenience of ownership, you or the transferee will pay us a transfer fee equal to the greater of (a) twenty-five thousand dollars (\$25,000) or (b) five percent (5%) of the sales price;

12.3.8 you and your transferring Owners sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns;

12.3.9 we have determined, in our sole discretion, that the purchase price and payment terms will not adversely affect the transferee's operation of the Franchised Business;

12.3.10 if we finance any part of the purchase price, you agree that all of the transferee's obligations under promissory notes, agreements or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay Support Services Fees and other amounts due to us and otherwise to comply with this Agreement;

12.3.11 the landlord of the Franchised Business must consent in writing to the assignment of your lease to the transferee;

12.3.12 if the proposed transferee is acquiring a portion of the interest in the legal entity that is you, then the proposed transferee, and any owners of the proposed transferee, must execute our Owners Agreement or other form of guaranty;

12.3.13 you agree for a period of three (3) years beginning on the transfer's effective date, not to engage in any of the activities prescribed in Section 15.4 below;

12.3.14 you or the transferee agrees to refurbish, renovate and/or redecorate the Franchised Business according to our then-current standards;

12.3.15 you will not directly or indirectly at any time or in any manner (except with respect to other Daisy franchised businesses you own and operate pursuant to franchise agreements with us) identify yourself or any business as a current or former Daisy franchised business or as one of our franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a Franchised Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark, or other commercial symbol that suggests or indicates a connection or association with us. We may review all information regarding the Franchised Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the Franchised Business; and

12.3.16 you will reimburse us upon receipt of our invoice for any broker or other placement fees we incur as a result of the transfer.

#### **12.4 Transfer to a Wholly Owned or Controlled Entity**

If you are an individual or individuals and are in full compliance with this Agreement, then we shall not unreasonably withhold our approval of a transfer of this Agreement, the Franchise, and the Franchised Business, one time only, to a corporation or comparable legal entity: (i) which conducts no business other than the Franchised Business, and (ii) in which the individual(s) originally purchasing the Franchise maintain control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests in the same proportional interest as originally owned. Shareholder certificates or other documents representing ownership interests of such legal entity must be endorsed with a legend in form approved by us reciting that the transfer of interests in you is subject to the restrictions of this Agreement. Such an assignment shall not relieve you of your obligations hereunder, and your Owners shall execute the form of Owners Agreement attached hereto as Attachment D. You and our Owners shall remain jointly and severally liable to us for all obligations hereunder. A transfer pursuant to this Section 12.4 may occur one time only without payment of the transfer fee.

#### **12.5 Transfer and Operation Upon Death, Absence or Disability**

Upon your death or disability, your executor, administrator, conservator, guardian or other personal representative must appoint a manager for the Franchised Business who is acceptable to us within sixty (60) days and thereafter transfer your interest in this Agreement, the Operating Assets and the Franchised Business to a third party. That transfer (including, without limitation, transfer by bequest or inheritance) must occur within a reasonable time, not to exceed ninety (90) days from the date of death or disability, and is subject to all of the terms and conditions in this Section. A failure to appoint such a manager or transfer your interest in this Agreement, the Operating Assets and the Franchised Business within this time period is a breach of this Agreement. The term “disability” means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you from supervising the Franchised Business’s management and operation for thirty (30) or more consecutive days.

Upon your death or disability, or upon the Designated Owner’s or the General Manager’s absence, termination, death or disability, if a manager is not appointed by you under the previous paragraph, we shall have the right, in our, to exercise the Step-In Rights and appoint an Interim Manager to operate the Franchised Business in accordance with Section 17.17 of this Agreement, for a period of up to ninety (90) days, or until your interest shall have been transferred to an approved third party, whichever occurs first. You or your estate or personal representative, as applicable, shall be required to fully comply with Section 17.17 of this Agreement, including to pay us the management fee set forth therein.

#### **12.6 Effect of Consent to Transfer**

Our consent to any transfer is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Franchised Business’s or transferee’s prospects of success, or a waiver of any claims we have against you or of our right to demand the transferee’s full compliance with this Agreement’s terms or conditions.

## **12.7 Our Right of First Refusal**

If you at any time determine to sell or transfer (1) an interest in this Agreement, (2) all or substantially all of the Operating Assets, or (3) the Franchised Business (including the right to receive your portion of the Franchised Business's profits or losses) – except to or among your Owners – you agree to obtain from a responsible and fully disclosed buyer, and send to us, a true, complete, and legally binding copy of a bona fide, executed written offer relating exclusively to an interest in this Agreement, the Operating Assets and the Franchised Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

We may, by delivering written notice to you within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash for any form of payment proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) we will have not less than 60 days to prepare for closing after notifying you of our election to purchase; and (4) we must receive, and you agree to make, all customary representations and warranties given by the seller of the assets of a business, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and validity of contracts and the liabilities, contingent or otherwise, relating to the assets being purchased. If we exercise our right of first refusal, you agree that, for two years beginning on the closing date, you will be bound by the non-competition covenant contained in Section 15.4 below.

If we do not exercise our right of first refusal, you may complete the sale to the proposed buyer on the original offer's terms, subject to our approval of the transfer as provided in Sections 12.2 and 12.3 above. If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you must tell us promptly), we will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

## **12.8 Ownership Structure**

If you are an entity, you represent and warrant that your ownership structure is as set forth on Attachment B hereto and covenant that you will not vary from that ownership structure without our prior written approval.

**ARTICLE 13**  
**GRANT OF A RENEWAL FRANCHISE**

**13.1 Renewal**

Subject to the provisions of this Section, you shall have an option (exercisable only by written notice delivered to us at least one hundred eighty days (180) prior to the end of the initial term of this Agreement) to renew the franchise hereunder for up to one additional period of ten (10) years, if the following conditions are met:

13.1.1 you have been, throughout the initial term of this Agreement, in substantial compliance, and at the expiration of such initial term are current in all payments and in full compliance and not in default of this Agreement, the lease and all other agreements between you and us or companies associated or affiliated with us;

13.1.2 you enter into our then-current franchise agreement and all other ancillary agreements, instruments and documents as required by us in the granting of franchises (which then-current franchise agreement may materially differ from this Agreement, including a higher rate of fees (except for the Support Services Fee), different methods of calculating fees due, and different payment methods, which shall be the same as those set out in the franchise agreements being executed at the time of renewal);

13.1.3 you are able to maintain possession of the Business Office for the Franchised Business (or at a relocated Business Office) pursuant to a lease reasonably acceptable to us;

13.1.4 you refurbish, upgrade, and/or renovate your Business Office and trucks as we require in order that your Business Office and trucks will meet our then-current standards and image for a Daisy franchised business;

13.1.5 the landlord of the Business Office consents in writing to a renewal or extension of the lease;

13.1.6 at the time the renewal option is exercised and at the time such renewal commences, all monetary obligations to us and any affiliate of ours and any of your suppliers must be current and must have been current at all times during the preceding twelve (12) months;

13.1.7 you execute a general release running in favor of us, our affiliates and our respective officers, directors and shareholders releasing all claims against us, our officers, directors and shareholders; and

13.1.8 you pay to us a renewal fee equal to twenty-five thousand dollars (\$25,000).



### **13.2 Refusal to Renew Franchise Agreement**

We can refuse to renew your franchise if your lease, sublease or other document by which you have the right to occupy the Business Office or utilize the trucks is not extended before your renewal term is to take effect to cover the period of the renewal or if you do not have a written commitment from your landlord or truck dealer to renew the lease or sublease for a period at least equal to the renewal term. We may also refuse to renew your franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us when due, or your failure to cure of any defaults incurred during the initial term of this Agreement, if applicable.

### **13.3 Renewal Under Law**

Even though we decline the renewal of your franchise, it is possible that we may be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the franchise agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the franchise agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

### **13.4 Your Election Not to Renew**

For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us our then-standard franchise agreement and other ancillary documents required by us for a renewal franchise within thirty (30) days after we have delivered them to you.

## **ARTICLE 14** **TERMINATION OF AGREEMENT**

### **14.1 Our Termination Rights – No Opportunity to Cure**

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

14.1.1 you or any of your Owners have made or continue to make a material misrepresentation or omission either in acquiring the Franchise or while operating the Franchised Business;

14.1.2 you fail to open the Franchised Business for business within the time frame(s) required by Section 2.5, subject to any extension we may grant;

14.1.3 you do not satisfactorily complete initial training program;

14.1.4 you abandon or fail actively to operate the Franchised Business for five (5) or more consecutive business days without our prior approval, except for in the case of

acts of God, war, pandemics, epidemics, government shutdowns, terrorism and other situations which are beyond your control;

14.1.5 You or an Owner surrender or transfer control of the Franchised Business's operation without first obtaining our express written consent;

14.1.6 you or an Owner are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony or misdemeanor involving violence, or moral turpitude;

14.1.7 you fail to maintain the insurance we require from time to time and do not correct such failure within thirty (30) days after our notice to you;

14.1.8 you interfere with our right to inspect the Franchised Business or observe its operation, as provided in Article 11 of this Agreement;

14.1.9 you or an Owner engage in any dishonest or unethical conduct which, in our opinion, adversely affects the Franchised Business's reputation, the reputation of other Franchised Businesses or the goodwill associated with the Marks;

14.1.10 you or an Owner make an unauthorized assignment or transfer of this Agreement, all or substantially all of the Operating Assets, the Franchised Business or the right to receive all or any part of the Franchised Business's profits or losses;

14.1.11 you or an Owner make any unauthorized use or disclosure of any part of the Franchise Operations Manual or any other Confidential Information, or disclose all or any part of the Client Database;

14.1.12 you fail to pay when due any federal, state or local income, service, sales or other taxes due on the Franchised Business's operation, unless you are in good faith contesting your liability for these taxes;

14.1.13 you (a) fail an inspection on three or more separate occasions within any twelve (12) consecutive month period; (b) fail on three or more separate occasions within any twelve (12) consecutive month period to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us (or our affiliates), or otherwise to comply with this Agreement, even if you correct any of these failures after we deliver written notice to you; or (c) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, even if you correct either of the failures after we deliver written notice to you;

14.1.14 you, or any of your Owners shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or any of your Owners or such a petition is filed against and not opposed by you or such Owner; if you or any of your Owners is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets or any of

your Owners or their business or assets is filed and consented to by you or such Owner; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, or the assets or property of any of your Owners, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you or any of your Owners; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you or any of your Owners is dissolved; if execution is levied against your or their business or property; if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable;

14.1.15 you, your Owners or a member of your or your Owner's immediate family violates the restrictions of Article 7 (Exclusive Relationship) or any other non-compete agreement;

14.1.16 you cause or permit to exist a material default under the lease or sublease for the Business Office and fail to cure such default within the applicable cure period set forth in the lease or sublease;

14.1.17 you cause or permit to exist a material default under the lease or sublease for the trucks and fail to cure such default within the applicable cure period set forth in the lease or sublease;

14.1.18 your or your Owners' assets, property or interests are "blocked" under any law, ordinance or regulation relating to terrorist activities or if you or your Owners otherwise are in violation of any such law, ordinance or regulation, or any other law, ordinance or regulation applicable to Franchised Business; and/or

## **14.2 Our Termination Rights – Opportunity to Cure**

This Agreement shall, at our option, terminate upon notice and your failure to cure within the specified time periods if you:

14.2.1 fail or refuse to make payments of any amounts due us for any amounts due to us or our affiliates, and do not correct such failure or refusal within fifteen (15) business days after written notice of such failure is delivered to you;

14.2.2 fail or refuse to comply with any other provision of this Agreement, or any mandatory specification, standard or operating procedure prescribed in the Franchise Operations Manual or otherwise in writing, and do not correct such failure within thirty (30) days or provide proof acceptable to us that you have made all reasonable efforts to correct such failure and shall continue to make all reasonable efforts to cure until a cure is effected, if such failure cannot reasonably be corrected within thirty (30) days after written notice of such failure to comply is delivered to you;

14.2.3 materially misuse or make an unauthorized use of any of the Marks or commit any other act which can reasonably be expected to materially impair the goodwill

associated with any of the Marks and do not correct the misuses or unauthorized use within thirty (30) days of receiving notice;

14.2.4 have any required license, permit or certification suspended and do not reinstate such license, permit or certification in good standing within thirty (30) days of receiving notice;

14.2.5 receive at least two verified complaints from customers against your Franchised Business in any twelve (12) month period alleging a violation of a critical operating standard, and fail to correct such failure within thirty (30) days after notice to you; and

### **14.3 Reinstatement and Extension**

To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like, other than in accordance with applicable law, to the extent such are not in accordance with applicable law, we may reinstate or extend the term for the purpose of complying with applicable law by submitting a written notice to you without waiving any of our rights under this Agreement.

### **14.4 Cross-Defaults, Non-Exclusive Remedies, etc.**

Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our affiliates) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates) may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

### **14.5 Our Right to Discontinue Services to You**

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of default pursuant to this Article 14, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your "click through" subpage on our website, until such time as you correct the breach, if such breach may be cured under the terms of this Agreement.

## **14.6 Amendment Pursuant to Applicable Law**

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by us that The grounds for termination as detailed in this Agreement shall be considered as "good cause" for termination, within the context and interpretation of any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

## **14.7 Force Majeure**

Neither party shall be liable for any delay in the fulfilment of or failure to fulfil its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Agreement where the delay or failure is solely due to Force Majeure, as described below. In the event of Force Majeure, the parties' obligations shall be extended or relieved only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. As used in this Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, government shutdown, war (declared or undeclared), terrorist event, riot, epidemic, pandemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party's control and cannot be overcome by use of normal commercial measures. Force Majeure should be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the Force Majeure event. So, for example, in the event of a temporary government-imposed closure of your Franchised Business due to a Force Majeure event, you may only be relieved of your obligations as necessary to comply with the government mandate or order, but not due to the economic or market conditions that result from that action. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than forty-eight (48) hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of this Agreement and to fulfill its obligations under this Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Agreement. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Agreement by 30 days' written notice to the party asserting such Force Majeure. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the Force Majeure event, nor does that event affect any obligation to pay money owed under this Agreement (including but not limited to your obligation to pay us Support Services Fees when due) or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not

affect Franchisee's obligations to comply with any restrictive covenants in this Agreement during or after the Force Majeure event.

**ARTICLE 15**  
**RIGHTS AND OBLIGATIONS UPON TERMINATION**  
**OR EXPIRATION OF THIS AGREEMENT**

**15.1 Payment of Amounts Owed**

You agree to pay, within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine, the amounts due to us or our affiliates which then are unpaid. You understand and acknowledge that we have the right, at our sole option upon notice to you, to change periodically the timing and terms for payment of Support Services Fees and other amounts payable to us under this Agreement.

**15.2 De-Identification**

When this Agreement expires or is terminated for any reason:

15.2.1 you shall not directly or indirectly at any time thereafter or in any manner (except in connection with other Daisy franchised businesses you own and operate): (a) identify yourself or any business as a current or former Franchised Business or as one of our franchisees; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark, or other indicia of a Daisy franchised business in any manner or for any purpose; or (c) use for any purpose any trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us;

15.2.2 you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark, within thirty (30) days after the expiration or termination of this Agreement;

15.2.3 You agree to deliver to us within thirty (30) days all signs, advertising, marketing and promotional materials, forms, and other materials containing any Mark or otherwise identifying or relating to a Daisy franchised business. We reserve the right to remove these items from the Franchised Business, without liability to you or third parties, provided that such actions are in compliance with applicable laws and regulations.

15.2.4 if we do not exercise an option to purchase the Franchised Business under Section 15.5 below, you agree promptly and at your own expense to make the alterations we specify to distinguish the Franchised Business clearly from its former appearance and from other Franchised Businesses in order to prevent public confusion;

15.2.5 you agree to notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy or other numbers and telephone directory listings associated with any Mark, to authorize the transfer of these numbers and directory listings to us or at our direction, and/or to instruct the

telephone company to forward all calls made to your numbers to numbers we specify. You acknowledge that all telephone numbers, facsimile numbers, social media websites, Internet addresses and email addresses (collectively “Identifiers”) used in the operation of your Franchised Business constitute our assets, and upon termination or expiration of this Agreement, you will take such action within five days to cancel or assign to us or our designee as determined by us, all of your right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of your right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at our direction. You agree to take all action required cancel all assumed name or equivalent registrations related to your use of the Marks. You acknowledge that, we have the sole rights to, and interest in, all Identifiers used by you to promote your Franchised Business and/or associated with the Marks. You hereby irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. You further appoint us to direct the telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party to transfer such Identifiers to us or our designee. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by us pursuant to this Agreement as conclusive evidence of our rights to the Identifiers and our authority to direct their transfer; and if you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and

15.2.6 you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

### **15.3 Confidential Information**

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of Confidential Information in any business or otherwise and return to us all Confidential Information, including all copies of the Franchise Operations Manual, the Client Database, all client records and any confidential materials that we have loaned you.

### **15.4 Covenant Not to Compete**

Upon our termination of this Agreement according to its terms and conditions, upon transfer of this Agreement, or upon expiration of this Agreement without renewal, and subject to applicable state law, you agree that, for three (3) years beginning on the effective date of termination, the effective date of transfer, the expiration date or the date on which all persons restricted by this Section 15.4 begin to comply with this Section 15.4, neither you nor any Owner may solicit any customer of the Franchised Business or any Daisy franchised business, or may have any direct or indirect interest (e.g. through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent in any Competitive Business (as defined in Article 7 above) within thirty (30) miles of the Franchised Business or any Daisy franchised business in the System.

You and your Owners expressly acknowledge that you and they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, we in enforcing the covenants made in this Section will not deprive you or your Owners of your or their personal goodwill or ability to earn a living.

## **15.5 Our Right to Purchase**

15.5.1 Upon our termination of this Agreement according to its terms and conditions or upon expiration of this Agreement without renewal, we reserve the option, exercisable by giving you written notice within thirty (30) days after the date of termination or expiration, to purchase any or all assets of the Franchised Business that we designate. We have the unrestricted right to assign this option to purchase. We are entitled to all customary warranties and representations in our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise.

15.5.2 The purchase price for the assets we choose to acquire will be their fair market value, provided that these items will not include any value for the Franchise or any rights granted by this Agreement, goodwill attributable to the Marks, our brand image, and other intellectual property or participation in the network of Franchised Businesses. For purposes of determining the fair market value of all equipment (including the Computer System) used in operating the Franchised Business, the equipment's useful life shall be determined to be no more than three years.

15.5.3 We (or our assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to exercise our purchase option. We reserve the right to set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates, including any outstanding fees, royalties, or other obligations. At the closing, you agree to deliver instruments transferring to us (or our assignee): (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (b) all of the Franchised Business's licenses and permits which may be assigned or transferred.

15.5.4 If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow. You further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our respective shareholders, officers, directors, employees, agents, representatives, successors and assigns. If we exercise our rights under this Section 15.5, you agree that, for two (2) years beginning on the closing date, you will be bound by the non-competition covenant contained in Section 15.4 above.

## **15.6 Continuing Obligations**

All of our and your obligations hereunder which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and



notwithstanding its expiration or termination and until these obligations are satisfied in full or by their nature expire.

## **ARTICLE 16**

### **RELATIONSHIP OF THE PARTIES; INDEMNIFICATION**

#### **16.1 Independent Contractors**

You and we understand and agree that this Agreement does not create a fiduciary relationship between us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with clients, suppliers, public officials, Franchised Business personnel and others as the Franchised Business's independent owner under a Franchise we have granted. You further agree to place notices of independent ownership on the forms, business cards, stationery, advertising and other materials we require from time to time, including without limitation a conspicuously placed sign at the Franchised Business. You will use your legal name on all documents for use with employees and contractors including, but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements, and you shall not use the Marks on these documents. Further, within seven days of our request, you and each of your employees will sign an employment relationship acknowledgment form, stating that you alone are the employee's employer and that you alone are responsible for the operation of the Franchised Business.

#### **16.2 No Liability for Acts of Other Party**

We and you agree not to make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name or on behalf of the other or represent that our relationship is other than franchisor and franchisee. We will not be obligated for any damages, losses, liabilities, claims, or expenses to any person or property directly or indirectly arising out of the Franchised Business's operation or the business you conduct under this Agreement.

#### **16.3 Taxes**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, corporate or other taxes, whether levied upon you or the Franchised Business, due to the business you conduct (except any taxes we are required by law to collect from you for purchases from us, if we are an approved supplier). You are responsible for paying these taxes.

The term "taxes" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, taxes imposed on the Support Services Fees paid to us or the exercise of rights granted pursuant to this Agreement, whether imposed upon you or us.

#### **16.4 Indemnification**

To the fullest extent permitted by law, you agree to indemnify, defend and hold harmless us, our affiliates, and our respective shareholders, directors, officers, employees, agents,

representatives, successors, assigns, and any third parties acting on our behalf (the “Indemnified Parties”) from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations and damages directly or indirectly arising out of the Franchised Business’s operation, the business you conduct under this Agreement, your violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander or any other form of defamation by you, or your breach of this Agreement. For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, and other expenses of litigation, arbitration or alternative dispute resolution, including travel and living expenses, regardless of whether litigation, arbitration or alternative dispute resolution is commenced.

Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at your expense, and you may not settle any claim or take any other remedial, corrective or other actions relating to any claim without our prior written consent. Additionally, an Indemnified Party may, at any time, settle any claim against it for which it is entitled to seek indemnity, and you shall reimburse the Indemnified Party for any amount that the Indemnified Party paid under the settlement terms. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you.

#### **16.5 Non-Uniform Agreements**

You agree and acknowledge that we make no representations or warranties that all other agreements with our franchisees, entered into before or after the Effective Date, do or will contain terms substantially similar to those contained in this Agreement. You further agree that we may waive or modify comparable provisions of other franchise agreements with other System franchisees in a non-uniform manner.

### **ARTICLE 17**

#### **MISCELLANEOUS PROVISIONS; DISPUTE RESOLUTION**

##### **17.1 Severability and Substitution of Valid Provisions**

Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto;

otherwise upon your receipt of written notice of non-enforcement thereof from us. If any covenant herein which restricts competitive activity is deemed enforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, you and we agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to enter into a successor franchise agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and we shall have the right, in our sole discretion, to modify such invalid or enforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Such modification(s) to this Agreement shall be effective only in such jurisdiction, unless we elect to give it greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions. You agree to be bound by any such modification to this Agreement.

## **17.2 Waiver of Obligations**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to our continuing review and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten days' prior written notice. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal or neglect of ours or yours to exercise any rights under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Franchised Businesses; or our acceptance of any payments due from you after any breach of this Agreement.

Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our respective obligations results from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy, or the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) fires, strikes, embargoes, war or riot; or (5) any other similar event or cause, except where you are found to have deliberately or by gross negligence been the direct or indirect cause of the calamity. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of Support Services Fees or other payments due hereunder.

### **17.3 Injunctive Relief**

You explicitly affirm and recognize the unique value and secondary meaning attached to the System and the Marks. Accordingly, you agree that any non-compliance by you with Article 5, Article 6 or Article 15 of this Agreement, or any disputes or claims related to or based on the restrictive covenants, warranties, post-termination obligations, or unauthorized or improper use of the System or the Marks, will cause irreparable damage to us and other franchisees for which there is not adequate remedy at law. You therefore agree that if you engage in such conduct during or after the period of this Agreement, we will be entitled to both temporary and permanent injunctive and all other equitable relief, without the need of a bond, and without first seeking mediation or arbitration, from any state or federal court within the jurisdiction in which we have our principal place of business (currently, New Castle, Delaware), or in any other state or federal district court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the exercise of personal jurisdiction over you by these courts, and to the propriety of venue in these courts with respect to the entry of these temporary and permanent injunctions.

### **17.4 Rights of Parties are Cumulative**

Our and your rights hereunder are cumulative and no exercises or enforcement by us or you of any right or remedy hereunder shall preclude the exercise or enforcement by us or you of any other right or remedy hereunder or which we or you are entitled by law to enforce.

### **17.5 Costs and Legal Fees**

If either party is required to enforce this Agreement in a judicial or arbitration proceeding, the party that prevails on a majority of the substantive issues shall be entitled to reimbursement for its/their costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding.

### **17.6 Mediation and Arbitration**

17.6.1 We and you acknowledge that during the term of this Agreement disputes may arise between the parties that may be resolvable through mediation. To facilitate such resolution, we and you agree that each party shall submit the dispute between them for non-binding mediation before commencing an arbitration proceeding under Section 17.6.3. Such mediation will be conducted in the city of or closest to our principal place of business (currently, New Castle, Delaware). The mediation will be conducted by one mediator who is appointed under the American Arbitration Association's Commercial Mediation Rules and who shall conduct the mediation in accordance with such rules. We and you agree that statements made by us, you or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. Each party shall bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate in the mediation.

17.6.2 If any dispute between the parties cannot be resolved through mediation within forty-five (45) days following the appointment of the mediator, the parties agree to submit such dispute to arbitration subject to the terms and conditions of Section 17.6.3.

17.6.3 Except for claims subject to injunctive relief as outlined in this Agreement, all disputes, claims and controversies between the parties arising out of or in any way relating to this Agreement, any of the parties' respective rights and obligations arising out of this Agreement, or the making, performance or interpretation thereof (including arbitrability of any matter) which have not been settled through mediation will be submitted to final and binding arbitration to be conducted by the American Arbitration Association in the city of or closest to our principal place of business (currently, New Castle, Delaware) as the sole and exclusive remedy for any such controversy or dispute. The arbitrator(s) will have a minimum of five years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then either party may request AAA or successor organization, to appoint a qualified arbitrator by the striking method. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this Agreement. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement including, but not limited to any claim that all or any part of this Agreement is void or voidable.

### **17.7 Governing Law**

All matters relating to arbitration shall be governed by the Federal Arbitration Act. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise and the relationship of the parties shall be governed by the laws of the State of Delaware, without regard for its conflicts of laws principles.

### **17.8 Jurisdiction**

With respect to any other actions not subject to mediation or arbitration under Section 17.6 above, except for claims which we may bring in any state or federal court of competent jurisdiction under Section 17.3, you and we agree that any action arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in a state or federal court of competent jurisdiction in the city of or closest to our principal place of business (currently, New Castle, Delaware). You irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

### **17.9 Waiver of Punitive Damages**

The parties, to the fullest extent permitted by law, waive any right to or claim for any punitive or exemplary damages. This waiver does not apply to punitive or exemplary damages allowed under federal statute. The parties agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages it sustains.

### **17.10 Waiver of Jury Trial**

Each party irrevocably waives any right it may have to a trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

### **17.11 You May Not Withhold Payments**

You agree that you will not withhold payment of any amounts due to us for purchases by you or any other amounts due to us, even if you allege nonperformance by us of any of our obligations under this Agreement.

### **17.12 Binding Effect**

This Agreement is binding upon and shall inure to the benefit of the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest. Subject to our right to modify the Franchise Operations Manual, this Agreement shall not be modified except by written agreement signed by you and us.

### **17.13 Limitations of Claims**

Any and all claims, except claims for monies due us, arising out of or relating to this Agreement or the relationship among the parties hereto shall be barred unless an action or legal or arbitration proceeding is commenced within one (1) year from the date you or we knew or should have known of the facts giving rise to such claims.

### **17.14 Entire Agreement; Construction**

The preambles and Attachments are a part of this Agreement, which together with the Manual, constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. The terms “Franchisee” or “Franchise Owner” as used herein is applicable to one or more persons, a corporate entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee or Franchise Owner hereunder, their obligations and liabilities to us shall be joint and several. References to “Franchisee,” “Franchise Owner,” and “transferee” which are applicable to an individual or individuals shall mean the principal owner(s) of the equity or operating control of franchise owner or the transferee, if franchise owner or the transferee is a corporation or partnership. References to “controlling interest” in Franchisee shall mean greater than fifty percent (50%) of the equity or voting control of Franchisee. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any action or request by you, we have the absolute right to refuse any request by you or to withhold our approval of any action by you that requires our approval. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

### **17.15 Withholding Consent**

In no event will you make any claim, whether directly, by way of setoff, counterclaim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by us. Your sole remedy for any such claim is to submit it to arbitration as described in this Agreement and for the arbitrator to order us to grant such consent.

### **17.16 Step-In Rights – Cause for Step-In**

In order to prevent any interruption of the operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, we have the right, but not the obligation, to step-in and designate an individual of its choosing (an “Interim Manager”) for so long as we deem necessary and practical to temporarily manage the Franchised Business: (i) if you fail to comply with any provision of this Agreement and do not cure the failure within the time period specified in this Agreement or by us; (ii) if we determine in our sole judgment that the operation of the Franchised Business is in jeopardy; (iii) if we determine in our sole discretion that operational problems require that we operate the Franchised Business; (iv) if you abandon or fail to actively operate the Franchised Business; (v) Upon your death or disability, or upon the Designated Owner’s or the General Manager’s absence, termination, death or disability; or (vi) if we deem you, the Designated Owner or the General Manager incapable of operating the Franchised Business (“Step-in Rights”).

### **17.17 Step-In Rights – Duties of Parties**

If we exercise our Step-in Rights: (i) we shall keep in a separate account all monies generated by the operation of your Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as our other expenses incurred in exercising our rights; (ii) you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation and acknowledge that the Interim Manager will have no liability to you, except to the extent directly caused by its gross negligence or willful misconduct; (iii) you agree to pay us a management fee of two hundred fifty dollars (\$250) per day; (iv) you agree to pay us all of our reasonable costs and expenses, including, but not limited to, attorneys’ fees incurred as a consequence of our exercise of the Step-In Rights; and (v) you acknowledge that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Franchised Business incurs, or to any of your or the Franchised Business’s creditors for any supplies, products, or other assets or services the Franchised Business purchases, while Interim Manager manages it. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

### **17.18 Survival**

You and we agree that the provisions of this Section 17 shall apply during the term of this Agreement and following the expiration, termination, or non-renewal of this Agreement.

**ARTICLE 18**  
**NOTICES AND PAYMENTS**

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Franchise Operations Manual will be deemed so delivered:

- (a) at the time delivered by hand with confirmation receipt;
- (b) with respect to any amounts due, at the time we actually debit your account (if we use an automatic debit program for the Franchised Business);
- (c) with respect to materials that we post on our intranet or similar electronic site for franchisees, at the time such materials are first accessible at the site; or
- (d) one business day after being placed in the hands of a commercial courier service for next business day delivery and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days before then) will be deemed delinquent.

Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein shall be in writing, signed by the party giving the same, and sent to the applicable parties at the following addresses. Such notice shall be deemed effective: i) at the time of actual receipt; ii) immediately upon transmission by facsimile or email; iii) one business day after being placed with a commercial delivery service for overnight delivery; or iv) three business days after being sent by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed. The Non-Compliance Fee described in Section 3.9 shall apply to this Article 18 if you fail to accept notices transmitted in any of the above means. Addresses for notification are:

Us: Daisyco, Inc.  
1117 Baker Street, #A  
Costa Mesa, CA 92626

You: Your notice address is identified in  
Attachment A to this Agreement

Either party may change its address for notice purposes by giving the other party written notice, as herein provided, of such change.

**ARTICLE 19**  
**SECURITY INTERESTS**

**19.1 Collateral**

You grant to us a security interest (“**Security Interest**”) in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal



property leases) of the Franchised Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchised Business. All items in which a security interest is granted are referred to as the “Collateral”.

## **19.2 Indebtedness Secured**

The Security Interest is to secure payment of the following (the “Indebtedness”):

19.2.1 All amounts due under this Agreement or otherwise by you;

19.2.2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

19.2.3 All expenses, including reasonable attorneys’ fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and

19.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

Our security interest, as described herein, shall not be subordinated to any financing related to your operation of the Franchised Business, including, but not limited to, a real property mortgage and equipment leases.

## **19.3 Additional Documents**

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

## **19.4 Possession of Collateral**

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

## **19.5 Our Remedies in Event of Default**

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Delaware (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially

reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you and also by sending an electronic mail to you pursuant to the notice provisions set forth above.

**19.6 Special Filing as Financing Statement**

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

**ARTICLE 20**  
**ACKNOWLEDGMENTS**

To induce us to sign this Agreement and grant you the Franchise, you acknowledge:

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

(b) That the persons signing this Agreement are all persons who have any ownership interest with respect to the Operating Assets, the Franchised Business or any of the Franchised Business's profits or losses.

(c) That you have represented to us, to induce us to enter into this Agreement, that all statements you have made and all materials you have given us in acquiring the Franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the Franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement effective on the date stated on the first page above.

FRANCHISOR:  
Daisyco, Inc.

FRANCHISEE:  
\_\_\_\_\_

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

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

PERSONAL GUARANTORS  
\_\_\_\_\_  
\_\_\_\_\_

**ATTACHMENT A TO THE FRANCHISE AGREEMENT**  
**FRANCHISE DATA SHEET**

1. The Effective Date set forth in the introductory Paragraph of the franchise agreement is:  
\_\_\_\_\_.

2. The Franchise Owner set forth in the introductory Paragraph of the franchise agreement is:  
\_\_\_\_\_

3. Notice Address. The notice address for Franchise Owner set forth in Section 19.03 of the franchise agreement is:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Franchise Type: The type of franchise being purchased is:

\_\_\_\_ New Franchise

\_\_\_\_ Conversion Franchise

5. Initial Franchise Fee. The total franchise fee shall be \$\_\_\_\_\_.

FRANCHISOR:  
Daisyco, Inc.

FRANCHISEE:  
\_\_\_\_\_

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

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

**ATTACHMENT B TO THE FRANCHISE AGREEMENT**  
**STATEMENT OF OWNERSHIP**

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

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

Form of Ownership  
(Check One)

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

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: \_\_\_\_\_

**Management (managers, officers, board of directors, etc.):**

Name	Title

**Members, Stockholders, Partners\*:**

Name	Address	Percentage of Stock

**\*If any members, stockholders, or partners are entities, please list the owners of such entities up through the individuals.**

Franchise Owner acknowledges that this Statement of Ownership applies to your Franchised Business authorized under the franchise agreement.

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

FRANCHISOR:  
Daisyco, Inc.

FRANCHISEE:  
\_\_\_\_\_

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

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

**ATTACHMENT C TO THE FRANCHISE AGREEMENT**  
**BUSINESS OFFICE AND TERRITORY**

1. The Business Office of the Franchised Business as provided in Section 1.2 of this Agreement is:

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2. The Territory as provided for in Section 1.3 of this Agreement shall be:

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FRANCHISOR:  
Daisyco, Inc.

FRANCHISEE:

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

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

**ATTACHMENT D TO THE FRANCHISE AGREEMENT**  
**OWNERS AGREEMENT**

As a condition to the execution by Daisyco, Inc. (“we” or “us”), of a franchise agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”). Furthermore, all Owners agree to be personally liable for the obligations of the Franchisee under the franchise agreement.

**1. Acknowledgments.**

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners or spouses of the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement, including any failure to comply with the terms of the Franchise Agreement, and will be subject to any and all remedies available to us under law or equity.

**2. Non-Disclosure and Protection of Confidential Information.**

2.1 Confidentiality. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we reserve the right to seek all available remedies, both legal and equitable, including but not limited to those available under the Franchise Agreement, against Owners for any breach of this Owners Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

2.2 Immediate Family Members. Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to any third party, including but not limited to immediate family members (i.e., spouse, parent, sibling, child, or grandchild). Owners

also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

### **3. Covenant Not To Compete and To Not Solicit.**

3.1 Non-Competition and Non-Solicitation During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition and solicitation both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition and non-solicitation will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners 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 Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

### **4. Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement, this Owners Agreement, and any other agreement between the parties, on the date and times and in the manner required in the relevant agreement(s).



4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, including any future obligations that may arise after the time of death; and the obligations of any other Owners will continue in full force and effect.

## **5. Transfers.**

Owners represent and warrant that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources, and personal character. Accordingly, Owners agree: a) not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment, and b) that any attempt to do so will be a material breach of this Owners Agreement and the Franchise Agreement.

## **6. Notices.**

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

Daisyco, Inc.  
1117 Baker Street, #A  
Costa Mesa, CA 92626

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

## **7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement, or any breach thereof, shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement, together with the Franchise Agreement and any other agreements between the parties, constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. Any amendments or modifications to this Owners Agreement must be made in writing and signed by all parties. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties,

executed in writing, and signed by an authorized representative of Daisyco, Inc. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement 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

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Successors. References to "Franchisor" or "the undersigned," or "you" include the respective parties' heirs, successors, assigns or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNERS:**

\_\_\_\_\_  
(Insert Name of Owner)

\_\_\_\_\_  
(Insert Name of Spouse)

\_\_\_\_\_  
(Insert Name of Owner)

\_\_\_\_\_  
(Insert Name of Spouse)

\_\_\_\_\_  
(Insert Name of Owner)

\_\_\_\_\_  
(Insert Name of Spouse)

\_\_\_\_\_  
(Insert Name of Owner)

\_\_\_\_\_  
(Insert Name of Spouse)

Daisyco, Inc. hereby accepts the agreements of the Owner(s) hereunder:

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

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

## **ATTACHMENT E TO THE FRANCHISE AGREEMENT**

### **CONVERSION ADDENDUM**

This Addendum (the “Addendum”) to Daisyco, Inc.’s Franchise Agreement is made and entered into \_\_\_\_\_ by and between Daisyco, Inc., a Delaware corporation with its principal business address at 1117 Baker Street, #A, Costa Mesa, CA 92626 (“Franchisor”) and \_\_\_\_\_, with an address at \_\_\_\_\_ (“Franchisee”).

### **BACKGROUND**

A. With the execution of this Addendum, the parties entered into a Franchise Agreement (the “Franchise Agreement”) pursuant to which Franchisee was granted the right and undertook the obligation to open and operate a Daisy business which provides residential and commercial technology installation services (the “Franchised Business”).

B. Franchisee presently operates an existing business located at [INSERT ADDRESS OF FORMER BUSINESS] (the “Existing Business Location”) under the name [INSERT NAME OF FRANCHISED BUSINESS] which provides residential and commercial technology installation services (the “Existing Business”).

C. Franchisee seeks to convert the Existing Business into a Franchised Business.

D. Franchisor is willing to grant Franchisee to operate a Franchised Business through the Existing Business, subject to the terms and conditions contained in this Addendum, in reliance on Franchisee’s representations in its application materials.

### **AGREEMENT**

NOW THEREFORE, in consideration of the mutual agreements, covenants and promises contained in this Addendum and for mutual consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Existing Business Operating History.** Franchisee hereby acknowledges and agrees that Franchisee’s Existing Business has been engaged in residential and commercial technology installation services. In connection with the signing of this Addendum, Franchisee provided Franchisor with a list of all clients Franchisee is servicing in connection with its Existing Business (the “Existing Client List”).

2. **Reduced Initial Franchise Fee.** Franchisor agrees to reduce the initial franchise fee to twenty-five thousand dollars (\$25,000).

3. **Grand Opening Advertising.** Notwithstanding any provisions contained in the Franchise Agreement to the contrary, Franchisee agrees to expend at least \_\_\_\_\_ (\$\_\_\_\_\_) on the grand opening of the Franchised Business within sixty (60) days after opening.

4. **Marketing.** Upon executing this Addendum, Franchisee must immediately market, offer, and sell all authorized services under the Franchise Agreement and System solely using the Proprietary Marks, and is prohibited from using the Existing Business's trademarks, trade dress, logos, and indicia of origin in connection with such products and services. Franchisee may, however, continue to use the Existing Business's trademarks, logos, and indicia of origin in connection with any other products or services offered for sale by the Existing Business, and may co-brand advertising, provided that all such advertising clearly delineates what products and services are being offered under the System, and which products and services are being offered using Franchisee's Existing Business.

5. **Dedicated Bank Account.** Pursuant to Section 5.4 of the Franchise Agreement, Franchisee must maintain a dedicated bank account within which to deposit all funds from the operation of the Franchised Business. Franchisee may maintain a separate bank account for the Existing Business's activities unrelated to the Franchised Business, provided that all financial transactions related to the Franchised Business are clearly and separately accounted for and reported to Daisyco, Inc. as required under this Agreement and the Franchise Agreement.

6. **Telephone Numbers and Listings.** Franchisee may, at its option, maintain its existing telephone equipment and service that is currently in place. However, Franchisee must assign all right, title, and interest associated with telephone numbers and listings used in connection with the provision of authorized goods and services under the Franchise Agreement to Franchisor within fifteen (15) days of the Effective Date of the Franchise Agreement. If Franchisee seeks to use a new telephone number or numbers in connection with the Franchised Business, all such numbers must be: (a) assigned to Franchisor within fifteen days (15) days; (b) established using Franchisor's designated suppliers pursuant to the Franchise Agreement; and (c) direct all calls relating to the Franchised Business solely to Franchisee's designated number.

7. **Equipment Standards and Specifications.** To the extent Franchisee does not already own or lease equipment meeting Franchisor's standards and specifications prior to commencing operations pursuant to the Franchise Agreement, Franchisor will conduct an audit of Franchisee's existing equipment and will provide Franchisee with a list of additional equipment to be purchased within thirty (30) days of the Effective Date of Franchise Agreement.

- a. **Un-Branded Equipment.** Franchisee may continue to use equipment which is not branded with Franchisor's logos but otherwise meets Franchisor's standards and specifications, until the earlier of (a) five (5) years after the original manufactured date; or (b) three (3) years from the effective date of the Franchise Agreement.
- b. **Existing Fleet of Trucks.** The parties acknowledge and agree that Franchisor requires all existing trucks to be manufactured within forty-eight (48) months of the Effective Date of the Franchise Agreement in order to maintain consistency of branding and service throughout the System. To the extent Franchisee's existing Trucks do not comply with Franchisor's standards and specifications, Franchisee will be required to purchase/lease at least one new truck for use in the Franchised Business. All trucks must be rebranded within thirty (30) days of completing initial

training.

- c. **Computer System.** Franchisee may continue to use its current computer system, provided the system meets Franchisor's computer software and hardware standards and specifications. At Franchisee's expense, Franchisor may make, or require to be made, hardware and software modifications to the computer system to meet Franchisor's standards and specifications.
- d. **Accounting Software and Chart of Accounts.** Franchisee must use Franchisor's chart of accounts in submitting required reports and financial statements under the Franchise Agreement. Franchisee's reporting requirements set forth in the Franchise Agreement will extend solely to the operation of the Franchised Business. Franchisee must use QuickBooks Accounting Software. To the extent Franchisee already has QuickBooks Accounting Software for the Existing Business, Franchisee may continue to use its version of QuickBooks Accounting System, although Franchisor recommends that Franchisee upgrade existing software to the most recent versions available.
- e. **Uniforms.** All employees involved in the operation of the Franchised Business must wear Franchisor's designated uniforms.

8. **Initial Training.** Upon executing this Agreement, Franchisee and/or its Designated Manager must attend the next available initial training program pursuant to Section 7.1 of the Franchise Agreement. Any additional persons required to attend training pursuant to Section 7.1 of the Franchise Agreement may attend a subsequent initial training class during the first six (6) months of opening the Franchised Business. Franchisor will be on site to assist with opening and additional training within thirty (30) days after completion of initial training or on a date selected by Franchisee and agreed to by Franchisor.

9. **Opening.** The Franchised Business must be open and operating within sixty (60) days after the effective date of this Agreement.

10. **Site Approval.** Franchisor hereby approves the Existing Business Location as the Franchisee's Office under the Franchise Agreement. Franchisee may not move the Office Location without Franchisor's prior written permission, which will not be unreasonably withheld provided that the new proposed Office meets Franchisor's then-current standards and is located within Franchisee's Territory.

11. **Audit Rights.** Section 7.8 of the Franchise Agreement is amended to provide that Franchisor may audit the Franchised Business, but not the Existing Business unless there is a reasonable suspicion of a breach of the Franchise Agreement.

12. **Indemnity.** Section 10 of the Franchise Agreement is hereby amended to include the following additional Section 10.4:

Franchisee is solely responsible for, and shall indemnify and hold Franchisor and Franchisor's officers, directors, employees, agents, successors, and assigns harmless from and against all fines, expenses, claims, demands, judgments, taxes, or other liabilities or costs of any kind (including reasonable attorneys' fees and expenses) arising directly or indirectly from, or in connection with, Franchisee's operation, transfer, or purchase of the Existing Business. Indemnity includes, but is not limited to, any claims based on the negligence, duty, actions, or inaction of any of the above parties and covers bodily injury, death, and property damage. Franchisee's obligation to defend Franchisor as set forth in Section 10.2 of the Franchise Agreement will extend to Franchisee's operation of the Existing Business.

13. **Non-Transferrable**. This Addendum is specific to Franchisee and may not be transferred, except in connection with any transfer pursuant to Section 11 of the Franchise Agreement and with the prior written consent of the Franchisor.

14. **Termination With Notice and Without Opportunity to Cure**. Section 12 of the Franchise Agreement is hereby amended to include the following Section 12.4:

12.4 The following shall, in Franchisor's judgment and option, justify immediate termination upon notice without affording Franchisee the opportunity to cure:

12.4.1 If Franchisee engages in any relocation of the Existing Business without Franchisor's prior written consent, or operates the Franchised Business from any other businesses that the Franchisee may now or in the future own or operate without Franchisor's prior written consent; and

12.4.2 If Franchisee effectuates any transfer of its ownership interest in the Existing Business without Franchisor's prior written consent.

15. **Choice of Law and Dispute Resolution**. This Addendum will be governed by and enforced in accordance with the laws of the State of Delaware. Franchisee and Franchisor consent to the jurisdiction and venue of any court of general jurisdiction, County of New Castle, State of Delaware and agree to resolve any disputes arising out of or related to the Franchise Agreement and this Addendum in the manner set forth in the Franchise Agreement.

16. **Defined Terms**. Terms defined in the Franchise Agreement and not defined in this Addendum have the meaning defined in the Franchise Agreement.

17. **Binding Effect**. This Addendum will inure to the benefit of, and will be binding upon, the parties hereto and their respective successors and assigns.

18. **Entire Agreement**. The Franchise Agreement and this Addendum constitute the entire, full, and complete agreement between the parties concerning the Franchise Agreement and supersede any and all prior agreements. Any term defined in the Franchise Agreement shall have the same meaning when used in this Addendum. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall



control. Except as amended hereby, all the other terms and conditions of the Agreement are ratified and confirmed. Intending to be legally bound, the parties hereby execute this Addendum on the date set forth above. Nothing in this Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

FRANCHISOR:

Daisyco, Inc.

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

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

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

**EXHIBIT D**

**LIST OF CURRENT AND FORMER FRANCHISEES**

**List of Current Franchisees as of December 31, 2023:**

ST	Name	Address	Email	Phone

\*Note that as of the amended issuance date of this Disclosure Document, we have 1 franchisee who has signed a franchise agreement. This franchisee has converted their existing business to a Daisy franchise. Their contact information is:

The Walin Group  
Attn: Matthew Walin  
225 West Avenita Valencia  
San Clemente, CA 92672  
714-920-0119

**List of Franchisees with Unopened Outlets as of December 31, 2023:**

ST	Name	Address	Email	Phone

**Former Franchisees:**

The name and last known address of every franchisee who had a Daisy Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the period January 1, 2023 to December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

ST	Name	Address	Email	Phone

\*Franchisee signed a franchise agreement but did not open.

**EXHIBIT E**  
**STATE ADDENDA  
AND AGREEMENT RIDERS**

## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR DAISYCO, INC.

The following modifications are made to Daisyco, Inc. (“Franchisor,” “us,” “we,” or “our”) Franchise Disclosure Document (“FDD”) given to franchisee (“Franchisee,” “you,” or “your”) and may supersede certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_ (“Franchise Agreement”). When the term “Franchisor’s Choice of Law State” is used, it means Delaware.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement.

#### **CALIFORNIA**

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you a FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement requires binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Delaware. 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 the Franchise Agreement restricting venue to a forum outside the State of California. The Franchise Agreement contains a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

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

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

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

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Antitrust Law Section of the Office of the California Attorney General views certain maximum and minimum price agreements as per se violations of the Cartwright Act.

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

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).

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

## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS 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 IN THIS FRANCHISE DISCLOSURE DOCUMENT 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 YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE 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 US AND YOU.**

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

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

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed on the third page of the FDD on the page entitled, "State Effective Dates."

2. States which have refused, by order or otherwise, to register these Franchises are:

None

3. States which have revoked or suspended the right to offer the Franchises are:

None

4. States in which the proposed registration of these Franchises has been withdrawn are:

None

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

## **ILLINOIS**

Illinois law shall apply to and govern the Franchise Agreement.

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

Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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



## INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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

## **IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to

relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three (3) business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten (10) business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty (20) days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Daisyco, Inc., 1117 Baker Street, #A, Costa Mesa, CA 92626 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

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

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

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

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

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

**MARYLAND**

**AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

Item 17 of the FDD, the Franchise Agreement is amended to state: “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.”

Item 17 of the FDD and sections of the Franchise Agreement is amended to state: “A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.”

The Franchise Agreement is amended to state: “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 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.).

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

**FRANCHISOR:**

**FRANCHISEE:**

**Daisyco, Inc.**

\_\_\_\_\_

Entity name (if any)

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

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

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

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

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

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

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

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

**MICHIGAN**

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

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

- (a) A prohibition on your right to join an association of franchisees.

(b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.

(e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

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

## **MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the

FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

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

of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND 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.**

The following is added at the end of Item 3:

Except as provided above, with regard to 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 injunction 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.

The following is added to the end of Item 4:

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

The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for Franchisee to renew or extend,” and Item 17(m), entitled “Conditions for Franchisor approval of transfer”:

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

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.

The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of Forum,” and Item 17(w), titled “Choice of Law”:

The 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.

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

of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **NORTH DAKOTA**

Sections of the FDD and the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD and the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD and the Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD and the Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD and the Franchise Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD and the Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Article 15.4 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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

**OHIO**

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials \_\_\_\_\_ Date \_\_\_\_\_

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller’s receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Daisyco, Inc., 1117 Baker Street, #A, Costa Mesa, CA 92626 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

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

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

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

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

**RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the

provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

## **SOUTH DAKOTA**

Intentionally left blank.

## **VIRGINIA**

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Daisyco, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and 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 grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, 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.

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement,

or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document and the Franchise Agreement are amended accordingly.

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

*(Signatures on following page)*

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

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

Dated: \_\_\_\_\_, 20\_\_\_\_

**FRANCHISOR:**

Daisyco, Inc.

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

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

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

## **EXHIBIT F**

### **FRANCHISE OPERATIONS MANUAL TABLE OF CONTENTS**

1. Manual Organization
  - a. Purpose of this Manual
  - b. Ownership of the Manual
  - c. Importance of Confidentiality
  - d. Version History/Keeping the Manual Current
  - e. Submitting Suggestions to Franchisor
  
2. Operating the Franchise/Franchise System
  - a. Welcome Message
  - b. History of the Company
  - c. Who to Call
  - d. Franchisee/Franchisor Relationship
  - e. Overview of the Franchise System
  - f. Compliance Visits/Audit Tool
  
3. Onboarding
  - a. Initial Steps
  - b. Vehicle Selection Process.
  - c. Site Selection.
  - d. Pre-Opening Checklist
  
4. Personnel
  - a. Disclaimer
  - b. Employment Law Basics
  - c. Protecting the Brand
  - d. Branch Positions
  - e. Recruiting Employees
  - f. Retention
  - g. Development
  - h. New Employee Training
  
5. Daily Operating Procedures
  - a. Introduction
  - b. Required Days/Hours of Operation
  - c. Customer Service Procedures
  - d. Service Procedures
  - e. Home Service Procedures
  - f. Sales Procedures



- g. Transacting Sale
  - h. Inventory Management
  - i. Business Management
- 6. Marketing
  - a. Marketing Plan
  - b. Competitive Analysis
  - c. National Fund/Building Brand Awareness
  - d. Local Marketing
- 7. Safety
  - a. Safety Procedure
  - b. Fire Safety
  - c. Robbery/Burglary
  - d. Unruly Customers; Client Escalation process
- 8. Suppliers
  - a. Product Solutions
  - b. Approved Suppliers
  - c. Supplier/Product Approval Process

## **EXHIBIT G**

### **CONTRACTS FOR USE WITH FRANCHISE**

The following contracts contained in Exhibit G are contracts that Franchisee is required to utilize or execute after signing the franchise agreement in the operation of the Daisy Business. The following are the forms of contracts that Daisyco, Inc. uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.

**EXHIBIT G-1**

**SAMPLE GENERAL RELEASE AGREEMENT**

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Daisyco, Inc., a Delaware corporation (“Franchisor,” and together with Releasor, the “Parties”).

**WHEREAS**, Franchisor and Franchisee have entered into a franchise agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a Daisy business;

**WHEREAS**, [Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement] or [the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release], and Franchisor has consented to such [transfer/successor franchise agreement/amendment/termination/other reason]; and

**WHEREAS**, as a condition to Franchisor’s consent to [transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason], Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release, to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder, without the prior written consent of Franchisor. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever

had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Agreement to any third party without Franchisor's express written consent, except as required by law or by any regulatory body or authority.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Delaware, without regard to its conflict of laws principles.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs, expenses, and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall

not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_,  
a

\_\_\_\_\_

By:

Printed Name:

Title:

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

## EXHIBIT G-2

### SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Daisyco, Inc., a Delaware corporation, and its successors and assigns (“us,” “we” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Daisy Business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Daisy Business or the solicitation or offer of a Daisy franchise, whether now in existence or created in the future.

“*Franchisee*” means Daisy franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Daisy Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our Franchise Operations Manual for the operation of a Daisy Business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Daisy Business, including “Daisy,” and any other trademarks, service marks, or trade names that we designate for use by a Daisy Business. The term “Marks” also includes any distinctive trade dress used to identify a Daisy Business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce: (a) any of our employees

or managers (or those of our affiliates or franchisees) to leave their position; or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the three-year period after you cease to be a manager or officer of Franchisee’s Daisy Business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the nine-month period after you cease to be a manager or officer of Franchisee’s Daisy Business.

“*Restricted Territory*” means the geographic area within: (i) a 50-mile radius from Franchisee’s Daisy Business (and including the premises of the approved location of Franchisee); and (ii) a 50-mile radius from all other Daisy Businesses that are operating or under construction as of the beginning of the *Restricted Period*; provided, however, that if a court of competent jurisdiction determines that the foregoing *Restricted Territory* is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within a 25-mile radius from Franchisee’s Daisy Business (and including the premises of the approved location of Franchisee).

“*System*” means our proprietary system for the establishment, development, operation, and management of a Daisy Business, including but not limited to Know-how, proprietary programs and products, Manual, operating system, and any future improvements, modifications, or additions to the system.

**2. Background.** You are a manager, officer, employee, independent contractor, agent, representative, or supplier of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Daisy Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Daisy Business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Daisy Business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **You hereby waive any right to challenge the terms of this Agreement as being overly broad, unreasonable, or otherwise unenforceable.**

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Daisy franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.



**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Delaware, without regard to its conflict of laws principles. The courts located within the state of Delaware shall have exclusive jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

## EXHIBIT G-3

### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Daisyco, Inc., a Delaware corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Daisy Business*” means a business that provides residential and commercial technology installation services and other related products and services using our Intellectual Property.

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Daisy franchisees to use, sell, or display in connection with the marketing and/or operation of a Daisy Business, whether now in existence or created in the future.

“*Franchisee*” means Daisy franchisee for which you are a manager, officer, employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Daisy Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our Franchise Operations Manual for the operation of a Daisy Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Daisy Business, including “Daisy” and any other trademarks, service marks, or trade names that we designate for use by a Daisy Business. The term “Marks” also includes any distinctive trade dress used to identify a Daisy Business, whether now in existence or hereafter created.

“*System*” means the system established, developed, operated, and managed by Daisyco, Inc. for the operation of a Daisy Business, including Know-how, proprietary programs and products, Franchise Operations Manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the

benefit of the Daisy Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will cease all use of the Intellectual Property immediately upon termination of your status as an employee, independent contractor, agent, representative, or supplier of Franchisee, and you will confirm in writing that you have stopped using the Intellectual Property. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Daisyco, Inc.. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **You hereby waive any right to challenge the terms of this Agreement as being overly broad, unreasonable, or otherwise unenforceable.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Daisy franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense,

or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

a. Although this Agreement is entered into in favor of Daisyco, Inc., you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our attorney fees, costs, and any other expenses incurred in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of Delaware, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

**EXHIBIT G-4**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION FORM**

**FRANCHISEE INFORMATION:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

**BANK ACCOUNT INFORMATION:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

**AUTHORIZATION:**

Franchisee hereby authorizes Daisyco, Inc. to initiate debit entries to Franchisee's account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account, provided that Daisyco, Inc. gives Franchisee at least three business days' notice before initiating any debit entry. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a

reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Federal Tax ID Number: \_\_\_\_\_

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT

## EXHIBIT G-5

### SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between Daisyco, Inc. (“**Franchisor**”), a Delaware corporation, \_\_\_\_\_ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and \_\_\_\_\_, a [State] [corporation/limited liability company] (“**New Franchisee**”).

#### **RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Daisy franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement and waives any obligation for Former Franchisee to enter into a subordination agreement pursuant to the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee's rights to operate the Franchised Business are terminated and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. The New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by the Franchisor, if applicable), and any other contracts required for the operation of a Daisy franchise as stated in the Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. The Former Franchisee agrees to keep the Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.



11. Affiliates. When used in this Agreement, the term “Affiliates” has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws principles.

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

Daisyco, Inc.

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

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

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

**FORMER FRANCHISEE:**

\_\_\_\_\_

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

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

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

**NEW FRANCHISEE:**

\_\_\_\_\_

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

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

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

**EXHIBIT G-6**

**LEASE ADDENDUM**

This Addendum to Lease (“Addendum”), dated \_\_\_\_\_, 20\_\_\_\_, is entered into by \_\_\_\_\_ and \_\_\_\_\_ between \_\_\_\_\_ (“Landlord”), \_\_\_\_\_ (“Tenant”) and Daisyco, Inc. (“Franchisor”), collectively referred to herein as the “Parties.”

A. Landlord and Tenant have entered into a certain Lease Agreement dated \_\_\_\_\_, 20\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_ (“Lease”).

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (“Premises”) pursuant to a Franchise Agreement (“Franchise Agreement”) with Franchisor under Franchisor’s trademarks and other names designated by Franchisor (herein referred to as “Franchised Business” or “Franchise Business”).

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant’s use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant shall have the right, without further consent from Landlord, to sublease or assign all of Tenant’s right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business (“Franchise Assignee”) at any time during the term of the Lease, including any extensions or renewals thereof. In addition, if Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant’s interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonably acceptable to Landlord, provide such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant’s cure period. No assignment shall be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant or the Franchise Assignee has cured all material defaults of the Lease for which it has received notice from Landlord. Nothing contained herein or in any other document shall create any obligation or

liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to, and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant shall remain liable under the terms of the Lease and the assignee or subtenant shall retain all of the Tenant's rights granted in the Lease including without limitation: (x) any grant of a protected territory or use exclusivity; and (y) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (A) recapture the Premises; (B) terminate the Lease; or (C) modify any terms or conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor shall have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord's consent in which event Franchisor shall be released from any obligation or liability under the Lease. As used in this Addendum, "Franchise Assignee" means: (i) Franchisor or Franchisor's parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor's parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord shall contemporaneously send a copy of such default notice to Franchisor. Franchisor shall have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten-day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Daisyco, Inc.  
1117 Baker Street, #A  
Costa Mesa, CA 92626

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent, which shall not be unreasonably withheld. Any attempted termination, or material amendment without such consent shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are

reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord shall permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor's approval of the Lease prior to Tenant executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee. Landlord hereby agrees to indemnify and hold harmless Franchisor and any Franchise Assignee from any claims, damages, or liabilities arising out of any actions or omissions of Tenant. Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum shall be considered valid unless it is made in writing, duly signed by all Parties involved, and approved by Franchisor in writing.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions, and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

*[Signatures on the following page]*

**IN TESTIMONY WHEREOF**, witness the signatures of the Parties hereto as of the day, month, and year first written above.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

By:

By:

\_\_\_\_\_

\_\_\_\_\_

Printed Name:

Printed Name:

\_\_\_\_\_

\_\_\_\_\_

Title:

Title:

\_\_\_\_\_

\_\_\_\_\_

**FRANCHISOR:**

\_\_\_\_\_

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

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

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

**EXHIBIT G-6 Attachment 1**

**ATTACHMENT 1 TO LEASE ADDENDUM**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the \_\_\_\_\_ (“Effective Date”), the undersigned, \_\_\_\_\_ (“Assignor”) hereby assigns, transfers and sets over unto Daisyco, Inc. (“Assignee”) all of Assignor’s right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (“Lease”) with respect to the premises located at \_\_\_\_\_ . This Collateral Assignment of Lease (“Assignment”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it possesses the full power and authority to assign the Lease and its interest therein. Further, Assignor assures that it has not previously assigned nor is under any obligation to assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee’s rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent (2%) per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

\_\_\_\_\_

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

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

**ASSIGNEE:**

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

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

**EXHIBIT H**  
**STATE EFFECTIVE DATES**



### **State Effective Dates**

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Rhode Island	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 I**

**RECEIPTS**

**RECEIPT**  
**(Retain This 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 Daisyco, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Daisyco, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Daisyco, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Daisyco, 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 the appropriate state agency identified on Exhibit A. Daisyco, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The name, principal business address, and telephone number of each franchise seller offering the franchise is: Hagan Kappler, 1117 Baker Street, #A, Costa Mesa, CA 92626, (909) 979-1830

Issuance Date: January 11, 2024 as amended on March 1, 2024

I received a disclosure document issued January 11, 2024 as amended on March 1, 2024, which included the following exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D List of Current and Former Franchisees
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Franchise Operations Manual Table of Contents
- Exhibit G Contracts for use with Daisy Franchise
- Exhibit H State Effective Dates
- Exhibit I Receipts

\_\_\_\_\_

Date

\_\_\_\_\_

Signature

\_\_\_\_\_

Printed Name

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

**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 Daisyco, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Daisyco, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Daisyco, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Daisyco, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A. Daisyco, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The name, principal business address, and telephone number of each franchise seller offering the franchise is: Hagan Kappler, 1117 Baker Street, #A, Costa Mesa, CA 92626, (909) 979-1830

Issuance Date: January 11, 2024 as amended on March 1, 2024

I received a disclosure document issued January 11, 2024 as amended on March 1, 2024, which included the following exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D List of Current and Former Franchisees
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Franchise Operations Manual Table of Contents
- Exhibit G Contracts for use with Daisy Franchise
- Exhibit H State Effective Dates
- Exhibit I Receipts

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

**Please sign this copy of the receipt, date your signature, and return it to Daisyco, Inc., 1117 Baker Street, #A, Costa Mesa, CA 92626.**