# FRANCHISE DISCLOSURE DOCUMENT

**LEI FRANCHISING, LLC**
**an Ohio limited liability company**

**11880 Kemper Springs Drive**
**Cincinnati, OH 45240**
**(513) 675-3489**
**www.leihomeenhancements.com**
**RGaskill@leihomeenhancements.com**

The franchise is for the establishment of a LEI Home Enhancements business that sells residential home improvements products including windows, doors, siding and roofing and provides certain services under the service mark LEI and LEI Home Enhancements® (each, a "Franchised Business").

The total investment necessary to begin operation of a LEI Home Enhancements® Franchised Business ranges from $61,100 - $141,700 which includes the initial fee in the amount of $39,500 - $49,500 that must be paid to the franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Rhonda Gaskill, LEI Franchising, LLC at 11880 Kemper Springs Drive, Cincinnati, Ohio 45240, by telephone at (513) 675-3489, or by email at RGaskill@leihomeenhancements.com.

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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: June 6, 2022

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION OR LITIGATION IN HAMILTON COUNTY, OHIO. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE IN HAMILTON COUNTY, OHIO THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN IF YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOU AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS (PERHAPS INCLUDING YOUR HOUSE) AT RISK IF YOUR FRANCHISE FAILS.

4. THE FRANCHISOR'S FINANCIAL CONDITION AS REFLECTED IN ITS FINANCIAL STATEMENTS (see Item 21) CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.

5. YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. YOUR INABILITY TO MAINTAIN THESE LEVELS MAY RESULT IN LOSS OF ANY

TERRITORIAL RIGHTS, TERMINATION OF YOUR FRANCHISE, AND LOSS OF YOUR INVESTMENT.

6. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THE FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE SYSTEM WITH A LONGER OPERATING HISTORY.

7. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

**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.**

Effective Date: See the chart below for registration effective dates.

## STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

| State | State Effective Date |
|---|---|
| Illinois | |
| Indiana | |
| Michigan | |
| Virginia | |
| Washington | |
| Wisconsin | June 13, 2022 |

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

The Franchisor and any Parents, Predecessors and Affiliates

The Franchisor is LEI Franchising, LLC, referred to in this disclosure document (this "Disclosure Document") as "we", "us" or "our." The word "you" means the person who is interested in buying, or to whom we award, the franchise. If you are a corporation, partnership, limited liability company, business trust or other business entity (a "Business Entity"), certain provisions of this Disclosure Document and the franchise agreement (the "Franchise Agreement") also apply to your owners and will be noted. If you are a Business Entity, your individual owners must sign the owner's guaranty attached to the Franchise Agreement.

LEI Franchising, LLC is an Ohio limited liability company organized on August 16, 2017. Our principal business address is 11880 Kemper Springs Drive, Cincinnati, Ohio 45240. We do business under the service marks LEI and LEI Home Enhancements®. Our agents for service of process are listed in Exhibit A. We began offering franchises in November 2017. Neither we, nor any predecessor have ever offered franchises in any other business.

We offer franchises for businesses that sell residential home improvement products including windows, doors, siding, and roofing, and provide certain services under the service marks LEI and LEI Home Enhancements® (each, a "Franchised Business"). Franchised Businesses will offer residential customers one or more products and provide proposals for the materials and installation services. Franchised Businesses do not install the residential home improvement products, but will coordinate with third-party companies on behalf of customers to install the home improvement products. You will operate your Franchised Businesses from an approved location within your territory. We and our affiliates currently operate fourteen LEI Home Enhancements® businesses of the type being franchised.

Our parent company is Lasting Energy Innovations, LLC, an Ohio limited liability company that was organized on January 12, 2016. Lasting Energy Innovations, LLC has a principal business address at 11880 Kemper Springs Drive, Cincinnati, Ohio 45240. Lasting Energy Innovations, LLC's predecessor, Longworth Enterprises, Inc. is an Ohio corporation with a principal business address at 11880 Kemper Springs Drive, Cincinnati, Ohio 45240. Longworth Enterprises, Inc. was formed on January 20, 2009 to sell home improvement services similar to those that franchisees will be selling, and to support independent sales offices utilizing sales systems and material distributors and installers. Longworth Enterprises, Inc. transferred substantially all of its business assets and operations to Lasting Energy Innovations, LLC on December 31, 2016. We do not have any predecessors or affiliates that offer franchises in any line of business or provide products or services to franchisees.

The market for home improvement products and services is well-established and highly competitive. You will compete with local, regional and national home improvement businesses and contractors in the same geographic area, including those that may be franchised by other national franchise companies. You will also compete with large national home centers, like Home Depot and Lowe's. The Franchised Business is operated year-round, but may be affected by seasonal variations. The home improvement business is also affected by changes in general economic conditions.

There may be licensing requirements applicable to the services you will be providing, depending on your state. You will be responsible for investigating and complying with any licensing requirements that may apply in your territory. You will also be responsible for complying with all regulatory requirements applicable to the operation of your Franchised Business, employment, workers' compensation, insurance, corporate, tax, and similar laws and regulations, as well as any federal, state, or local laws of a more general nature which may affect the operation of your Franchised Business.

## Item 2
## BUSINESS EXPERIENCE

**Robert Keller, Chief Executive Officer**

Mr. Robert Keller is the Chief Executive Officer of the Franchisor, and handles the sales and marketing departments. Mr. Keller has eighteen (18) years' experience in the home improvement industry. Mr. Keller has been the CEO of the Franchisor, located in Cincinnati, Ohio, since its formation in August 2017. Mr. Keller has also served as a consultant with Longworth Enterprises, Inc. since its formation in January 2009 in Cincinnati, Ohio.

**Marc Longworth II, President**

Marc Longworth II is the President of the Franchisor, and handles the administration, installation, and vendor relationships. Mr. Longworth has fourteen (14) years' experience in the home improvement industry. Mr. Longworth has been the President of the Franchisor, located in Cincinnati, Ohio, since its formation in August 2017. Mr. Longworth has also served as an owner and principal of Longworth Enterprises, Inc. since its formation in January 2009, in Cincinnati, Ohio.

**Ray Kubik, Chief Financial Officer**

Ray Kubik is the Chief Financial Officer of the Franchisor. Mr. Kubik has been the CFO of the Franchisor, located in Cincinnati, Ohio, since 2020. Mr. Kubik has also served as the Owner of Apple Tree Group, LLC since 2007, located in Cincinnati, Ohio.

**Tim Caldwell, Chief Operating Officer**

Tim Caldwell is the Chief Operating Officer of the Franchisor. Mr. Caldwell has been the COO of the Franchisor, located in Cincinnati, Ohio, since 2020. Mr. Caldwell has also served as the COO with Longworth Enterprises, Inc. since 2020. Mr. Caldwell has also served as the Chief Executive Officer at DXAP, Inc., from 2004 to 2018, located in the greater Cincinnati, Ohio region.

**Rhonda Gaskill, Vice President of Franchise Development**

Rhonda Gaskill is the Vice President of Franchise Development of the Franchisor. Ms. Gaskill has been the VP of Franchise Development of the Franchisor, located in Cincinnati Ohio, since 2021. Ms. Gaskill has also served as the VP of Franchise Development at Strategic Franchising from 2019 to 2020, located in Cincinnati, Ohio, and as the Regional Operation Manager at American Driveline Systems from 2018 to 2019, located in

Philadelphia, Pennsylvania, and as the Franchise Development and District Manager at LINE-X LLC from 2004 to 2018, located in Huntsville, Alabama.

## Item 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## Item 4
## BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## Item 5
## INITIAL FEES

You must pay us an initial franchise fee[1] (the "Initial Franchise Fee") in a lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is $49,500, subject to adjustment as provided below, and is non-refundable. The Initial Franchise Fee is fully earned when we sign the Franchise Agreement, in consideration of administrative and other expenses we incurred in granting you the franchise and investigating your qualifications, and for our lost or deferred opportunity to franchise to others.

We provide discounts in the amount of $10,000 to qualified veterans of U.S. Armed Forces who are signing their first Franchise Agreement and who otherwise meet the requirements of the program. To qualify, veterans must provide us with adequate documentation of honorable discharge, and the prospective franchisee entity must be at least 51% owned by the qualified veteran. Qualifying veterans will pay the same Initial Franchise Fee, with the $10,000 discount applied to the balance of the Initial Franchise Fee due upon signing the Franchise Agreement.

Except as set forth above, all Initial Franchise Fees are uniformly imposed on all franchisees. The Initial Franchise Fees are not refundable under any circumstances except as described above.

## Item 6
## OTHER FEES

| Name of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee[1, 2] | 5% of Monthly Gross Sales | Payable monthly on the 10th day of each month. | Paid to us monthly. |

[1] All dollar figures refer to United States dollars.

| Name of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Technology Fee[1, 4] | $132.50 per user, per month | Payable monthly on the 10th day of each month. | Paid to us monthly. |
| Operating Assistance[1] | $500 per day plus all travel and living expenses | Payable in advance at the time you request assistance. | Paid to us. We do not charge a fee for the initial assistance during the first year or for two, three-day trips per year. In addition to the daily rate, you must also pay all travel and living expenses. |
| Holdover Fee[1] | $2,000 per 6-month holdover term | Payable upon holdover or may be deducted as a setoff. | Paid to us. If you do not give notice of renewal of the Franchise Agreement or termination of the Franchise Agreement, a new six-month holdover term will automatically begin on the day following the expiration date. |
| Marketing Fund Contributions[1] | As designated by us, but not to exceed 1% of Monthly Gross Sales. | If imposed, payable monthly on the 10th day of each month. | Paid to us monthly. |
| Local Advertising[1, 5] | Greater of $1,000 or up to 10% of revenue per month at minimum | Payable monthly as incurred. | If you do not spend the required amounts on local advertising each month, we may spend the required amounts on your behalf and bill you for the amounts spent. |
| Audit Costs[1] | If an audit reveals a discrepancy of 3% or more in the underpayment of any fee, you must reimburse all of our expenses for the audit. We estimate the range of audit costs to be from $2,000 to $3,000 | Payable as incurred. | Paid to us. |
| Transfer Fee[1] | $10,000 | Payable in two installments prior to the consummation of transfer (upon proposal of transfer and submission of transfer documents). | Paid to us when you sell or transfer the interest in your Franchised Business to a third party |
| ROFR Fee[1] | $7,500 | Payable upon signing your Franchise Agreement. | Paid to us if you request that we grant you a right of first refusal for an Open Territory and we approve such right of first refusal. |

| Name of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| LEI University[1] | Tuition cost below (which cost is per participant), plus travel and expenses:<br>Territory Sales Director - $500 | Prior to training. | We do not charge a fee for the initial training program, but you must pay for any additional training including attendance at LEI University. In addition, you must also pay all travel and living expenses |
| Supplier Approval Costs | Variable according to the costs incurred, but estimated between $2,000 and $4,000 | As Incurred. | Paid to us. |
| Past Due Service Charge[1, 3] | Equal to the lesser of eighteen percent (18%) per year on the amount due or the maximum permissible rate on any past due amounts. | Payable upon payment of outstanding amounts or may be deducted as a setoff. | Paid to us. |
| Enforcement and Mediation Costs[1] | Variable | As incurred. | In any mediation, the cost of the mediator will be borne equally by both parties, otherwise, each party is responsible for their own legal costs for mediation/litigation. See Section 18 of the Franchise Agreement. |
| Indemnification[1] | Variable according to amount of loss or claims. | On demand. | You must reimburse us if we are held liable for claims, or suffer a loss, arising from your Franchised Business. See Article 17 of the Franchise Agreement. |
| Customer Deficiency Reimbursements[1] | Variable according to customer complaint. | On demand. | You must reimburse us if we resolve customer complaints or perform services or reimburse a customer on your behalf. |

*Notes*:

1 *Unless otherwise noted, all fees are imposed by and payable to us. All fees described in this Item 6 are uniformly imposed on prospective franchisees receiving a copy of this disclosure document, and are non-refundable. We may collect these fees from customer payments arising from each sales order, or by electronic funds transfer to an account designated by us (in which case, you must complete an Automated Clearing House (ACH) agreement in the form required by us to authorize automatic withdrawals), or such other method as we may designate from time to time.*

2 *"Monthly Gross Sales" means the aggregate of all revenue from the sale of products and services from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise, including all proceeds from business interruption insurance, but excluding all refunds made in good faith, any sales and equivalent taxes collected by the Franchised Business and paid to any governmental taxing authority and the value of any allowance issued or granted to any of your clients that you credit in full or partial satisfaction of any products and services offered by the Franchised Business.*

3 *If any amount or reporting you owe to us under the Franchise Agreement is past due, we may assess a past due service charge, which will not exceed the lesser of 18% per year or the maximum permissible rate on all past due amounts.*

4 *You are also responsible for the payment of the Technology Fee, which pays for your use of customer relationship management (CRM) software, our designated point-of-sale system, and Sharepoint access, which is paid by us on your behalf and you must reimburse us.*

5 *You are required to spend at least $1,000 on local advertising each month. The advertising must comply with our requirements, and we reserve the right to approve all advertising in advance. Local advertising expenditures are generally made to third parties, but if you fail to spend the required amounts, we may spend them on your behalf and bill you for all amounts paid.*

## Item 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure[1] | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Initial Franchise Fee[2] | $39,500-$49,500 | Lump sum | Upon signing the Franchise Agreement | Us |
| Rent/Lease of Office Space | $100-$5,000 | As Incurred | Prior to commencement of business | Landlord |
| Initial Rent, Telephone, Bank and Other Deposits[3] | $500-$10,000 | As Incurred | Prior to commencement of business | Landlord, suppliers |
| Leasehold Improvements[4] | $0-$5,000 | As Incurred | Prior to commencement of business | Contractor or landlord |
| Furniture and Equipment[5] | $1,000-$15,000 | As Incurred | As incurred from suppliers | Suppliers |
| Computer System, Software[6] | $1,000-$7,000 | As Incurred | As incurred from suppliers | Suppliers |
| Office Supplies[7] | $500-$1,000 | As Incurred | Prior to commencement of business | Supplier |
| Training Expenses for Initial Training[8] | $3,000-$18,000 | As Incurred | As Incurred | Suppliers |
| Insurance[9] | $500-$1,200 | Lump Sum | Prior to effective date of policy | Insurance Company |
| Local Advertising/Grand Opening Advertising[10] | $10,000 | As incurred | Prior to commencement of business | Advertisers, suppliers |

| Type of Expenditure[1] | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Additional Funds – 3 months[11] | $5,000-$20,000 | As Incurred | As expenses are incurred | Employee wages, taxing authorities, suppliers, etc. |
| Total[12] | $61,100-$141,700 | | | |

*Notes*:

1. *Unless otherwise noted, all fees are non-refundable. Neither we nor any affiliate will finance any of the expenses above.*

2. *The Initial Franchise Fee is non-refundable. The Initial Franchisee Fee is subject to the veteran discount described in Item 5 above.*

3. *Your telephone service provider and other service providers will typically require a normally refundable deposit for commercial service. You are required to have a separate business telephone line for your Franchised Business and voice-mail backup when you are not available in the office.*

4. *You must remodel the interior of your facility in accordance with our specifications, which may include being freshly painted, have clean carpeting, and be in like-new condition, inside and out. The cost will vary depending on the condition of the premises prior to remodeling.*

5. *You must outfit your facility with appropriate furniture, including desks, shelving, seating, and other office equipment.*

6. *You must acquire a computer system with internet access and email capability in accordance with our specifications. You must also install the software we designate for use in your Franchised Business and pay any initial or recurring license fees.*

7. *You must purchase basic office supplies for your facility.*

8. *You will also be responsible for all travel, lodging and meal expenses (and, if applicable, wages) for your trainees during any ongoing training programs or seminars we may suggest or require that you attend.*

9. *You must provide proof of insurance before opening for business. The estimates above are for one year of insurance costs, but these expenses may vary from state to state.*

10. *You must spend $10,000 in grand opening advertising prior to beginning operations of your Franchised Business and during the first three months of operation. The amounts spent on grand opening advertising will satisfy all local advertising expenditure requirements for the first three months of operation of your Franchised Business.*

11. *The estimate of additional funds for the initial phase of your Franchised Business includes such items as utilities, wages, payroll taxes and other operating expenses for the first three months of operation. These figures are estimates and Lasting Energy Innovations, Inc. cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during this initial phase. You may also incur expenses for business license*

*fees, legal fees, accounting fees, and local permits and operating authorizations necessary to start your business, which may vary considerably from one area to another and are not included in the above estimate. This is our best estimate of the costs franchisees will incur based on our many years of experience in the residential home improvement industry. The factors that underlie this estimate can vary considerably depending on a number of variables, including the geographic location, the going rate for real estate rentals, utilities and other items. Any investment that you make may be lesser or greater than the estimates given.*

12. *This figure does not include compensation for your time or labor. Neither does the total figure take into account any finance charges or other costs which you may incur to finance all or any portion of your investment. It assumes that your employees will use their own vehicles. In addition to the initial investment itemized in the above chart, you will also need sufficient savings or a source of income to cover your personal living expenses during the initial phase of the business. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.*

## Item 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We reserve the right to specify the products and services offered by franchisees, which may be described in greater detail in the operations manual. The home improvement products offered in the Franchised Business must be supplied by our approved supplier or suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications, who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved suppliers of other items or services. Currently, we are the sole approved applier of products and services that use the Licensed Marks (the "**Licensed Products**"). Neither we, nor any of our officers owns an interest in any privately-held suppliers or a material interest in any publicly-held suppliers of our franchise system. If we or our affiliates become approved suppliers of additional products and services, we may derive revenue from required purchases when you buy through us or our affiliates.

We will not approve alternative suppliers for the home improvement products. For any other required products, services or leases, if we require the purchase, service or lease to be from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item or service from the supplier until and unless we have approved the supplier in writing. We have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier. We will approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier. Our specifications for products and services and criteria for supplier approval are not generally available to franchisees.

Other items used in the Franchised Business that are not required to be purchased or leased from an approved supplier, including computers, office furniture and miscellaneous office supplies, must meet our specifications (as set forth in the operations manual). We may amend the specifications at

any time as we feel appropriate and in our sole discretion. We do not provide material benefits to our franchisees based on their purchases of particular products or services.

We will negotiate purchase arrangements, including price terms, with the approved suppliers of home improvement products on your behalf. We may also negotiate other purchase arrangements with suppliers on your behalf. There are currently no purchasing or distribution cooperatives in existence.

We and our affiliates reserve the right to receive rebates or other material consideration from suppliers in connection with your required purchases or leases. Our total revenue derived from required franchisee purchases or leases, based on the most recent audited financial statements dated December 31, 2021, was $1,925,746, which is 71% of our total revenue.

Franchisor may provide Franchisee, in its sole and absolute discretion, approved ready-to-go sales forms, letterheads, business cards and other daily use marketing items. Franchisee shall be responsible for the cost of any additional supplies beyond that which is supplied by Franchisor, and any additional supplies beyond that which is supplied by Franchisor must be approved in writing by Franchisor in advance.

All of your advertising and promotions must conform to our standards and requirements, and must be conducted in a dignified manner. We reserve the right to approve all advertising and promotions in advance. We will provide you with a number of camera-ready advertisements for use in various media.

You are required to maintain fire and extended coverage insurance on your business fixtures, equipment and furnishings, general liability insurance (including non-owned automobile coverage) of at least $1,000,000 per person and $1,000,000 per occurrence for personal injury and $1,000,000 for property damage, and a dishonesty bond of at least $10,000 covering all of your employees, plus all other required insurance coverage specified in the Operations Manual. You must list Franchisor as an additional insured on your general liability policy, and you must provide us with duplicate certificates of insurance and documentation at least 14 days before opening your Franchised Business. You cannot open your franchise for business until you have obtained the required insurance. The cost of the insurance described above will likely represent from 1% to 2% of your initial investment (depending upon the amount of your other variable start-up expenses) and less than 1% of your annual operating expenses. You must also maintain worker's compensation coverage and any other insurance that may be required by law in your territory. Neither we nor any affiliate of ours will derive revenue from your insurance purchases. If you fail to maintain the required insurance, we have the right to procure the required insurance on your behalf at your sole expense, and you will promptly reimburse us for all of our costs and expenses incurred.

Although we require certain insurance coverage above, you should consult with an insurance professional to determine if any additional coverage may be necessary (beyond the minimum amounts required above).

We estimate that the proportion of your purchases and leases of materials and services from approved suppliers or of products that meet our specifications to be approximately 5% to 10% of all the purchases and leases in establishing your Franchised Business and approximately 5% to 10% of your ongoing costs of operating your Franchised Business.

## 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.**

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Article 5 | Items 11 and 12 |
| b. Pre-opening purchases/leases | Article 5 | Items 7 and 8 |
| c. Site development and other pre-opening requirements | Article 5 | Items 7 and 11 |
| d. Initial and ongoing training | Sections 6.1, 7.1, 7.2 | Item 11 |
| e. Opening | Article 5, Section 6.1 | Item 11 |
| f. Fees | Articles 3, 4, 6 and 8 | Items 5, 6 and 10 |
| g. Compliance with standards and policies/operating manual | Articles 1, 2, 5, 7, 11, 13 | Items 8, 11, 12 and 16 |
| h. Trademarks and proprietary information | Articles 11 and 13 | Items 13 and 14 |
| i. Restrictions on products/services offered | Sections 6.2 and 7.1 | Item 16 |
| j. Warranty and customer service requirements | Sections 8.6, Article 16 | Item 6 |
| k. Territorial development and sales quotas | Article 3, Section 7.5 | Item 12 |
| l. Ongoing product/service purchases | Sections 6.2 and 7.1 | Item 8 |
| m. Maintenance, appearance and remodeling requirements | Section 5.3 | Item 12 |
| n. Insurance | Section 7.3 | Items 7 and 8 |
| o. Advertising | Article 10 | Items 8 and 11 |
| p. Indemnification | Sections 10.2 and 17.4 | Item 17 |
| q. Owner's participation/ management/staffing | Sections 7.1, 7.2 and 15.4 | Item 15 |
| r. Records/reports | Article 9 | Item 17 |
| s. Inspections/audits | Section 9.4 | Items 6 and 17 |
| t. Transfer | Article 15 | Item 17 |
| u. Renewal | Section 4.2 | Item 17 |
| v. Post-termination obligations | Article 14, 16.4 | Item 17 |
| w. Non-competition covenants | Sections 14.1 and 14.2 | Item 17 |
| x. Dispute resolution | Article 18 | Item 17 |
| y. Guaranty | Article 2 | Items 1 and 15 |

## Item 10
## FINANCING

Neither we, nor any agent or affiliate offers direct financing of the Initial Franchise Fee or other expenses. Except as described below, neither we, nor any agent or affiliate offers indirect financing or guarantees your obligations. Neither we, nor any agent or affiliate has any practice or intent to sell, assign or discount to a third party all or any of your financing arrangements.

We do not know whether you will be able to obtain financing for all or part of your investment and, if so, the terms of the financing. We do not receive direct or indirect payments for placing financing.

For franchisees that are unable to secure credit or financing from suppliers, or for franchisees whose credit or financing with a supplier is revoked at any time, we may, in our sole and absolute discretion, guarantee your credit with the supplier (the "Guarantee Arrangement"). As a condition to the Guarantee Arrangement, we may require you to you to pay an amount that we determine in our sole and absolute discretion (but not to exceed $2,000 per year) (the "Guarantee Cost") to offset our expenses associated with guaranteeing your credit with the Supplier. You must pay the Guarantee Cost before we guarantee your credit, and annually thereafter as required in our sole and absolute discretion.

Your failure to comply with the Franchise Agreement or Guarantee Arrangement may result in the loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

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

Pre-Opening Obligations

(1) Determine the exact boundaries of your franchise territory. In our discretion, the boundaries will be designated by Postal ZIP Code, roads, political boundaries (municipal, county, state or national borders), geographic boundaries (rivers and oceans), or a combination of these. If the Postal Service alters the boundary or number of any ZIP Code(s) assigned to you, we will re-define the boundaries of your territory to correspond as nearly as possible to your original territory. Our decision on this matter will be final. You may not commence the initial training program until the boundaries of your territory have been determined. (Franchise Agreement Section 1.2).

(2) We do not offer any assistance in connection with the site of your Franchised Business but must approve the site in writing. You are not allowed to operate the Franchised Business from your home. Your office must be at least 100 square feet of office space located in a designated business district within your franchise territory. We do not provide assistance in locating a site or negotiating a lease. You must submit a site to us for approval within 30 days after you sign the Franchise Agreement, and we must approve or disapprove of your site within 15 days after we receive notice of the location. We will consider such factors in the approval as general location, site, physical characteristics, and lease terms. If your site is disapproved and we cannot agree on a site within 75 days after you sign the Franchise

Agreement, we have the right to terminate your Franchise Agreement, in which case we must refund $24,750 of the Initial Franchise Fee you paid. (Franchise Agreement Section 5.4).

(3) Within 30 days after you sign the Franchise Agreement, train you and up to 6 of your employees to operate a Franchised Business. (Franchise Agreement Section 6.1.2).

(4) Loan you a copy of our operations manual, which contains mandatory and suggested specifications, standards, forms and procedures for operating the Franchised Business. This operations manual is confidential and remains our property at all times. You will receive a copy of the operations manual when you begin the initial training program. In the future, we may give you the manual on a compact disk, or may supply the manual online or through an intranet portal. We may modify the operations manual from time to time in our sole and absolute discretion, but the modification will not alter your status and rights under the Franchise Agreement. You must keep the operations manual confidential and current, and you may not copy any part of it. (Franchise Agreement Section 6.1.5).

(5) Assist you with setting up a computer system utilizing a Microsoft 365 account and company email address (or such other software package as we may specify, which may be modified, updated, or replaced from time to time at your sole cost). (Franchise Agreement Section 6.1.6).

(6) We will provide written specifications (through the Operations Manual or otherwise) and a list of approved suppliers for certain equipment, signs, fixtures, opening inventory, and supplies for your Franchised Business. We do not provide these items directly and do not install or deliver the items. (Franchise Agreement Sections 6.1.7, 6.1.11, 6.2).

<u>After the Franchised Business Opens</u>

(1) We will endeavor in the exercise of business judgment to maintain a high standard of quality for the franchise system, and promote, protect and enhance the public image of the franchise system and marks. (Franchise Agreement Section 6.1.1).

(2) Within two (2) months after the commencement of the Franchised Business, one of our employees will provide you, at your premises, with six (6) days of on-site, follow-up training and assistance in sales, marketing, project management, and other aspects of the operation of the Franchised Business. You will not be charged a fee for such assistance, and we will pay all other ordinary expenses incurred by us in connection with such assistance. (Franchise Agreement Section 6.1.3).

(3) We will provide you with follow-up assistance at your request. We will provide assistance to you in two, three-day sessions without charge, but you must pay us for all operating assistance after the initial visit described in the preceding paragraph and the two, three-day sessions (the fee for operating assistance is $500 per day and this fee is also listed in the table in Item 6 of this Franchise Disclosure Document). You must also pay the travel, lodging and meal expenses (and, if applicable, wages) for your trainees during operational assistance visits. (Franchise Agreement Section 6.1.4).

(4) We will develop and maintain a list of standards and/or specifications for equipment, uniforms and other items that you may use or be required to use in the Franchised Business, which will be provided in the operations manual. (Franchise Agreement Section 6.1.7).

(5) We will provide you the sales, marketing and technical assistance, consultation and advice on operating procedures that we deem necessary or desirable in the exercise of our business judgment. (Franchise Agreement Section 6.1.8).

(6) We will make available to you improvements and changes to the services or operating procedures for the Franchised Business. We will also provide you with periodic newsletters and such other materials, information, and assistance as we may deem necessary. (Franchise Agreement Section 6.1.9).

(7) In our discretion, provide mystery shopping services, which are random checks of the services, communications and operations of your Franchised Business. We will provide you with a report on your performance. (Franchise Agreement Section 6.1.12).

(8) We will provide a website and/or DVD-based training resource to you on an ongoing basis to train and review the concepts in the operations manual. (Franchise Agreement Section 6.1.13).

(9) We will provide a website that is designed to assist you in the promotion and operation of the Franchised Business to your residential customers. (Franchise Agreement Section 6.1.14).

Franchisees typically begin operating their franchised businesses 30 to 90 days after signing the Franchise Agreement. The factors that affect this time are the availability and timing of your financing, your previous employment commitments (if any), and your ability to complete our training program, locate suitable office space and obtain a lease, acquire office furniture and equipment, hire and train personnel, and schedule your initial marketing campaign.

Computer Systems

To operate your Franchised Business, you must have a computer system and required computer programs. You will be required to purchase and operate from one to five computers, and the required computer programs outlined in the operations manual. We estimate the cost to purchase the required computer system to be between $1,000 and $7,000. Among the currently required computer programs is a customer relationship management (CRM) program, which is used to track leads and sales jobs, the required point-of-sale system, as designated by us in writing to you, and Sharepoint. We will pay the CRM, point-of-sale system, and Sharepoint license fees on your behalf, and you must reimburse us monthly. You may buy your computers from any source, provided that it meets our specifications. We may change the computer system and software requirements of the Franchised Business at any time in our discretion, but we are not obligated to provide any maintenance, repairs, upgrades or updates. You are obligated, at your sole expense, to upgrade the software and your computer periodically and in accordance with our specifications. We estimate that the annual cost of any required point-of-sale system maintenance, updates, upgrades, and support services will be at least $70 per user. You will also need an Internet connection via a commercial Internet service provider (ISP) for purposes of communicating with us and other franchisees via e-mail. We do not require the purchase of any cash registers.

Your franchise agreement gives us the right to have independent access to your computer system through the software utilized in your Franchised Business. You are contractually obligated to upgrade or update your computer system during the term of the franchise. There are no contractual limitations on the frequency or cost of this obligation.

You must also have a separate business telephone line for the Franchised Business and a voicemail system for when you are not available in the office.

We will provide and operate a website that will be available to your customers. We may restrict, limit, control or designate nearly every aspect of your use of websites, the internet, intranets, worldwide web home pages, social media sites, or e-mail, and may require you to participate in a centralized website. You must adhere to any social media policies that we establish from time to time, and must require your employees to do so as well.

Advertising

You will conduct all advertising for your Franchised Business, but all advertising must conform to our requirements and standards, and we reserve the right to approve all advertising in advance. We will provide some advertising and marketing materials for your use, including a number of camera-ready advertisements for use in various media.

Before opening your Franchised Business and during the first three months of operation, you must spend $10,000 on grand opening advertising. You must also spend at least $1,000 per month on local advertising for your Franchised Business. The grand opening advertising will satisfy the local advertising expenditure requirements for the first three months of operation of your Franchised Business.

There is no required amount we must spend on advertising in your Territory. We have established a marketing fund (the "Marketing Fund"), and we require that you contribute up to 1% of Monthly Gross Revenues to the Marketing Fund. We intend that, going forward, all franchisees that enter into a new or renewal franchise agreement after January 1, 2022 will contribute to the Marketing Fund at the same rate. At this time, existing franchisees under franchise agreements in place prior to January 1, 2022 will not be obligated to participate in in the Marketing Fund until the franchisee enters into a renewal franchise agreement on our then-current form of franchise agreement.

We administer the Marketing Fund as follows:

1. We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. Any particular franchisee may not benefit directly or in proportion to their contribution from the placement of advertising by the Marketing Fund.

2. We may use your contributions to meet any cost of, or reimburse us for our cost of, producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; developing and/or

hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We may conduct all advertising in-house, or we may use a national or regional advertising agency in the future. We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Marketing Fund. We will not use Marketing Fund contributions for the direct solicitation of franchise sales.

3. We may spend in any fiscal year an amount greater or less than the total contributions to the Marketing Fund. We will use any interest or other earnings of the Marketing Fund before using current contributions. We intend for the Marketing Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the Marketing Fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a pro rata basis. Amounts in the Marketing Fund accrued but not used in a given year will remain in the Marketing Fund for use by us for the following year(s), unless the Marketing Fund is terminated by us.

4. Any LEI Home Enhancements businesses owned by us or our affiliate or us will make similar contributions at the same rates to the Marketing Fund as required of franchisees.

5. We will have an accounting of the Marketing Fund prepared each year, which may be an audited or unaudited accounting (as we determine in our sole discretion), and we will provide you with a copy if you request it. We may require that the annual accounting be audited by an independent certified public accountant at the expense of the Marketing Fund.

6. The Marketing Fund is not a trust and we assume no fiduciary duty in administering the Marketing Fund.

There is not currently a franchisee council in existence, nor are there any local or regional advertising cooperatives.

Training

You must complete the initial training within six months of signing the Franchise Agreement. We will schedule and conduct trainings as needed for new franchisees. All of the training is conducted at our corporate headquarters in Cincinnati, Ohio, and is supervised by our President. Our training staff may rotate, but they have an average of four years of experience in the field and with the Franchisor. We do not charge a tuition fee or any other fees for the initial training, but you must pay the travel, lodging and meal expenses (and, if applicable, wages) for your trainees during the training program. A principal owner of the franchise and the person who will be responsible for operating your Franchised Business must complete the initial training program to our satisfaction, or we have the right to terminate your Franchise Agreement, in which case we must refund to you $24,750 of the Initial Franchise Fee you paid. We may also require you (or the officers or managing partners/members of a corporate, partnership or limited liability company franchisee) and your managers to complete supplemental and refresher training programs from time to time during the term of your Franchise Agreement, but not more often than once each year. We will not charge a

tuition fee or other fees for required supplemental and refresher training programs, but you will be responsible for travel, lodging and meal expenses (and, if applicable, wages) for your attendees.

## TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On the Job Training | Location |
|---|---|---|---|
| Introduction | 1 | 0 | Cincinnati, Ohio |
| Company History | 1 | 0 | Cincinnati, Ohio |
| Marketing Methods | 2 | 1 | Cincinnati, Ohio |
| Move Assessments and Project Costing | 3 | 1 | Cincinnati, Ohio |
| Pricing of Services, Proposals and Presentations | 8 | 4 | Cincinnati, Ohio |
| Project Management | 2 | 4 | Cincinnati, Ohio |
| Human Resource management | 4 | 1 | Cincinnati, Ohio |
| Financial Management | 4 | 4 | Cincinnati, Ohio |
| Prospect Call | 3 | 1 | Cincinnati, Ohio |
| Site Visit | 1 | 1 | Cincinnati, Ohio |
| Reporting Requirements | 3 | 0 | Cincinnati, Ohio |
| Franchise Overview | 3 | 0 | Cincinnati, Ohio |
| **TOTAL** | 35 | 17 | |

In addition to the training outlined above, we offer several optional training programs, collectively known as LEI University. Current offerings in LEI University include Director of Operations training (Tuition: $500), Assistant Director of Operations training (Tuition: $300), Assistant Marketing Manager School (Tuition: $0), and Franchise School (Tuition: $750), and you are responsible for all travel and living expenses associated with attendance of LEI University trainings.

We may also conduct System meetings, which you or one of your owners or managers must attend (up to two meetings per year). We do not charge tuition or other fees for the System meetings, but you are responsible for all costs and expenses incurred for your representative's attendance at the System meetings. We may change the frequency of the System meetings in our sole and absolute discretion.

Our operations manual serves as the instructional material for the initial training program, and is 142 pages long, with (i) 12 pages devoted to the Introduction, (ii) 20 pages devoted to Startup, (iii) 20 pages devoted to Accounting, (iv) 32 pages devoted to Employee Management, (v) 14 pages devoted to Safety and Security, (vi) 8 pages devoted to Customer Service, (vii) 5 pages devoted to Marketing, (viii) 9 pages devoted to Social Media, and (ix) 13 pages devoted to Sales. The training will be conducted by our Franchise business consultant. The table of contents for the operations manual is listed on Exhibit G.

## Item 12
## TERRITORY

We do not offer any assistance in connection with the site of your Franchised Business but must approve the site in writing. You are not allowed to operate the Franchised Business from your home. Your office must be at least 100 square feet of office space located in a designated business district within your franchise territory. We do not provide assistance in locating a site or negotiating a lease. You must submit a site to us for approval within 30 days after you sign the Franchise Agreement, and we must approve or disapprove of your site within 15 days after we receive notice of the location. We will consider such factors in the approval as general location, site, physical characteristics, and lease terms. If your site is disapproved and we cannot agree on a site within 75 days after you sign the Franchise Agreement, we have the right to terminate your Franchise Agreement, in which case we must refund $24,750 of the Initial Franchise Fee you paid. You may relocate the site of your Franchised Business only with our prior written approval.

You will receive a protected territory consisting of an area designated by Postal ZIP Code(s), roads, political boundaries (municipal, county, state or national borders), geographic boundaries (rivers and oceans), or a combination of these in our discretion (the "**Territory**"). . You may not operate from more than one location or change the location of your Franchised Business without our prior approval. "Protected" means that during the term, except as provided in below, we will not grant to another person or business entity a franchise to operate another Franchised Business that uses the Licensed Marks in the Territory, and we will not permit another person or business entity to service customers located within the Territory as a franchise that uses the Licensed Marks. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We may not grant other LEI Home Enhancements franchises within your Territory, but nothing prohibits us or our affiliates from operating LEI Home Enhancements outlets in your Territory or operating or granting other LEI Home Enhancements franchises outside your Territory. You may not advertise or operate your Franchised Business outside of your Territory. You may not service customers outside of your Territory except as described below.

We or our affiliates may operate a residential home improvement business under the Licensed Marks inside the Territory. We also reserve the right to license any business activity, including establishing other channels of distribution. We may also operate or franchise residential home improvement businesses under any mark other than the Licensed Marks at any location inside or outside the Territory.

You must achieve minimum annual revenue levels in the amounts set forth in the Franchise Agreement, which for year one is $1,000,000, for year two is $1,500,000, and for year three and each remaining year of the term of your Franchised Business is $1,750,000 (in each case based on gross contract value) (the "**Minimum Sales Performance Standards**"). If you fail to meet the Minimum Sales Performance Standards, we may declare that your Territory is no longer Protected or terminate the Franchise Agreement. If we declare the Territory non-Protected, then, in addition to our rights to operate under the Licensed Marks in your Territory when it is Protected as described above, we may serve or authorize others to serve customers within your Territory, or operate or grant a franchise to operate another Franchised Business in the Territory. Thus, if your Territory is not

Protected, you may face competition from us, our affiliates, or other franchisees in addition to what you may face when the Territory is Protected.

You may service customers outside of the Territory if they are located in an area geographically contiguous to the Territory, and that area is not the protected territory of another franchisee's franchised business (an "**Open Territory**"). You must obtain our written consent prior to servicing customers in an Open Territory, including our consent and approval (in our sole discretion) of the scope and boundaries of the Open Territory. If the Open Territory is assigned to another franchisee, you must immediately stop selling and providing services in that territory. Similarly, if another franchisee's territory is declared non-protected, you may service customers within that franchisee's territory until such time as the territory becomes protected or is assigned to another franchisee, in each case with our prior written consent.

Your rights and options to acquire additional franchises are set forth in the Franchise Agreement. Under the Franchise Agreement and if we agree, in our sole discretion, you may have the option to pay us a $7,500 fee to reserve your right of first refusal in an any geographic area that has not already been granted to another franchisee or licensee (as the scope and boundaries of the geographic area are defined by us in our sole discretion) selected by you and approved by us (the "**ROFR Territory**"). If you pay the $7,500 fee and we approve, we will grant you a right of first refusal in the ROFR Territory for the initial term of your Franchise Agreement (the "**ROFR Term**"). If we (i) are actively offering franchises in the ROFR Territory, (ii) are qualified under applicable law to offer or sell franchises in the ROFR Territory, and (iii) receive a bona fide written offer to grant another franchise in the ROFR Territory during the ROFR Term, we will notify you of the offer and you will have 30 days to exercise your right of first refusal by purchasing a franchise from us in the ROFR Territory and executing a Franchise Agreement for the purchased ROFR Territory. The $7,500 fee will go towards your Initial Franchise Fee in the ROFR Territory. Even if you pay the $7,500 fee, however, we are not required to, and we do not make any promise or guarantee that we will, actively offer, market, or sell franchises or be registered, exempt, or otherwise qualified under applicable law to offer or sell franchises in the ROFR Territory during the ROFR Term.

Other than as set forth above, your Franchise Agreement does not give you any option, right of first refusal, or similar right to acquire additional franchises. However, if you intend on transferring your franchise to another entity not under common ownership by you, or a corporate entity not owned by you, then we have the right of first refusal with respect to purchasing the Franchised Business from you on the same terms and conditions proposed to the initial transferee.

## Item 13
## TRADEMARKS

Under the Franchise Agreement, we award you a license to operate the Franchised Business using the licensed marks described below. In addition to the licensed marks in the chart below, franchisees may also use other marks, registered or unregistered, that we own or have the right to use or that we designate as part of the licensed marks (the "Licensed Marks"). The Licensed Mark identified in the chart below is owned by our parent, Lasting Energy Innovations, Inc., and licensed to us pursuant to a License Agreement dated August 31, 2017, which has a term of 10 years and, provided that we are in compliance with the License Agreement, automatically renews for additional ten-year terms, unless sooner terminated by either party. Upon the expiration or termination of the License

Agreement, our rights to use the Licensed Marks will cease. There are currently no effective agreements that significantly limit our right to use or license the use of the Licensed Marks.

The following Licensed Mark is owned by Lasting Energy Innovations, Inc. and is currently registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

| Marks | Registration Number | Date |
|---|---|---|
| LEI Home Enhancements | 5226337 | June 20, 2017 |

We do not have a federal registration for our principal design (LOGO) mark. Therefore, our trademark does not have many legal benefits as a federal-registered trademark. If your right to use the trademark is challenged or the License Agreement is terminated, you may have to change to an alternative trademark, which may increase your expenses.

You must only use the Licensed Marks in accordance with the Franchise Agreement and relating to the Franchised Business. You may not use a Licensed Mark as part of your corporate or business entity name. You may not use any Licensed Mark with the performance or sale of unauthorized services or products without our prior written authorization, or in any unauthorized manner. We also claim common law rights to our designs, logos and trade dress items, including color schemes and appearance, as well as copyright where applicable, but there have not been judicial determinations of the existence, validity or extent of our rights. We claim and intend to rely on common law and/or statutory trade secret and unfair competition protection for proprietary materials and information you awarded a license to use under the Franchise Agreement.

There are currently no effective determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation, nor any pending material litigation involving our marks that are material to a LEI Home Enhancements Franchised Business. We have filed all required affidavits.

You must notify us immediately when you learn about any infringement of or challenge to your use of our Licensed Marks. We will take whatever action we think appropriate. We are not required to defend you against a claim against your use of the Licensed Marks or indemnify you for your liability or expenses arising from your defense of such a claim. You must cooperate fully in prosecuting, defending or settling any litigation relating to the Licensed Marks.

You must modify or discontinue your use of a Licensed Mark at your sole expense if we modify or discontinue it. We are not required to reimburse you for your costs. You must not directly or indirectly contest our right to our service marks, trade secrets or business techniques that are part of our business.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Licensed Marks.

## Item 14
## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The following copyright is registered to our parent company, Lasting Energy Innovations, LLC and is currently registered with the U.S. Copyright Office:

| Title | Registration Number | Registration Date |
|---|---|---|
| LEI Marketing Representative Materials | TXu 2-071-249 | February 9, 2018 |

The copyright listed in the table above covers the LEI Home Enhancements: Marketing Representative Training Manual, 4th Edition and the LEI Home Enhancements Marketing Representative Training Presentation. The duration of the copyright listed in the table above is 95 years from the year the copyrighted material was first published (2017). We cannot renew the copyright.

Except as described above, there are no patents or copyrights currently registered or pending owned by us or our affiliates that are material to the franchise system. However, we do claim copyright protection in the original materials used in the franchise system, including the operations manual, and other manuals or writings related to the Franchised Business, training materials, sales, promotional and other materials that we have developed or will develop in the future. All rights and interests in such materials will be retained by us. We have not registered these copyrights with the United States Copyright Office, but need not do so at this time to protect them. You may only use our protected materials as we specify while operating your Franchised Business (and you must stop using them if we so direct). There are no agreements currently in effect which significantly limit our rights to use or license the use of these copyrights in any manner material to the franchise. We are not aware of any infringing uses or superior prior rights that could materially affect your use of the copyrighted material.

There is no presently effective determination of the United States Patent and Trademark Office, U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We have developed a distinctive system for the operation of residential home improvement business. Our system includes pricing methods, project management techniques, proposal and project management forms/formats, specifications, procedures, knowledge and expertise in the operation of a residential home improvement business, much of which is not commonly known to the public or to our competitors, gives us an advantage over competitors who do not know or use it, and which we have identified or may identify as proprietary and confidential information. We will disclose proprietary and confidential information to you during the initial training program, in the operations manual, during ongoing training seminars, and in guidance furnished to you during the term of your Franchise Agreement.

You will not acquire any interest in any proprietary and confidential information we may communicate to you, other than the right to utilize it in the operation of your Franchised Business during the term of your Franchise Agreement. The information is disclosed to you solely on the condition that you (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the term of your Franchise Agreement; (3) will

not make unauthorized copies of any portion of the operations manual or any other written communication from us; and (4) will adopt and implement all reasonable procedures we may require to prevent unauthorized use or disclosure of the information, including restrictions on disclosure of the information to employees of the Franchised Business and the use of nondisclosure and noncompetition clauses in employment agreements.

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

The Franchised Business must be under your direct, full-time, on-premises supervision (or, if the franchisee is a corporation, partnership or limited liability company, the direct, full-time, on-premises supervision of a shareholder or managing partner/member who has successfully completed our initial training program) at all times during regular business hours. No individual franchisee, shareholder, director or officer of a corporate franchisee, partner of a partnership franchisee, or member of a limited liability company franchisee, may compete with or own an interest in any competitor of ours anywhere during the term of your Franchise Agreement or within your territory for 2 years after the expiration or termination of your Franchise Agreement. All owners of a corporate, limited liability company or partnership franchisee must sign a written agreement to maintain the confidentiality of any confidential information which may be disclosed to them. All owners of a corporate, limited liability company, or partnership franchisee must personally guarantee the franchisee's obligations under the Franchise Agreement pursuant to the "Owner Guaranty" attached hereto as Exhibit D.

You and any employed personnel that manages the day-to-day operations of the Franchised Business must complete our initial training program to our sole, subjective satisfaction. Refer to Item 11 for details. We do not require your employed management personnel to have an equity interest in the Franchised Business.

## Item 16
## RESTRICTIONS ON PRODUCTS AND SERVICES THAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those products and services that we have approved. You are prohibited from offering any other products or services without our approval. You may not use the premises on which the Franchised Business is located for any purpose other than the operation of a Franchised Business and the sale of approved products and services. You must offer all products and services that we designate as required for all franchisees. We have the unlimited right to add additional authorized products and services that you are required to offer. We may designate some services as optional for franchisees in certain markets.

## Item 17.
## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Term of the Franchise | Section 4.1 | 10 years |
| b. Renewal or extension of the term | Section 4.2 | One additional 10-year period |
| c. Requirements for you to renew or extend | Section 4.2 | You must not be in default, sign new Franchise Agreement and (if permitted by state law) release, and you must give 3-6 mos. notice. You may be asked to sign a contract with materially different terms and conditions than your original contract. |
| d. Termination by you for convenience | None | The Franchise Agreement does not give you the right to terminate your franchise. |
| e. Termination by Franchisor for convenience | None | The Franchise Agreement does not give franchisor the right to terminate your franchise. |
| f. Termination by Franchisor with cause | Article 16 | We can terminate only if you default or breach of the Franchise Agreement. |
| g. "Cause" defined - defaults which can be cured | Article 16 | Non-payment of fees or other amounts due to Franchisor, an affiliate or a supplier, failure to satisfactorily service customer accounts, failure to satisfy all other obligations contained in the Franchise Agreement or other agreements with the Franchisor or its affiliates, default and failure to cure under any other agreement with Franchisor or its affiliates. |
| h. "Cause" defined - defaults which cannot be cured | Article 16 | General assignment for the benefit of creditors or a petition of bankruptcy or similar event, seizure of assets by creditors or granting of security interest in assets of the Franchised Business, misrepresentation of facts or reports made to Franchisor, receipt of three or more notices of a curable default in any twelve month period, under-reporting of Monthly Gross Sales two or more times in a fiscal year, death or incapacity and transfer is not consummated as provided in the Franchise Agreement, actions or failures that adversely affect the goodwill associated with the Franchisor, Licensed Marks or Franchised Business, default under any other agreement with Franchisor or an affiliate without opportunity to cure, infringement into another franchisee's territory, abandonment of the franchised business, failure to meet the Minimum Sales Performance Standards. |
| i. Your obligations on termination/ nonrenewal | Article 16 | Cease operating Franchised Business, pay all amounts due to Franchisor and affiliates, cease use of and return Operations Manual and confidential information, assign any telephone number of the Franchised Business to Franchisor, transfer any websites and domain names to Franchisor, satisfactorily |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | resolve all warranty claims or customer disputes, cease using any of the Licensed Marks, discontinue using all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms and other products or materials that display the Licensed Marks and sell them to Franchisor at its request at the fully depreciated book value, cancel assumed name registrations, permit Franchisor to inspect the Franchised Business, delete any references to the Franchisor or Licensed Marks from any website used by you, observe and comply with the Post-Termination Covenants. |
| j. Assignment of contract by Franchisor | Section 12.1 | No restriction on our right to assign. |
| k. "Transfer" by your definition | Article 15 | Includes transfer of contract or assets, ownership change, and encumbrance. |
| l. Franchisor's approval of transfer by you | Article 15 | We have the right to approve all transfers but may not unreasonably withhold consent. |
| m. Conditions for Franchisor's approval of transfer | Article 15 | The proposed transferee qualifies under Franchisor's standards, you are not in default of the Franchise Agreement, you have paid all outstanding amounts due to Franchisor, you have executed a general release, the proposed transferee has agreed to complete the initial training program, the proposed transferee assumes all of your rights and obligations under the Franchise Agreement, you have paid the Transfer Fee, the transfer is completed in accordance with applicable bulk sales legislation, and there are no outstanding disputes with Franchisor or its affiliates. |
| n. Franchisor's right of first refusal to acquire your business | Section 15.5 | We can match any offer for your business. |
| o. Franchisor's option to purchase your business | None | |
| p. Your death or disability | Section 15.4 | Upon your death or incapacity, your heirs or representatives must transfer the Franchise Agreement to an acceptable third party within six months of the death or incapacity. Transferees must qualify and meet other requirements for transfer (see Line m, above). |
| q. Non-competition covenants during the term of the franchise | Article 14 | No involvement in competing business. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 14.2 | No involvement in competing business for 2 years within your franchise territory, or in a city where another LEI Home Enhancements business is operated. No solicitation or diversion of customers or influence to reduce the business of any other LEI Home Enhancements business or the Franchised Business or any successor. |
| s. Modification of the terms and/or agreement | Sections 6.1.5, 6.1.6, 11.1.6 and 19.1.7 | Modification only by written agreement, Franchisor may modify System Programs and Operations Manual so long as it does not change your fundamental status and rights. |
| t. Integration/merger clause | Section 19.17 | Only the terms of the Franchise Agreement are binding |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | (subject to law of state where Franchised Business is located); any other promises may not be enforceable, except that statements and representations in this Disclosure Document are enforceable where Illinois law applies to this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Article 18 | Except for certain claims, all disputes must be mediated. Claims may not be consolidated with claims of other franchisees. |
| v. Choice of forum | Sections 18.2 | Litigation and mediation must take place in Butler County, Ohio (subject to applicable state law). |
| w. Choice of law | Section 19.10 | Ohio law applies (subject to applicable state law). |

## Item 18
## PUBLIC FIGURES

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

## Item 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned franchises, 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 franchise you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

**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 Rhonda Gaskill, LEI Franchising, LLC, 11880 Kemper Springs Drive, Cincinnati, Ohio 45240, (513) 675-3489 or RGaskill@leihomeenhancements.com, the Federal Trade Commission, and the appropriate state regulatory agencies.**

## Item 20
## OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

### SYSTEM WIDE OUTLET SUMMARY

For Years 2019 to 2021

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2019 | 12 | 25 | +13 |
| | 2020 | 25 | 24 | -1 |
| | 2021 | 24 | 22 | -2 |
| Company-Owned | 2019 | 19 | 11 | -8 |
| | 2020 | 11 | 7 | -4 |
| | 2021 | 7 | 8 | +1 |
| Total Outlets | 2019 | 31 | 36 | +5 |
| | 2020 | 36 | 31 | -5 |
| | 2021 | 31 | 30 | -1 |

Table No. 2

### TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)

For Years 2019 to 2021

| State | Year | Number of Transfers |
|---|---|---|
| Total | 2019 | 0 |
| | 2020 | 2 |
| | 2021 | 2 |

Table No. 3

### STATUS OF FRANCHISED OUTLETS

For Years 2019 to 2021

| State | Year | Franchises at Start of Year | Franchises Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations Other Reasons | Franchises at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Arizona | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Colorado | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Georgia | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Kentucky | 2019 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Maryland | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Minnesota | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Missouri | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| North Carolina | 2019 | 1 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 1 | 0 | 1 |
| Ohio | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Pennsylvania | 2019 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Tennessee | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas | 2019 | 5 | 0 | 1 | 0 | 0 | 0 | 4 |
| | 2020 | 4 | 0 | 2 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Utah | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Virginia | 2019 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Washington | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Wisconsin | 2019 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Total | 2019 | 12 | 14 | 1 | 0 | 0 | 0 | 25 |

| State | Year | Franchises at Start of Year | Franchises Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations Other Reasons | Franchises at End of the Year |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 25 | 1 | 2 | 0 | 0 | 0 | 24 |
| | 2021 | 24 | 0 | 1 | 0 | 1 | 0 | 22 |

Table No. 4

## STATUS OF COMPANY-OWNED OUTLETS

For Years 2019 to 2021

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Arizona | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Colorado | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Georgia | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Illinois | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| Indiana | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| Kentucky | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maryland | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Massachusetts | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 1 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Michigan | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 1 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minnesota | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Missouri | 2019 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| North Carolina | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 0 | 0 | 1 |
| Ohio | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 1 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| Oregon | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 0 | 0 | 0 | 1 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pennsylvania | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tennessee | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Utah | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Virginia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington | 2019 | 1 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 1 | 0 | 0 | 1 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington, D.C. | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wisconsin | 2019 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2019 | 19 | 0 | 0 | 1 | 7 | 11 |
| | 2020 | 11 | 0 | 0 | 4 | 0 | 7 |
| | 2021 | 7 | 0 | 1 | 0 | 0 | 8 |

Table No. 5

**PROJECTED OPENINGS**

As of December 31, 2021

| State | Franchise Agreements Signed but Franchises Not Opened | Projected New Franchises in the Next Fiscal Year | Projected Company-Owned Franchises in the Next Fiscal Year |
|---|---|---|---|
| Illinois | 0 | 0 | 1 |
| Indiana | 0 | 0 | 1 |
| Michigan | 0 | 1 | 0 |
| Montana | 0 | 1 | 0 |
| North Carolina | 0 | 0 | 1 |
| Ohio | 0 | 2 | 1 |
| Totals | 0 | 4 | 4 |

The number of new franchised locations projected to be opened in the next fiscal year, as presented in the table above, is an estimate based on the best information we have as of the date of this disclosure document.

No franchisees have signed confidentiality clauses during the last three years.

A list of the names, addresses and telephone numbers of all franchisees is attached to this disclosure document as Exhibit E. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of the date of this disclosure document, there is no trademark-specific franchisee organizations associated with the LEI Home Enhancements franchise 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

Our Fiscal Year 2019 through 2021 audited financial statements are attached as Exhibit C to this disclosure document.

## Item 22
## CONTRACTS

The following contracts are attached as exhibits to this Franchise Disclosure Document:

Exhibit D Franchise Agreement, Non-Compete Agreement, Owner Guaranty, Powers of Attorney for Telephone Number

Exhibit F State Addenda

## Item 23
## RECEIPTS

The last two pages of this Disclosure Document, included as Exhibit H**,** are receipt pages. Please sign and date all copies. Detach the last two pages and return them to us promptly on execution.

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT A

## Agents of Services of Process

## AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

**California**

Commissioner of Business Oversight
Department of Business Oversight
Suite 750
320 West 4th Street
Los Angeles, California 90013-2344

**Hawaii**

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813

**Illinois**

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

**Indiana**

Secretary of State
State of Indiana
201 State House
200 W. Washington St.
Indianapolis, Indiana 46204

**Maryland**

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

**Michigan**

Franchise Administration
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913

**Minnesota**

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

**New York**

Secretary of State
State of New York
99 Washington Avenue
Albany, New York 12231

**North Dakota**

Securities Commissioner
State of North Dakota
5th Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510

**Oregon**

Department of Consumer and
Business Services
Division of Finance and Corporate
Securities
State of Oregon
3350 Winter St., N.E.
Room 21
Salem, OR 97310

**Rhode Island**

Director of Business Regulation
Department of Business Regulation
Division of Securities – Franchise Section
State of Rhode Island
1511 Pontiac Avenue
John O. Pastore Complex, Bldg. 69-1
Cranston, Rhode Island 02920-4407

**South Dakota**
Department of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501-3185

**Virginia**
Clerk of the State Corporation
Commission
Commonwealth of Virginia
1300 East Main Street
1st Floor
Richmond, Virginia 23219

**Washington**

Director of Financial Institutions
Securities Division
150 Israel Rd., S.W.
Tumwater, Washington 98501

**Wisconsin**

Commissioner of Securities
Wisconsin Securities Commission
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT B
## State Franchise Regulators

# LIST OF STATE REGULATORS

The following is a list of state regulators responsible for the registration and review of franchises. We may register in one or more of these states.

**California**

Department of Business Oversight
320 W. 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677

**Hawaii**

Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2744

**Illinois**

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

**Indiana**

Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

**Maryland**

Office of the Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

**Michigan**

Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 373-7117

**Minnesota**

Minnesota Department of Commerce
Securities Division
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1638

**New York**

Bureau of Investor Protection and Securities
New York State Department of Law
Division of Economic Justice
28 Liberty St., 21st Floor
New York, New York 10005
(212) 416-8236

**North Dakota**
North Dakota Securities Department
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-4712

**Oregon**

Department of Consumer and Business
Services
Division of Finance and Corporate
Securities
Labor and Industries Building
350 Winter St., NE, Room 410
Salem, Oregon 97310
(503) 378-4140

**Rhode Island**

Department of Business
Regulation
Securities Division – Franchise
Section
1511 Pontiac Avenue
John O. Pastore Complex, Bldg.
69-1
Cranston, Rhode Island 02920-
4407
(401) 462-9527

**South Dakota**

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501-3185
(605) 773-3563

**Virginia**

Division of Securities and
Retail Franchising
State Corporation Commission
Commonwealth of Virginia
Ninth Floor
1300 E. Main Street
Richmond, Virginia 23219
(804) 371-9051

**Washington**

Department of Financial
Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-
9033
(360) 902-8760

**Wisconsin**

Division of Securities
Department of Financial
Institutions
Wisconsin Commissioner of
Securities
P.O. Box 1768
Madison, Wisconsin 53701-1768
(608) 266-2801

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT C
## Financial Statements

## CONSENT OF ACCOUNTANT

Clark, Schaefer, Hackett & Co. consents to the use in the Franchise Disclosure Document issued by LEI Franchising LLC ("Franchisor") on June 6, 2022, as it may be amended, of our independent auditors' reports dated May 31, 2022 and March 31, 2021, related to the audited financial statements of Franchisor for the periods ending December 31, 2021, 2020 and 2019.

**Clark, Schaefer, Hackett & Co.**

*Clark, Schaefer, Hackett & Co.*

By: John R. Moster, CPA

Title: Vice President

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

# LEI Franchising LLC

Financial Statements

December 31, 2021 and 2020

(with Independent Auditors' Report)

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

# INDEPENDENT AUDITORS' REPORT

Members
LEI Franchising LLC:

## Opinion

We have audited the accompanying financial statements of LEI Franchising LLC (an Ohio Limited Liability Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LEI Franchising LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LEI Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LEI Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LEI Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LEI Franchising LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio
May 31, 2022

LEI Franchising LLC
Balance Sheets
December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $ 1,510,010 | 931,089 |
| Royalty and supplier allowance receivable | 534,630 | 433,776 |
| Current portion of franchisee fee notes receivable | 16,800 | 53,375 |
| Income tax receivable | - | 6,050 |
| Prepaid expenses | - | 6,403 |
| | 2,061,440 | 1,430,693 |
| Other assets: | | |
| Franchisee fee notes receivable, less current portion | - | 13,750 |
| Long-term receivable - related-party | 944,258 | 1,536,437 |
| | 944,258 | 1,550,187 |
| | 3,005,698 | 2,980,880 |
| Liabilities and Members' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 18,076 | 21,890 |
| Income tax payable | 4,057 | - |
| Current portion of long-term payable | - | 180,120 |
| | 22,133 | 202,010 |
| Members' equity | 2,983,565 | 2,778,870 |
| | $ 3,005,698 | 2,980,880 |

See accompanying notes to the financial statements.

LEI Franchising LLC
Statements of Income
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Revenues: | | |
| Franchise fee revenue | $ - | 41,251 |
| Royalty and other income | 801,330 | 782,554 |
| Supplier allowance income | 1,925,746 | 1,569,669 |
| | 2,727,076 | 2,393,474 |
| Operating expenses | 1,685,886 | 1,708,827 |
| Operating income | 1,041,190 | 684,647 |
| Other expense: | | |
| State and local income tax expense | 495 | 382 |
| Net Income | $ 1,040,695 | 684,265 |

See accompanying notes to the financial statements.

LEI Franchising LLC
Statements of Members' Equity
Years Ended December 31, 2021 and 2020

| | |
|---|---|
| Balance at December 31, 2019 | $ 1,531,883 |
| Cumulative effect of change in accounting principle | 724,314 |
| Net income | 684,265 |
| Distributions | (161,592) |
| Balance at December 31, 2020 | 2,778,870 |
| Net income | 1,040,695 |
| Distributions | (836,000) |
| Balance at December 31, 2021 | $ 2,983,565 |

See accompanying notes to the financial statements.

LEI Franchising LLC
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ | 1,040,695 | 684,265 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Change in reserve for uncollectible notes receivable - franchisee and other | | 199,508 | 301,971 |
| Effects of changes in operating assets and liabilities: | | | |
| Royalty and supplier allowance receivable | | (100,854) | 135,898 |
| Franchisee fee notes receivable | | (149,183) | (21,783) |
| Income tax receivable / payable | | 10,107 | (6,050) |
| Prepaid expenses | | 6,403 | (6,403) |
| Long-term receivable - related-party | | 592,179 | 39,527 |
| Accounts payable and accrued expenses | | (3,814) | (7,503) |
| Long-term payable | | (180,120) | (68,129) |
| Net cash provided by operating activities | | 1,414,921 | 1,051,793 |
| Cash flows from financing activities: | | | |
| Distributions | | (836,000) | (161,592) |
| Net change in cash | | 578,921 | 890,201 |
| Cash at beginning of year | | 931,089 | 40,888 |
| Cash at end of year | $ | 1,510,010 | 931,089 |
| Non-cash transactions and supplemental disclosure of non-cash activity: | | | |
| Issuance of notes receivable to franchisees | $ | - | 49,500 |
| Cash paid for state and local income taxes | $ | 5,775 | 27,320 |
| Note receivable - other issued | $ | - | (77,011) |
| Long-term payable issued | $ | - | 126,871 |

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of LEI Franchising LLC (the "Company") are set forth to facilitate the understanding of data presented in the financial statements.

**Nature of operations**
The Company, an Ohio Limited Liability Company, was organized in 2017 and began operations in 2018. The Company offers franchises for businesses that sell residential home improvement products including windows, doors, siding, and roofing, and provide certain services under the service marks LEI and LEI Home Enhancements®. Franchised Businesses will offer residential customers one or more products and provide proposals for the materials and installation services. Franchised Businesses do not install the residential home improvement products but will coordinate with a third-party company on behalf of customers to install the home improvement products.

The Company has twenty-two and twenty-three franchise locations in multiple geographic regions, as of December 31, 2021 and 2020, respectively.

**Cash**
The Company maintains cash balances in a financial institution that may, at times, exceed federally insured limits. The Company has not experienced any losses in cash balances and management believes it is not exposed to any significant credit risk of loss in cash.

**Accounts receivable**
Accounts receivable are stated at the amount management expects to collect from outstanding balances due from franchisees and the third-party installation company. Management determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the franchisee's current ability to pay its obligation to the Company and the condition of the general economy and the industry as a whole. Management determined that no allowance for uncollectible accounts was necessary as of December 31, 2021 and 2020.

**Long-term receivable – related-party**
The Company has outstanding accounts receivable totaling $944,258 and $1,536,437 as of December 31, 2021 and 2020, respectively, from a related-party company that is under common control.

**Long-term payable**
The long-term payable balance of $180,120 at December 31, 2020 is comprised of amounts due to the supplier of the residential home improvement products sold to residential customers. The amounts relate to the non-payment to the supplier by two franchisees at December 31, 2020. The balance outstanding at December 31, 2020 was repaid in early 2021.

**Adoption of a new accounting standard**
In January 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-02, "Revenue from Contracts with Customers (Subtopic 952-606)". The ASU, as updated, permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU. Additionally, the ASU provides an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company adopted the

requirements of the new guidance as of January 1, 2020, by making an accounting policy election to recognize pre-opening services as a single performance obligation and utilizing the full retrospective method of transition. This adoption relates to initial franchise fees and related commission expenses, which now are recognized over the period of the pre-opening services (typically 1-2 months after contact execution) rather than over the ten-year period of the initial franchise agreement.

The Company adjusted the 2020 financial statements from amounts previously reported to adopt the new guidance. The following tables summarize the retroactive effects of adopting ASC 606:

| | | As Reported | Effect of Adoption | As Adjusted |
|---|---|---|---|---|
| Assets: | | | | |
| Deferred commission expense | $ | 49,500 | 49,500 | - |
| Liabilities: | | | | |
| Deferred franchise fee revenue | | 676,342 | 676,342 | - |
| Members' equity | $ | 2,152,028 | 626,842 | 2,778,870 |

| | | As Reported | Effect of Adoption | As Adjusted |
|---|---|---|---|---|
| Revenues: | | | | |
| Franchise fee revenue | $ | 144,723 | 103,472 | 41,251 |
| Operating Expenses | | 1,714,827 | 6,000 | 1,708,827 |
| Net Income | | 781,737 | 97,472 | 684,265 |

**Revenue recognition**
The Company's principal sources of revenues include franchise fees and royalties due under franchise agreements, as well as supplier allowances.

Initial franchise fees, which are typically non-refundable, are recognized as revenues over the period of the pre-opening services, commencing when all material services or conditions have been substantially performed. Royalties are typically calculated as a percentage of gross sales of each franchised store and are recognized as and when the underlying sales by the franchisees occur.

Supplier allowances are recognized as the products purchased from the third-party installation company are paid for by the franchisees.

The performance obligations related to all Company revenues are satisfied over time.

The Company applies the sales-and-usage-based royalty exception, provided in FASB ASC 606-10-55-65, when recognizing revenues. Current franchisees pay an ongoing royalty of 5% of the monthly cash revenue collections, which the Company recognizes as revenue on a monthly basis as the fees become

due upon the franchisee's sale to the customer occurs. The supplier allowance is recognized as the revenue becomes due as the supplier's sale of products to the franchisees occur. The Company receives a non-refundable initial franchise fee from current franchisees from $10,000 to $49,500 per store depending upon market size. Franchise fees were generated from the sale of rights to develop, own and operate stores, and pre-opening services provided by the Company to assist in the start-up operations of the stores. The Company considers the pre-opening services rights to be distinct from the intellectual property and thus the pre-opening services to be a single performance obligation, resulting in the recognition of revenue ratably over time from the contract execution throughout the store opening date, which is generally between one and two months.

**Income taxes**
The Company is taxed as a partnership. Therefore, the Company will generally not pay federal or state corporate income taxes on taxable income. Instead, each member will be liable for individual federal and state income taxes on the Company's taxable income. Therefore, no provision or liability for these income taxes has been included in the financial statements. The Company is subject to local income taxes.

**Use of estimates**
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

**Subsequent events**
The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements considers events through May 31, 2022, the date on which the financial statements were available to be issued.

## 2. FRANCHISEE NOTES RECEIVABLE:

At December 31, 2021 and 2020, the Company has one and three outstanding notes with various franchisee's, with an outstanding balance of $16,800 and $67,125, respectively. These notes are generally due in twelve or twenty-four-month installments, without interest. The Company does not account for imputed interest on these notes.

## 3. NOTES RECEIVABLE - OTHER:

At December 31, 2020, the Company had notes receivables due from two franchisees, with a gross outstanding balance of $332,260. The Company recorded an estimated reserve for non collectible amounts of $332,260 during 2020. The net balance outstanding is $0 at December 31, 2020. These notes were issued in connection with the long-term payable to the third-party supplier.

During 2021 the Company ceased collection attempts and wrote off the notes receivable.

## 4. RELATED-PARTY TRANSACTIONS:

The Company receives management services from an entity owned by the members. Management fees for these services were $1,200,000 for the years ended December 31, 2021 and 2020.

Additionally, the Company licenses certain intellectual property from the related-party in connection with the franchise agreements. This license agreement covers a ten-year period from inception, which is August 2017. The related-party may charge a license fee but has not yet done so. Additionally, the agreement may be cancelled at any time by either party. Upon termination, the Company must cease use of any of the service marks.

## 5. CONTINGENCY:

In connection with a Master Vendor Supply and Installation Agreement with the third-party supplier of the home improvement products, the Company provided a $400,000 irrevocable letter of credit to reduce the suppliers' exposure to non-payment by any franchisee. Effective January 2021, the Company's irrevocable letter of credit was reduced to $200,000 and in December 2021 the irrevocable letter of credit agreement was terminated.

As part of the supplier contract, the Company was responsible to reimburse the supplier if franchisee's did not pay the supplier for purchases. As of December 31, 2021 the Company is not aware of any significant non payments by any franchisee that relate to invoices preceding the termination in December 2021.

## 6. BUSINESS CONDITIONS:

The COVID-19 outbreak in the United States has caused business disruption due to temporary business shutdowns. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Therefore, the impact on the Company's operations cannot be reasonably estimated and the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain at this time.

# LEI Franchising LLC

Financial Statements

December 31, 2020 and 2019

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT

CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

# INDEPENDENT AUDITORS' REPORT

Members
LEI Franchising LLC:

**Report on the Financial Statements**
We have audited the accompanying financial statements of LEI Franchising LLC (an Ohio Limited Liability Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LEI Franchising LLC as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 31, 2021

LEI Franchising LLC
Balance Sheets
December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $ 931,089 | 40,888 |
| Royalty and supplier allowance receivable | 433,776 | 569,674 |
| Current portion of franchisee fee notes receivable | 53,375 | 204,439 |
| Current portion of note receivable (net) - other | - | 11,000 |
| Income tax receivable | 6,050 | - |
| Deferred commission expense | 49,500 | 55,500 |
| Prepaid expenses | 6,403 | - |
| | 1,480,193 | 881,501 |
| Other assets: | | |
| Franchisee fee notes receivable, less current portion | 13,750 | 8,250 |
| Long-term receivable - related party | 1,536,437 | 1,575,964 |
| Note receivable (net) - other, less current portion | - | 123,624 |
| | 1,550,187 | 1,707,838 |
| | 3,030,380 | 2,589,339 |
| Liabilities and Members' Equity | | |
| Current liabilities: | | |
| Accounts payable | 7,081 | 8,505 |
| Accrued liabilities | 14,809 | 20,888 |
| Current portion of long-term payable | 180,120 | 165,000 |
| | 202,010 | 194,393 |
| Noncurrent liabilities: | | |
| Long-term payable, less current portion | - | 83,249 |
| Deferred franchise fee revenue | 676,342 | 779,814 |
| | 676,342 | 863,063 |
| | 878,352 | 1,057,456 |
| Members' equity | 2,152,028 | 1,531,883 |
| | $ 3,030,380 | 2,589,339 |

See accompanying notes to the financial statements.

LEI Franchising LLC
Statements of Income
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| Revenues: | | |
| Franchise fee revenue | $ 144,723 | 68,168 |
| Royalty and other income | 782,554 | 864,710 |
| Supplier allowance income | 1,569,669 | 2,008,229 |
| | 2,496,946 | 2,941,107 |
| Operating expenses | 1,714,827 | 1,275,144 |
| Operating income | 782,119 | 1,665,963 |
| Other income (expense): | | |
| Interest income | - | 187 |
| State and local income tax expense | (382) | (36,692) |
| | (382) | (36,505) |
| Net Income | $ 781,737 | 1,629,458 |

See accompanying notes to the financial statements.

LEI Franchising LLC
Statements of Members' Equity
Years Ended December 31, 2020 and 2019

| | |
|---|---|
| Balance at December 31, 2018 | $ 292,425 |
| Net income | 1,629,458 |
| Distributions | (390,000) |
| Balance at December 31, 2019 | 1,531,883 |
| Net income | 781,737 |
| Distributions | (161,592) |
| Balance at December 31, 2020 | $ 2,152,028 |

See accompanying notes to the financial statements.

LEI Franchising LLC
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

| | | 2020 | 2019 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ | 781,737 | 1,629,458 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Change in reserve for uncollectible notes receivable - franchisee and other | | 301,971 | 123,625 |
| Effects of changes in operating assets and liabilities: | | | |
| Royalty and supplier allowance receivable | | 135,898 | (139,769) |
| Franchisee fee notes receivable | | (21,783) | 28,061 |
| Income tax receivable | | (6,050) | - |
| Deferred commission expense | | 6,000 | (55,500) |
| Prepaid expenses | | (6,403) | - |
| Long-term receivable - related party | | 39,527 | (1,575,964) |
| Accounts payable and accrued expenses | | (7,503) | (141,170) |
| Long-term payable | | (68,129) | (10,000) |
| Deferred franchise fee revenue | | (103,472) | 388,332 |
| Net cash provided by operating activities | | 1,051,793 | 247,073 |
| Cash flows from financing activities: | | | |
| Distributions | | (161,592) | (390,000) |
| Net change in cash | | 890,201 | (142,927) |
| Cash at beginning of year | | 40,888 | 183,815 |
| Cash at end of year | $ | 931,089 | 40,888 |
| Non-cash transactions and supplemental disclosure of non-cash activity: | | | |
| Issuance of notes receivable to franchisees | $ | 49,500 | 367,000 |
| Cash paid for state and local income taxes | $ | 27,320 | 24,206 |
| Note receivable - other issued | $ | (77,011) | (258,249) |
| Long-term payable issued | $ | 126,871 | 258,249 |

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of LEI Franchising LLC (the "Company") are set forth to facilitate the understanding of data presented in the financial statements.

**Nature of operations**
The Company, an Ohio Limited Liability Company, was organized in 2017 and began operations in 2018. The Company offers franchises for businesses that sell residential home improvement products including windows, doors, siding, and roofing, and provide certain services under the service marks LEI and LEI Home Enhancements®. Franchised Businesses will offer residential customers one or more products and provide proposals for the materials and installation services. Franchised Businesses do not install the residential home improvement products but will coordinate with a third-party company on behalf of customers to install the home improvement products.

The Company has twenty-three and twenty-four franchise locations in multiple geographic regions, as of December 31, 2020 and 2019, respectively.

**Cash**
The Company maintains cash balances in a financial institution that may, at times, exceed federally insured limits. The Company has not experienced any losses in cash balances and management believes it is not exposed to any significant credit risk of loss in cash.

**Accounts receivable**
Accounts receivable are stated at the amount management expects to collect from outstanding balances due from franchisees and the third-party installation company. Management determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the franchisee's current ability to pay its obligation to the Company and the condition of the general economy and the industry as a whole. Management determined that no allowance for uncollectible accounts was necessary as of December 31, 2020 and 2019.

**Deferred commission expense**
Deferred commission expenses represent broker commissions paid in connection with the acquisition of new franchises. The costs are amortized on a straight-line basis over ten years, which is the initial term of the related franchise agreement.

**Long-term receivable – related party**
The Company has outstanding accounts receivable totaling $1,536,437 and $1,575,964 as of December 31, 2020 and 2019, respectively, from a related party company that is under common control.

**Long-term payable**
The long-term payable balance of $180,120 and $248,249 at December 31, 2020 and 2019, respectively, is comprised of amounts due to the supplier of the residential home improvement products sold to residential customers. The amounts relate to the non-payment to the supplier by two franchisees at December 31, 2020 and by one franchisee at December 31, 2019. The balance outstanding at December 31, 2020 was repaid in early 2021.

**Revenue recognition**
The Company's principal sources of revenues include franchise fees and royalties due under franchise agreements, as well as supplier allowances.

Initial franchise fees, which are typically non-refundable, are recognized as revenues over the initial period of the franchise agreement, commencing when all material services or conditions have been substantially performed. Royalties are typically calculated as a percentage of gross sales of each franchised store and are recognized as and when the underlying sales by the franchisees occur.

Supplier allowances are recognized as the products purchased from the third-party installation company are paid for by the franchisees.

The performance obligations related to all Company revenues are satisfied over time.

The Company applies the sales-and-usage-based royalty exception, provided in FASB ASC 606-10-55-65, when recognizing revenues. Current franchisees pay an ongoing royalty of 5% of the monthly cash revenue collections, which the Company recognizes as revenue on a monthly basis as the fees become due upon the franchisee's sale to the customer occurs. The supplier allowance is recognized as the revenue becomes due as the supplier's sale of products to the franchisees occur. The Company received a non-refundable initial franchise fee from current franchisees from $10,000 to $49,500 per store depending upon market size. Franchise fees were generated from the sale of rights to develop, own and operate stores, and pre-opening services provided by the Company to assist in the start-up operations of the stores. The Company considers the rights to the intellectual property and the pre-opening services to be a single performance obligation, resulting in the recognition of revenue ratably over time from the store opening date throughout the remainder of the franchise agreement term, which is ten years. The Company believes that this period of time is most representative of the time period in which the customer realizes the benefits of having the right to access the Company's intellectual property.

Contract liabilities are comprised of deferred franchise fee revenue. The deferred revenue balance related to initial franchise fees was $676,342 and $779,814 as of December 31, 2020 and 2019, respectively. Revenue related to initial franchise fees recognized during the years ended December 31, 2020 and 2019, was $144,723 and $68,168, respectively.

**Income taxes**
The Company is taxed as a partnership. Therefore, the Company will generally not pay federal or state corporate income taxes on taxable income. Instead, each member will be liable for individual federal and state income taxes on the Company's taxable income. Therefore, no provision or liability for these income taxes has been included in the financial statements. The Company is subject to local income taxes.

**Use of estimates**
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

**Subsequent events**
The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements considers events through March 31, 2021, the date on which the financial statements were available to be issued.

## 2. FRANCHISEE NOTES RECEIVABLE:

At December 31, 2020 and 2019, the Company has three and thirteen outstanding notes with various franchisee's, with an outstanding balance of $67,125 and $212,689, respectively. These notes are generally due in twelve or twenty-four-month installments, without interest. The Company does not account for imputed interest on these notes.

## 3. NOTE RECEIVABLE - OTHER:

At December 31, 2020, the Company had notes receivables due from two franchisee's, with a gross outstanding balance of $332,260. The Company recorded an estimated reserve for non collectible amounts of $332,260 during 2020. The net balance outstanding is $0 at December 31, 2020. These notes were issued in connection with the long-term payable to the third-party supplier.

At December 31, 2019, the Company had a note receivable from a franchisee, with a gross outstanding balance of $258,249. The Company recorded an estimated reserve for non collectible amounts of $123,625 during 2019. The net balance outstanding was $134,624 at December 31, 2019.

## 4. RELATED-PARTY TRANSACTIONS:

The Company receives management services from an entity owned by the members. Management fees for these services were $1,200,000 and $900,000 for the years ended December 31, 2020 and 2019, respectively.

Additionally, the Company licenses certain intellectual property from the related party in connection with the franchise agreements. This license agreement covers a ten-year period from inception, which is August 2017. The related party may charge a license fee but has not yet done so. Additionally, the agreement may be cancelled at any time by either party. Upon termination, the Company must cease use of any of the service marks.

## 5. CONTINGENCY:

In connection with a Master Vendor Supply and Installation Agreement with the third-party supplier of the home improvement products, the Company provided a $400,000 irrevocable letter of credit to reduce the suppliers' exposure to non-payment by any franchisee. Effective in January 2021, the Company's irrevocable letter of credit was reduced to $200,000.

## 6. BUSINESS CONDITIONS:

The COVID-19 outbreak in the United States has caused business disruption due to temporary business shutdowns. The extent of the impact of COVID-19 on the Company's operational and financial

performance will depend on certain developments, including the duration and spread of the outbreak. Therefore, the impact on the Company's operations cannot be reasonably estimated and the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain at this time.

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT D
## Franchise Agreement, Non-Compete Agreement, Owner Guaranty, Powers of Attorney for Telephone Number

# FRANCHISE AGREEMENT

# FOR OPERATION OF A

# LEI HOME ENHANCEMENT

# FRANCHISED BUSINESS

Franchisee: _____

Territory Name: _____

Effective Date: _____

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# FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "**Agreement**"), having an effective date of __ day of _____, 20___ (the "**Effective Date**"), is made by and between **LEI FRANCHISING, LLC**, an Ohio limited liability company ("**LEI**" or "**Franchisor**"), located at 11880 Kemper Springs Drive, Cincinnati, OH 45240, and _____, a _____ ("**Franchisee**"), located at _____, who in consideration of the promises stated below agree as follows:

## Article 1. Nature and Scope of Agreement

1.1 ***The Franchisor***. Franchisor has developed a distinctive business format and system and related standards, specifications and procedures that Franchisor has for operating a Franchised Business (defined below) including, but not limited to, the Operations Manual and System Standards (defined below) (collectively, the "**System**") that is designed to provide residential home improvement products and certain services, including the sale of windows, doors and siding and coordination of installation, under the service mark LEI, LEI Home Enhancements® and associated marks, logos and designs that Franchisor now uses or which Franchisor may use in the future as a component of the System (the "**Licensed Marks**"), and offers franchise opportunities to operate LEI Home Enhancements businesses (each, a "**Franchised Business**").

1.2 ***The Franchisee***. Franchisee acknowledges that it has independently investigated the business risks involved and other matters as Franchisee deems important, including current and potential market conditions and competitive factors and risks, has had the opportunity to read Franchisor's Franchise Disclosure Document (the "**Franchise Disclosure Document**"), provided to Franchisee in connection with the offer to Franchisee of the Franchised Business to be operated pursuant to this Agreement, and has not relied on any representations not stated in this Agreement or in the Franchise Disclosure Document. Franchisee further acknowledges that it has reviewed, or had the opportunity to review, the Operations Manual (as defined below) of the System in connection with the offer to Franchisee of the Franchised Business to be operated pursuant to this Agreement. Aware of the relevant facts, Franchisee desires to enter into this Agreement to obtain a license to use the System and the Licensed Marks and to operate a Franchised Business within the geographic area stated on **Exhibit D-1** to this Agreement (the "**Territory**"). The Territory shall be determined by reference to the geographic areas specified in Exhibit D-1 as of the date of this Agreement. Such geographic area may be defined by reference to zip codes, or another method as specified by Franchisor. For Territory defined by zip codes, any subsequent remapping changes of such zip codes by the U.S. Post Office shall not operate to expand the scope of the Territory. Territories in the System granted to other LEI franchisees may differ in size as compared to the Territory.

1.3 ***The System***.

1.3.1 The System presently includes, but is not limited to, the Licensed Marks; marketing programs; training programs and training materials; and other requirements that are stated or referred to in this Agreement and in Franchisor's operations manual (the

"**Operations Manual**"), or that Franchisor, periodically, may otherwise state in writing and designate as part of the standards for the System, (the "**System Standards**"). Franchisor, in its sole and absolute discretion, may change or modify the System, at Franchisee's sole cost and expense, including System Standards, and Franchisee agrees to comply with the System and System Standards, all of which shall constitute provisions of this Agreement as if fully set forth herein.

1.3.2 Franchisee acknowledges that because uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right to materially vary its standards or franchise agreement terms for any Franchised Business, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which Franchisor considers important to the successful operation of the Franchised Business. Franchisee will have no right to require Franchisor to disclose any variation or to grant the same or a similar variation to Franchisee.

## Article 2. Representations and Owner's Guaranty

2.1 ***Representations and Warranties***. Franchisee or the Owner(s) (as defined below) hereby represents and warrants to Franchisor as follows:

2.1.1 Franchisee is acquiring this franchise for Franchisee's own account for the purpose of operating a Franchised Business, and not for the purpose of resale or redistribution or other speculative matter;

2.1.2 All information provided to Franchisor in Franchisee's application and other documents to induce Franchisor to enter into this Agreement was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in this information;

2.1.3 Franchisee's execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment made by Franchisee;

2.1.4 If Franchisee is a business entity, Franchisee is duly organized and validly existing, is qualified to do business in each state where Franchisee is or shall conduct business, and is duly authorized to sign and deliver this Agreement and perform Franchisee's obligations under this Agreement; and

2.1.5 This Agreement represents a valid, binding obligation of Franchisee and each of Franchisee's owners, jointly and severally (each, an "**Owner**").

2.2 ***Owner's Guaranty***. If Franchisee is a corporate entity, each Owner shall sign an owner's guaranty, the form of which is attached to this Agreement as **Exhibit D-2** (the "**Owner's Guaranty**") in favor of Franchisor and deliver the signed Owner's Guaranty to Franchisor concurrently with execution of this Agreement, or if the ownership interest is

acquired later, within ten (10) days after obtaining the ownership interest. In addition, the Franchisee's spouse must also sign the Owner's Guaranty in favor of Franchisor.

## Article 3. Scope of License

3.1 ***Grant of License***. Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee a license to operate one (1) Franchised Business using the System and to use the Licensed Marks within the Territory from and only from the location stated on **Exhibit D-1** to this Agreement (the "**Approved Location**"). Franchisee hereby accepts this grant and agrees to operate a Franchised Business in accordance with the System under the Licensed Marks from and only from the Approved Location and to continuously exert its best efforts to promote and enhance the operation of the Franchised Business and the goodwill associated with the System and Licensed Marks.

3.2 ***Protected Rights***. The license granted hereunder will be Protected in the Territory during the Term (defined below) provided (i) Franchisee has fully complied with the terms and conditions of this Agreement, including Section 7.5 relating to Minimum Sales Performance Standards, and any other agreement between LEI (or its affiliates) and Franchisee (or its affiliates), and (ii) that this Agreement has not been terminated or expired. As discussed below, in certain circumstances Franchisee may face competition from Franchisor and its affiliates, from other franchisees, or from other channels of distribution or competition controlled by Franchisor. Franchisor may, in its sole and absolute discretion if Franchisee at any time fails to meet the Minimum Sales Performance Standards set forth in Section 7.5, declare the Territory non-Protected. In the event Franchisor declares the Territory non-Protected, Franchisor will provide notice to franchisee within five (5) business days of such declaration. "**Protected**" means that during the Term, except as provided in Sections 3.3 and 3.4, Franchisor will not grant to another person or business entity a franchise to operate another Franchised Business that uses the Licensed Marks in the Territory and will not permit another person or business entity to service customers located within the Territory as a franchise that uses the Licensed Marks. Notwithstanding the foregoing or anything to the contrary contained herein, Franchisee, the Owner(s), and Franchisor hereby acknowledge and agree that Franchisor and its affiliates have the right to operate a business the same as or similar to the Franchised Business in the Territory under the Licensed Marks or any other marks, the right to service customers in the Territory (including by use of alternate channels of distribution, such as Internet, telemarketing, or other direct marketing) under the Licensed Marks or any other marks, the right to compete with Franchisee and the Owner(s), and the right to grant franchises or license any business activity to any third party inside the Territory under marks other than the Licensed Marks, it being understood that "**Protected**" does not prohibit Franchisor's or its affiliates' operations in the Territory under the Licensed Marks or any other marks. Further, in the event that the Territory is declared non-Protected pursuant to this Section 3.2, then, in addition to Franchisor and its affiliates' rights to operate under the Licensed Marks within the Territory as described above, Franchisor may serve or authorize others to serve customers within the Territory, or grant a third party a franchise or license to operate under the Licensed Marks within in the Territory, including a Franchised Business and including by use of alternate channels of distribution, such as Internet, telemarketing or other direct marketing.

3.3 ***Customers***. Franchisee shall primarily service customers located within the Territory. Franchisee may service customers outside the Territory with the prior approval of Franchisor in Franchisor's sole and absolute discretion, if such customers are located in areas geographically contiguous to the Territory provided that such areas that are not in the territory of other franchisees' Franchised Businesses (an "**Open Territory**"). The scope and boundaries of any Open Territory will be determined by Franchisor in its sole and absolute discretion. In the event that an Open Territory is assigned to another franchisee, Franchisee must cease selling and providing services in that territory immediately upon the assignment of the Open Territory to another franchisee.

3.3.1 Other than as provided in this Article 3, Franchisee shall not solicit or accept orders from customers outside of the Territory, including by use of alternate channels of distribution, such as the Internet, telemarketing or other direct marketing.

3.4 ***Reserved Rights***. Franchisor reserves all rights not specifically granted to Franchisee under this Agreement. The rights reserved to Franchisor include, without limitation, the right of Franchisor or its affiliates (1) to use the System or to engage in any business activity, including, without limitation, the operation or franchising of residential home improvement businesses, under the Licensed Marks at any location inside or outside the Territory; (2) to license or franchise to third parties the System or license or franchise any business activity, including, without limitation, the operation of residential home improvement businesses, under the Licensed Marks at any location outside the Territory at any time, or inside the Territory at any time that the Territory is not Protected; or (3) to engage in or license any business activity, including, without limitation, establishing other channels of distribution, including the internet, selling similar services, related goods or other products through mail order, catalog sales, telemarketing or any other advertising media to consumers located anywhere, including within the Territory; or (4) the operation or franchising or licensing of residential home improvement businesses under any trade name, trademark or service mark other than the Licensed Marks now or at any time owned by or licensed to Franchisor or its affiliates at any location inside or outside the Territory; and nothing herein shall require Franchisor or any affiliate of Franchisor to cease operation of any business operating in the Territory under any other trade name, trademark or service mark, whether operating at the time of this Agreement or subsequently acquired. Franchisee acknowledges that Franchisor's rights to use and/or license the System pre-date this Agreement and are not limited or modified by the terms of this Agreement. Franchisee agrees that by acknowledging such rights, the parties do not intend to make Franchisor's exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement.

3.5 ***Right of First Refusal***. If (1) Franchisee has paid to Franchisor a fee in the amount of $7,500.00 (the "**ROFR Fee**"), and (2) Franchisor has provided Franchisee with its written consent to the right of first refusal (which consent may be withheld or conditioned in any manner in Franchisor's sole and absolute discretion) ((1) and (2), collectively, the "**ROFR Conditions**"), then Franchisee shall have the right of first refusal in accordance with this Section 3.5 to acquire a Franchised Business in a geographic area that has not been granted to another franchisee or licensee (as the scope and boundaries of the geographic area are determined by Franchisor in its sole and absolute discretion) (the "**ROFR Territory**"). If the ROFR Conditions are met, the following terms shall apply:

3.5.1 During the initial Term and ending on the initial Expiration Date (the "**ROFR Period**"), Franchisor shall not enter into a franchise agreement with another person or entity to operate a Franchised Business under the Licensed Marks in the ROFR Territory (a "**Third-Party Transaction**"), except in compliance with the terms of this Section 3.5.

3.5.2 If, at any time during the ROFR Period, Franchisor (1) is actively offering Franchised Businesses under the Licensed Marks in the state(s) included in the ROFR Territory and, if required, is registered to offer and sell Franchised Businesses under the Licensed Marks under all federal and state laws applicable in such states (in each case as determined by Franchisor in its sole and absolute discretion), and (2) receives a bona fide written offer for a Third-Party Transaction that Franchisor desires to accept (each, a "**Third-Party Offer**"), Franchisor shall, prior to the expiration of the ROFR Period, notify Franchisee in writing (the "**Offer Notice**") of the existence of the Third-Party Offer, along with a franchise disclosure document for such Offer and the then-current Franchise Agreement. Each Offer Notice constitutes an offer made by Franchisor to enter into the then-current Franchise Agreement for the ROFR Territory with Franchisee (the "**ROFR Offer**").

3.5.3 At any time prior to the expiration of the fifteen (15) day period following Franchisee's receipt of the Offer Notice (the "**Exercise Period**"), Franchisee may accept the ROFR Offer by delivering written notice to Franchisor, along with the executed Franchise Agreement for the ROFR Territory, all fees payable under the then-current Franchise Agreement for the ROFR Territory, and any other documentation or deliverables required under the then-current form of Franchise Agreement or otherwise required by the Franchisor (as determined in its sole and absolute discretion).

3.5.4 If, by the expiration of the Exercise Period, Franchisee has not accepted the ROFR Offer, at any time following the expiration of the Exercise Period Franchisor may consummate the Third-Party Transaction with such third party. Following the non-acceptance of the ROFR Offer by Franchisee in accordance with the terms of this Section 3.5, the right of first refusal provided in this Section 3.5 shall expire and be of no further force or effect. The parties hereto acknowledge and agree that the terms and conditions of this Section 3.5 apply only if the ROFR Conditions are met and apply only to the first Third-Party Offer received for the ROFR Territory during the ROFR Period.

3.5.5 If Franchisee accepts the ROFR Offer, the ROFR Fee shall be applied by Franchisor towards the fees payable under the then-current Franchise Agreement for the ROFR Territory and Franchisee shall only be responsible for the remaining balance of such fees in connection with the acceptance of the ROFR Offer and execution of the new Franchise Agreement. Except as set forth in the immediately preceding sentence, the ROFR Fee is nonrefundable and is fully earned by the Franchisor upon receipt.

3.5.6 Notwithstanding the foregoing provisions of this Section 3.5, Franchisor has no obligation to, and makes no promise or guarantee in any manner that, Franchisor or any of its affiliates will at any time during the ROFR Period actively offer, market, or sell franchises (including Franchised Businesses under the Licensed Marks) in the ROFR Territory, or be registered, exempt, or otherwise qualified under any federal or state franchise registration,

disclosure, or other similar law(s), rule(s), or regulation(s) applicable to the offer or sale of franchises (including Franchised Businesses under the Licensed Marks) in the ROFR Territory.

**Article 4. Term and Renewal**

4.1 ***Term***. Unless terminated earlier under Article 16, the initial term of this Agreement shall be ten (10) years ("**Term**") commencing on the Effective Date. This Agreement terminates on the expiration date stated on **Exhibit D-1** to this Agreement (the "**Expiration Date**").

4.2 ***Renewal***. This Agreement may be renewed by Franchisee for one (1) additional term of ten (10) years, provided that all of the following conditions shall be met before this Agreement may be renewed:

4.2.1 Franchisee is not then in default under this Agreement and has substantially complied with all the provisions of this Agreement (including, without limitation, making all payments in full when due) and all other agreements between Franchisee (or its affiliates) and Franchisor (or its affiliates) during the Term, and is in full compliance with this Agreement and all other agreements at the end of the Term (including, without limitation, having sent its employees, independent contractors and/or Owners to additional or refresher training classes as requested by Franchisor);

4.2.2 Franchisee has signed Franchisor's then-current form of franchise agreement and a renewal addendum and all other agreements then customarily used by Franchisor in granting and renewing franchises for Franchised Businesses, with a renewal term as provided above, which agreements may contain different terms and conditions;

4.2.3 Franchisee and its Owners have signed a general release, in form satisfactory to Franchisor, of all claims Franchisee may have against Franchisor and its officers, directors, owners, employees, independent contractors, affiliates, successors and assigns;

4.2.4 Franchisee has given Franchisor notice of its intention to renew this Agreement at least three (3) months but not more than six (6) months prior to the expiration of the Term; and

4.2.5 [Intentionally Omitted].

4.3 ***Holdover Term***. In the event that Franchisee has not provided unequivocal written notice of non-renewal to Franchisor at least thirty (30) days prior to the Expiration Date, then a new six-month term (the "**Holdover Term**") will automatically begin the day following the Expiration Date and Franchisee shall be assessed a holdover fee in the amount of $2,000. If Franchisee has not provided unequivocal written notice of non-renewal to Franchisor at least thirty (30) days prior to the end of any Holdover Term, a new Holdover Term shall begin. Any Holdover Term shall be governed by the terms of the then-current franchise agreement offered by Franchisor, including, but not limited to, all fees and payments required thereunder. Any personal guaranty applicable to the Agreement shall continue in full force and effect during any Holdover Term, and any guarantor shall be liable for all obligations of Franchisee during such

Holdover Term. Franchisor may terminate any Holdover Term at any time in its sole discretion upon notice to Franchisee.

## Article 5. Approved Location and Business Site

5.1 ***Approved Location***. Franchisee shall operate the Franchised Business from and only from the Approved Location. Franchisee may not change the location of the Franchised Business without Franchisor's prior written approval. If Franchisee has other franchise agreements with Franchisor for contiguous territories, Franchisee may, with Franchisor's approval, operate the Franchised Business from an Approved Location within a contiguous territory. In such event, if Franchisee opens an Approved Location within the Territory, Franchisee may continue to direct all order processing and head office functions (including maintenance of books, records and accounts) through one central location of its choosing within one of its contiguous territories while all other operations of the Franchised Business are conducted from the Approved Location within the Territory. Under no circumstance may Franchisee or its Owner operate the Franchised Business from a home.

5.2 ***Liability under Office Lease***. Notwithstanding Franchisor's right to approve the site for the Approved Location pursuant to Section 5.4, Franchisee agrees that it shall be solely liable for executing a lease with a landlord for Approved Location (the "**Office Lease**") and shall execute said Office Lease under the business name of the Franchisee and Franchisee shall not use the Licensed Marks or Franchisor's name as the tenant thereunder; provided, however, that Franchisee shall either (i) include a clause that the landlord under the Office Lease shall be required to give Franchisor notice of any default by Franchisee within ten (10) days of the date of such default and to allow Franchisor an additional thirty (30) days beyond the Office Lease's cure period to cure such default, in Franchisor's sole discretion or (ii) cause the landlord to execute a Subordination and Non-Disturbance Agreement that contains substantially the same language set forth in subsection (i) above. Furthermore, Franchisee shall cause the Office Lease to contain a clause that allows Franchisee to assign the Office Lease to Franchisor without landlord's consent at any time during the term of the Office Lease. Franchisee shall be solely liable for all rent, utilities, maintenance and other standard obligations under the Office Lease during the Term.

5.3 ***Office Criteria***. The layout of the Approved Location shall comply with the criteria described in the Operations Manual including, without limitation, a reception/talking area, tech/training/break area, restroom, and offices, the total size of which must be at least 100 square feet in a designated business district within the Territory (the "**Office Criteria**"). In addition, the Approved Location shall comply with local zoning and business requirements, and have adequate parking to accommodate customers, employees and independent contractors.

5.4 ***Franchisor's Approval***. Franchisor does not offer any assistance in connection with selecting Franchisee's site for the Franchised Business; however, the site of the Franchised Business shall be subject to Franchisor's approval. Franchisee must submit a site to Franchisor for approval within thirty (30) days after execution of this Agreement, and Franchisor will approve or disapprove of the site within fifteen (15) days after receipt of written notice of the site. If Franchisor and Franchisee cannot agree on a site within seventy-five (75) days after execution of this Agreement, Franchisor shall have the right in its sole and absolute discretion to

terminate this Agreement. If the Franchisor does not approve Franchisee's site for the Franchised Business, Franchisee shall continue to submit potential sites to Franchisor until one is approved, subject to the time limitations set forth herein. Franchisor's approval of Franchisee's site only indicates that Franchisor believes that the site falls within Franchisor's then-current criteria, and is not a warranty of success for the Franchised Business. Franchisee acknowledges that its acceptance of a site is based on its own independent investigation of the suitability of the site.

5.5 ***Conversion and Construction/Opening***. Franchisee is responsible for converting, constructing and opening the Approved Location as a Franchised Business in accordance with the Office Criteria described in the Operations Manual or in other written communications by Franchisor. Franchisee shall complete the conversion and construction of the site and open the Franchised Business within three (3) months after the Effective Date.

5.6 ***Maintenance, Appearance and Remodeling***. Franchisee shall, at its sole cost and expense, maintain the Approved Location and its appearance in accordance with Franchisor's standards communicated periodically to Franchisee in the Operations Manual, in the System Standards, or by other written or electronic communications. Franchisee's failure to maintain the Approved Location in accordance with such standards and failure to remedy such failure following notice shall constitute a default under this Agreement.

## Article 6. Franchisor's Responsibilities

6.1 ***Franchisor Obligations***. Franchisor will have the following obligations:

6.1.1 Franchisor will endeavor in the exercise of its business judgment to maintain a high standard of quality for the System, and to promote, protect and enhance the public image and reputation of the System and Licensed Marks;

6.1.2 Franchisor shall train the Owner(s), the personnel that manages the day-to-day operations of the Franchised Business, and other personnel designated by the Owner(s) (in total, up to six (6) of Franchisee's employees and the Owner(s)) to operate the Franchised Business (the "**Initial Training Program**"). The agenda of the Initial Training Program is described in Operations Manual and all training will be conducted at Franchisor's corporate headquarters at such times as Franchisor may designate. The cost of the Initial Training Program is included in the Initial Franchise Fee, but Franchisee shall be responsible for all costs related to travel, lodging and meal expenses (and, if applicable, wages) for its employees and independent contractors during the Initial Training Program. The Franchisee or Owner and, if applicable, the Manager (as defined below) must complete the Initial Training Program to Franchisor's satisfaction, otherwise, Franchisor shall have the right in its sole and absolute discretion to terminate this Agreement. Franchisor may also require Franchisee or Owner and Managers to complete supplemental and refresher training programs from time to time during the Term, but not more often than once each year.

6.1.3 Within two (2) months after the commencement of the Franchised Business, an employee of Franchisor will provide Franchisee, at Franchisee's Approved

Location, with six (6) days of on-site, follow-up training and assistance in sales, marketing, project management, and other aspects of the operation of the Franchised Business ("**Follow Up Training**"). Franchisee will not be charged a fee for the Follow Up Training, and Franchisor will pay all other ordinary expenses incurred by Franchisor in connection with such Follow Up Training.

6.1.4 Franchisor will provide Franchisee with additional training and operating assistance upon request, however, Franchisee shall be obligated to pay Franchisor for all expenses incurred in providing such assistance including, without limitation, the then-applicable daily rate charged by Franchisor, travel, lodging and meal expenses. To the extent such additional training occurs at Franchisor's corporate headquarters or some other location, Franchisee shall be responsible for paying the travel, living and meal expenses and salaries for Franchisee or its Owners and its Manager, employees and independent contractors who attend the training classes.

6.1.5 Before the opening of the Franchised Business, Franchisor will loan Franchisee, via Franchisor's website, hard copy or some other method, a copy of the Operations Manual and System Standards and Franchisor will, as it deems appropriate, provide Franchisee with amendments to the Operations Manual and System Standards during the Term;

6.1.6 Before the opening of the Franchised Business, Franchisor will assist Franchisee with setting up its computer system utilizing a Microsoft 365 office account as well as a company email address and point-of-sale software system (and other software package specified by Franchisor, which may be modified, updated, or replaced from time to time at the sole cost of Franchisee) which Franchisee shall use in the Franchised Business (the "**Software System**"). Franchisee will be required to obtain internet service through a commercial internet service provider (ISP) for purposes of communicating with Franchisor and other franchisees via e-mail. Franchisee agrees that Franchisor shall have the right to independently access Franchisee's data and computer system through the Software System or other methods.

6.1.7 Franchisor will develop and maintain a list of standards and/or specifications for equipment, uniforms and other items that Franchisee may use or be required to use in the Franchised Business and such information shall be provided in the Operations Manual;

6.1.8 Franchisor will make available to Franchisee the sales, marketing and technical assistance, and consultation and advice on operating procedures that Franchisor may deem necessary or desirable in the exercise of its business judgment;

6.1.9 Franchisor will make available to Franchisee, as necessary, improvements and changes in Franchisor's recommended products and services or operating procedures relating to residential home improvement services provided by the Franchised Business;

6.1.10 Franchisor may work with its Suppliers (as defined below), or with other vendors, to develop and maintain a vendor purchase program to negotiate purchase arrangements with Suppliers for the benefit of franchisees and the System;

6.1.11 Franchisor may, in its sole and absolute discretion, provide Franchisee approved, ready-to-go sales forms, letterheads, business cards and other daily use marketing items. Franchisee shall be responsible for the cost of any supplies beyond that which is supplied by Franchisor, and any forms that Franchisee intends to use beyond that which is supplied by Franchisor must be approved by Franchisor in writing in advance;

6.1.12 Franchisor may, in its sole discretion, provide mystery shopping services;

6.1.13 Franchisor will provide a website and/or DVD-based training resource, which may be used by Franchisee on an on-going basis to train and review the concepts found in the Operations Manual; and

6.1.14 Franchisor will provide a website (the "**LEI Website**") that is designed to assist Franchisee with the promotion and operation of the Franchised Business to Franchisee's residential customers, subject to the following terms:

6.1.14.1 For materials that Franchisee posts or otherwise provides to Franchisor related to the LEI Website, Franchisee hereby permits Franchisor to (i) use, copy, distribute, transmit, publicly display, publicly transform, reproduce, edit, modify, translate and reformat such materials, each in connection with the LEI Website, and (ii) sublicense such material to the maximum extent permitted by applicable law. For each of the materials that Franchisee provides to Franchisor, Franchisee represents that it has all rights necessary for Franchisor to make the grants made in this Section 6.1.14.1.

6.1.14.2 Franchisor does not warrant or guarantee the accuracy or timeliness of any information that is available from the LEI Website. FRANCHISOR PROVIDES THE LEI WEBSITE "AS IS," "WITH ALL FAULTS" AND "AS AVAILABLE," AND THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY AND EFFORT IS WITH FRANCHISEE. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FRANCHISOR MAKES NO REPRESENTATIONS, WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED. FRANCHISOR DISCLAIMS ANY AND ALL WARRANTIES OR CONDITIONS, EXPRESS, STATUTORY OR IMPLIED, INCLUDING, WITHOUT LIMITATION, (I) WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, WORKMANLIKE

EFFORT, ACCURACY, TITLE, QUIET ENJOYMENT, NO ENCUMBRANCES OR LIENS AND NON-INFRINGEMENT, (II) WARRANTIES OR CONDITIONS ARISING THROUGH COURSE OF DEALING OR USAGE OF TRADE, OR (III) WARRANTIES OR CONDITIONS THAT ACCESS TO OR USE OF THE LEI WEBSITE SHALL BE UNINTERRUPTED OR ERROR-FREE. THERE ARE NO WARRANTIES THAT EXTEND BEYOND THE FACE OF THIS FRANCHISE AGREEMENT.

6.1.14.3 WITHOUT LIMITING THE GENERALITY OF SECTION 6.1.14.2, IN NO EVENT SHALL FRANCHISOR BE LIABLE FOR ANY DAMAGES, INCLUDING, WITHOUT LIMITATION, ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES ARISING OUT OF, BASED ON, OR RESULTING FROM FRANCHISEE'S USE OF THE LEI WEBSITE, EVEN IF FRANCHISOR HAS BEEN ADVISED OF THE POSSIBILITY OF THESE DAMAGES. THE EXCLUSION OF DAMAGES UNDER THIS SECTION IS INDEPENDENT OF FRANCHISEE'S EXCLUSIVE REMEDY AND SURVIVES IN THE EVENT THE REMEDY FAILS OF ITS ESSENTIAL PURPOSE OR IS OTHERWISE DEEMED UNENFORCEABLE. THESE LIMITATIONS AND EXCLUSIONS APPLY WITHOUT REGARD TO WHETHER THE DAMAGES ARISE FROM (I) BREACH OF CONTRACT, (II) BREACH OF WARRANTY, (III) NEGLIGENCE, OR (IV) ANY OTHER CAUSE OF ACTION, IF THE EXCLUSION AND LIMITATIONS ARE NOT PROHIBITED BY APPLICABLE LAW. IF FRANCHISEE IS DISSATISFIED WITH THE LEI WEBSITE, DOES NOT AGREE WITH ANY PART OF SECTION 6.1.14, OR HAS ANY OTHER DISPUTE OR CLAIM WITH OR AGAINST FRANCHISOR WITH RESPECT TO THE LEI WEBSITE, FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY IS TO DISCONTINUE USING THE LEI WEBSITE.

6.1.14.4 Franchisor may change the LEI Website or delete features in any way, at any time and for any reason. As Franchisee uses the LEI Website, Franchisee may receive, access or use information, materials, graphics, software, data and content originated by Franchisor or other parties. WITHOUT LIMITING THE GENERALITY OF SECTION 6.1.14, FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR IS NOT RESPONSIBLE OR LIABLE FOR (I) ANY CONTENT, INCLUDING, WITHOUT LIMITATION, ANY

INFRINGING, INACCURATE, OBSCENE, INDECENT, THREATENING, OFFENSIVE DEFAMATORY, TORTIOUS, OR ILLEGAL CONTENT, OR (II) ANY THIRD PARTY CONDUCT, TRANSMISSIONS OR DATA. IN ADDITION, WITHOUT LIMITING THE GENERALITY OF SECTION 6.1.14, FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR IS NOT RESPONSIBLE OR LIABLE FOR (I) ANY VIRUSES OR OTHER DISABLING FEATURES THAT AFFECT ACCESS TO OR USE OF THE LEI WEBSITE, (II) ANY INCOMPATIBILITY BETWEEN THE LEI WEBSITE AND OTHER WEBSITES, SERVICES, SOFTWARE AND HARDWARE, (III) ANY DELAYS OR FAILURES FRANCHISEE MAY EXPERIENCE IN INITIATING, CONDUCTING OR COMPLETING ANY TRANSMISSION OR TRANSACTIONS IN CONNECTION WITH THE LEI WEBSITE IN AN ACCURATE OR TIMELY MANNER, OR (IV) ANY DAMAGES OR COSTS OF ANY TYPE ARISING OUT OF OR IN ANY WAY CONNECTED WITH FRANCHISEE'S USE OF ANY SERVICES AVAILABLE FROM THIRD PARTIES THROUGH LINKS CONTAINED ON THE LEI WEBSITE. THE LIMITATIONS, EXCLUSIONS AND DISCLAIMERS IN SECTION 6.1.14 APPLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND ARE NOT INTENDED TO DEPRIVE FRANCHISEE OF ANY MANDATORY PROTECTIONS PROVIDED TO FRANCHISEE UNDER APPLICABLE LAW.

6.1.14.5 Franchisor may terminate or suspend Franchisee's access to the LEI Website at any time, with or without cause, with or without notice. Upon a termination or suspension, Franchisee's right to use the LEI Website shall immediately cease and any information Franchisee may have stored on the LEI Website may be permanently deleted.

6.2 ***Approved Suppliers***. Franchisor reserves the right to designate or approve, periodically, one or more third parties (a "**Supplier**" or "**Suppliers**"), or Franchisor itself or one of its affiliates, to supply Franchisee with certain categories of products and services, including such products and services that use Licensed Marks (the "**Licensed Products**"). Franchisee shall purchase Licensed Products only through Franchisor and Franchisee shall not have any contact with any Supplier, except as permitted by Franchisor. Franchisor has the right to retain volume rebates, markups and other benefits from Suppliers or in connection with the furnishing of products and services. Franchisee shall have no entitlement to or interest in any such benefit.

6.2.1 If Franchisee is unable to secure credit or financing from a Supplier, or if Franchisee's credit or financing with a Supplier is revoked at any time, Franchisor or its affiliates may, in Franchisor's sole and absolute discretion, guarantee Franchisee's credit

with a Supplier. If Franchisor elects to guarantee Franchisee's credit, Franchisor may require that Franchisee pay an amount, determined by Franchisor in its sole and absolute discretion but not to exceed $2,000 per year, which must be paid prior to Franchisor's guaranteeing Franchisee's credit and annually as required by Franchisor in its sole and absolute discretion.

## Article 7. Franchisee's Responsibilities

7.1 ***Franchisee's Obligations***. In addition to Franchisee's other obligations under this Agreement, Franchisee shall also have the following obligations:

7.1.1 Franchisee shall open the Franchised Business for business within the time period required in Section 5.5;

7.1.2 Franchisee shall operate the Franchised Business from, and only from, the Approved Location (unless otherwise permitted under Section 5.1) according to the System and System Standards and not deviate from the System and System Standards without Franchisor's prior written consent;

7.1.3 Franchisee shall use its best efforts in the Territory to promote, develop and expand the market for the products and services of the Franchised Business;

7.1.4 Franchisee or Owners shall devote sufficient time and effort to the Franchised Business as required by Section 7.2 to ensure the proper, efficient and effective operation of the Franchised Business;

7.1.5 Franchisee shall comply with all of Franchisor's mandatory standards, methods, policies, products, procedures, techniques and specifications that Franchisor may prescribe periodically, whether in the Operations Manual, System Standards or in other written or electronic communications, including the wearing of proper business attire during work, and using only inventory, equipment, uniforms, computers, software and telephones that meet or exceed Franchisor's standards;

7.1.6 Franchisee shall offer, and acquire through Franchisor, only such products and services as have been expressly approved by Franchisor from time to time (in the Operations Manual or otherwise in writing) and shall refrain from or discontinue offering any products or services which Franchisor may, in its discretion, disapprove in writing at any time;

7.1.7 Franchisee must service all customer accounts to the satisfaction of Franchisor and in accordance with the System and System Standards, and shall hire the employees and independent contractors as are necessary or appropriate to staff the Franchised Business, and Franchisee shall, and cause independent contractors and employees to, comply with applicable laws;

7.1.8 Franchisee shall obtain and utilize a new telephone number for the Franchised Business (if so instructed by Franchisor, as part of a coordinated telephone system for Franchised Businesses organized by Franchisor or one of its affiliates);

7.1.9 Franchisee and its Manager, if any, and key employees and independent contractors shall attend and successfully complete the Initial Training Program, and any other training programs to be conducted by Franchisor (or its affiliate), as discussed in greater detail in Sections 6.1.2 through 6.1.4. Such training programs shall be completed at the next available course offering after the signing of the Agreement and must be completed to the Franchisor's reasonable satisfaction. Updates, modifications or replacements to required software or other systems may be made by Franchisor from time to time, and in such event, additional training may be required. Franchisee shall be responsible for all the travel, living and meal expenses, and salaries, of Franchisee and its Managers, key employees and independent contractors who attend the training class. (Franchisor retains the right to waive the Initial Training Program requirements for qualifying experienced franchisees, at its sole discretion);

7.1.10 Franchisee shall use the Licensed Marks exactly and only as permitted;

7.1.11 Franchisee shall honor the Territory's boundary in accordance with Article 3 of this Agreement;

7.1.12 Franchisee shall maintain a drug free workplace and formal drug testing procedures for its employees and independent contractors as provided in the Operations Manual;

7.1.13 Franchisee shall pay all fees and other payments due to Franchisor hereunder promptly when due;

7.1.14 Franchisee shall comply at all times with all federal, state and municipal laws, orders, regulations, ordinances and the like pertaining to the operation of the Franchised Business, including, without limitation, all governmental regulations relating to OSHA, workers' compensation, unemployment insurance, and withholding and payment of federal, state and local income taxes and sales taxes, and electrical and related trade licensing requirements;

7.1.15 Franchisee shall promptly pay when due all taxes, expenses and surcharges of any kind levied or assessed by any governmental body, whether federal, state or local, by reason of or in connection with Franchisee's operation of the Franchised Business;

7.1.16 Franchisee shall submit the information and reports required by Section 9.3 and permit Franchisor to access its data as provided in Sections 9.1, 9.2 and 9.4;

7.1.17 Franchisee shall conduct the Franchised Business in a manner that does not reflect adversely on Franchisor, the System, the Suppliers or the Licensed Marks, or which might depreciate or otherwise adversely affect the goodwill associated with any of them;

7.1.18 Each of Franchisee's Owners, officers, directors, members, partners, Managers, employees and independent contractors who obtain Confidential Information (as defined below) shall sign a confidentiality agreement in the form that Franchisor may

prescribe periodically together with a Non-Compete Agreement and such other documents as Franchisor may reasonably require;

7.1.19 Franchisee or one of its Owners or Managers shall attend Franchisor's franchise System meetings. Franchisee shall be responsible for all the expenses Franchisee or its representative incurs in attending these meetings. Franchisee shall be required to attend two (2) such meetings, if offered by Franchisor, in any calendar year, and Franchisee acknowledges that Franchisor may alter the number of such meetings, as well as the names and schedules under which such meetings are held;

7.1.20 Franchisee agrees not to use or permit to be used any part of the System in connection with any business in which Franchisee has an interest, direct or otherwise, other than the Franchised Business.

7.2 ***Operation of Franchised Business***.

7.2.1 Franchisee (or its principal Owner if Franchisee is a business entity) shall diligently and fully exploit the rights granted in this Agreement by providing direct supervision in the operation of the Franchised Business at its Approved Location. Franchisee shall not engage in conflicting enterprises or other activities that could be detrimental to or interfere with the operation of the Franchised Business.

7.2.2 Franchisee shall not display, advertise or use in connection with the Franchised Business any trade name, trademark, logo, or other intellectual property that is not part of the Licensed Marks.

7.2.3 Franchisee may, with prior notice to the Franchisor and subject to Franchisor's written approval, appoint a manager to conduct the day-to-day operations of the Franchised Business (a "**Manager**"). Any such Manager shall be required to attend and successfully complete Franchisor's training program to the Franchisor's reasonable satisfaction. Franchisor shall have the right, in its sole discretion to approve, or reject at any time, any Manager appointed by Franchisee, and any Manager who has been rejected by Franchisor may not conduct the day-to-day operations of the Franchised Business.

7.3 ***Insurance***. Franchisee will purchase, and at all times during the Term maintain in full force and effect, fire and extended coverage insurance on the business fixtures, equipment and furnishings; general liability insurance (including non-owned automobile coverage) of at least $1,000,000 per person and $1,000,000 per occurrence for personal injury and $1,000,000 for property damage; and a dishonesty bond of at least $10,000 covering all of Franchisee's employees. Franchisee shall also maintain such additional insurance as is required by Franchisor, as specified in the Operations Manual. Franchisee shall name Franchisor (and any other parties that may be required by the terms of the Operations Manual) as an additional insured in each such policy and such policies shall provide that the insurer will send Franchisor duplicate copies of all policy documentation and correspondence regarding same. At least fourteen (14) days before the opening of the Franchised Business, Franchisee will provide Franchisor with a certificate of coverage issued by the insurer indicating that all required insurance is in full force and effect and that it will not be terminated, permitted to lapse, expire or be changed without at

least thirty (30) days' prior written notice to Franchisor. In the event that Franchisee fails to maintain insurance coverage as required, or fails to provide reasonable evidence of same when requested by Franchisor, Franchisor shall have the right to procure and maintain such insurance coverage from an insurer selected by Franchisor, at the sole expense of Franchisee. Franchisee shall promptly reimburse Franchisor for any costs so incurred. Franchisee, at its sole cost, may participate in any group or blanket insurance program, which Franchisor may establish or otherwise facilitate for the benefit of its franchisees.

7.4 ***Computer System/Office Equipment***. Franchisee must acquire and maintain standard office equipment, décor, posters, plants, desks, conference tables together with the computers and the Software System and related equipment in accordance with the Operations Manual and System Standards (collectively, the "**Office Package**") for use in the Franchised Business. Franchisee shall use in the Franchised Business the office equipment, furniture and computers, including the Software System, that Franchisor requires and provides as part of the Office Package. Prior to the opening of the Franchised Business, Franchisee shall implement, and have fully operational the Franchisor's Software System, including acceptable firewall protection systems, and all other software programs that Franchisor may designate, from time to time, for use in the Franchised Business. Franchisee shall not download any other systems, programs or software on the Software System except upon the prior written consent of Franchisor. Franchisor shall maintain, upgrade and change the Software System and equipment, from time to time, the costs of which are the sole responsibility of Franchisee. Franchisor may change the applicable computer system and software requirements of the Franchised Business at any time in its discretion, but the Franchisor is not required to provide any maintenance, repairs, upgrades or updates.

7.5 ***Minimum Sales Performance Standards***. Franchisee must achieve a revenue level per annum in the amounts set forth on **Exhibit D-1** (the **"Minimum Sales Performance Standards**") beginning in the first year after the Effective Date and continuing each year throughout the Term. If Franchisee fails to meet the Minimum Sales Performance Standards at any time during the Term, Franchisor has the right, by giving notice to Franchisee, to either; (a) declare that Franchisee's Territory is no longer Protected; that is, henceforth Franchisor shall have the right to (i) serve, or authorize others to serve Franchisee's customers within the Territory; and/or (ii) operate, or to grant a franchise to another person or business entity to operate, a Franchised Business in Franchisee's Territory; or (b) terminate this Agreement. The Minimum Sales Performance Standards are not purchase commitments, but minimum sales that Franchisor expects Franchisee to achieve in the Territory. Franchisor may, in its sole discretion, temporarily waive compliance with this Section 7.5 based on Franchisee's business circumstances; provided, however, any delay by Franchisor in declaring Franchisee's Territory non-Protected does not constitute a waiver of its right to, at any time, require strict compliance with the Minimum Sales Performance Standards or its right to notify Franchisee that its Territory has become non-Protected. In addition, as further described in Section 19.9 below, any such waiver regarding one failure by Franchisee to comply with the Minimum Sales Performance Standards does not constitute a waiver with respect to any other failure by Franchisee to meet its Minimum Sales Performance Standards.

7.6 ***Owners of Franchisee***. **Exhibit D-3** to this Agreement shall at all times completely and accurately describe all the Owners of Franchisee and their beneficial ownership

interests in Franchisee. Franchisee and its Owners shall sign and deliver to Franchisor the revised **Exhibit D-3** as may be necessary to reflect any permitted changes in the information contained therein within five (5) days following the occurrence thereof and to furnish other information about Franchisee's organization or formation as Franchisor may request.

## Article 8. Fees

8.1 ***Initial Franchise Fees***. Franchisee shall pay to Franchisor initial franchise fees in the amount of $49,500 (the "**Initial Franchise Fee**"), which amount Franchisee acknowledges is fully earned by Franchisor and is not refundable. Franchisee shall pay the Initial Franchise Fee upon execution of this Agreement. Franchisor may, in its sole and absolute discretion, reduce the Initial Franchise Fee by $10,000 if Franchisor determines that Franchisee is a qualifying veteran or veteran-owned business and Franchisee or the Owner(s) provide Franchisor with adequate documentation evidencing the qualifying veteran's honorable discharge from and service in the United States Armed Forces.

8.2 ***Royalty Fees.*** Franchisee shall pay Franchisor a monthly royalty fee in the amount of five percent (5.00%) of the Monthly Gross Sales generated by Franchisee, such amount payable on the tenth day of the following month (the "**Royalty Fee**"). "**Monthly Gross Sales**" is the aggregate of all revenue from the sale of products and services from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise, including all proceeds from business interruption insurance, but excluding all refunds made in good faith, any sales and equivalent taxes collected by the Franchised Business and paid to any governmental taxing authority and the value of any allowance issued or granted to any of Franchisee's clients that Franchisee credits in full or partial satisfaction of any products and services offered by the Franchised Business.

8.3 [Intentionally Omitted.]

8.4 ***Technology Fees***. Franchisor will also facilitate and directly pay for Franchisee's access to certain software, including the customer relationship management (CRM) software, the point-of-sale system (POS), and Sharepoint. Franchisee shall pay Franchisor a monthly technology fee in the amount of at least $132.50 per applicable user (currently, $50.00 per CRM user, $12.50 per Sharepoint user, and $70.00 per POS user), such amount payable on the tenth day of the following month (the "**Technology Fee**"). The Technology Fee may be changed in the Franchisor's sole and absolute discretion, upon 60 days prior written notice to Franchisee.

8.5 ***Payments***. Except as otherwise provided, Franchisee hereby authorizes Franchisor to deduct all fees and payments properly due to Franchisor from the customer payments arising from each sales order or by the other methods that Franchisor may designate from time to time. Franchisee shall also be required to make all payments to Franchisor by electronic funds transfer to an account designated by Franchisor, or by such other method as Franchisor shall designate. Franchisee shall be required to complete an Automatic Clearing House (ACH) agreement in a form prescribed by Franchisor, authorizing automatic withdrawals to the extent necessary.

8.6 ***Marketing Fund Contribution***. Franchisor has established and administers a System-wide marketing, advertising and promotion fund ("**Marketing Fund**"). Franchisee shall contribute monthly to the Marketing Fund an amount specified by Franchisor ("**Marketing Fund Contribution**"), which shall not exceed one percent (1%) of Monthly Gross Sales. Franchisor shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements after initial implementation. Marketing Fund Contributions shall be made at the same time and in the same manner as Royalty Fees as provided in Section 8.2. The Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in Section 10.3.

8.7 ***Past Due Service Charge***. If any amount owed by Franchisee to Franchisor under this Agreement is past due, Franchisor has the right to assess and collect a past due service charge (including, without limitation, as a late fee) equal to the lesser of eighteen percent (18%) per year or the maximum permissible rate on any past due amounts.

8.8 ***Customer Deficiency Reimbursements***. If a customer of Franchisee complains to Franchisor that Franchisee's services were deficient and Franchisor determines after discussion with Franchisee that there is merit to the customer's complaint, Franchisor reserves the right to perform or cause to be performed these services to the customer's reasonable satisfaction or to reimburse the customer for any money the customer may have paid for these services upon written notice to Franchisee if Franchisee does not do so itself. In such event, any costs incurred by Franchisor to perform or have these services performed by others shall be reimbursed by Franchisee to Franchisor by either (i) direct payment by Franchisee upon receipt of an invoice or (ii) by offset through deduction of amounts otherwise payable to Franchisee by Franchisor.

## Article 9. Records, Reports, Inspections and Inquiries

9.1 ***Records***. During the Term, Franchisee shall maintain and preserve full, complete and accurate books, records and accounts relating to the conduct and operation of the Franchised Business. The books, records, and accounts shall be kept at the Approved Location unless otherwise permitted under Section 5.1. Franchisee shall establish and maintain, at its own expense, a bookkeeping, accounting and record keeping system in accordance with generally accepted accounting principles ("**GAAP**") consistently applied and conforming to the requirements that Franchisor may prescribe from time to time. If Franchisee operates any business other than the Franchised Business, Franchisee shall keep books, records and accounts of such other business (the "**Other Business Records**") separate and distinct from the books, records and accounts of the Franchised Business (the "**Franchised Business Records")**. Franchisor has the right to access and obtain any information required to be delivered to it by Franchisee for the Franchised Business under the terms of this Agreement directly from the computer and other systems used by Franchisee, and if Franchisor cannot or does not do so, Franchisee shall transmit to Franchisor all information requested by Franchisor in the manner and at the time Franchisor specifies.

9.2 ***Access to Data***. Franchisor will use the Software System (including the current CRM program or another software program specified by Franchisor and which may be modified, updated, or replaced from time to time) to gather information on the entire System and its customers, or may, in the absence of such software access, require Franchisee to deliver such

information to Franchisor. Franchisee acknowledges that Franchisor may gather and use (and authorize others to gather and use) such information to, among other uses; (i) monitor progress of its franchisees; (ii) prepare a financial performance representation for Franchisor's FDD, and (iii) provide services to former customers serviced by the Franchised Business after the expiration or termination of this Agreement for any reason. Franchisee hereby grants Franchisor and any other party Franchisor may authorize access to the information in Franchisee's software program database, or other software program specified by Franchisor including its financial reports, to be used by Franchisor for those purposes and other purposes permitted by this Agreement.

9.3 ***Reports***. Franchisee shall give Franchisor, in the form prescribed by Franchisor from time to time: (i) its then current lists of customers serviced by the Franchised Business; (ii) by the third business day following the end of each month, a Profit and Loss Statement for the immediately preceding month along with a completed balance sheet as of the last day of the preceding month; (iii) upon Franchisor's request, the other data, inventory reports, information and supporting records for these periods as Franchisor may require; and (iv) within 120 days after the end of Franchisee's fiscal year, a Profit and Loss Statement, a fiscal year-end balance sheet, and statement of cash flows for the Franchised Business for the fiscal year, reflecting all year-end adjustments. Franchisee also shall maintain and furnish, upon Franchisor's request, complete copies of all federal, state and local income tax returns and any amendments that Franchisee files with the Internal Revenue Service and state tax departments reflecting sales and income of the Franchised Business. These records shall be maintained at the Approved Location except as otherwise permitted under Section 5.1. Franchisee's chief financial officer (if Franchisee is a business entity) or Franchisee's principal Owner shall certify all reports that Franchisee provides to Franchisor.

9.4 ***Inspection and Audits***. Franchisor, or its authorized agents and representatives, has the right during business hours, but without prior notice to Franchisee, to inspect the following operations and material to ascertain that Franchisee is operating the Franchised Business in accordance with the System and the terms of this Agreement: (i) all aspects of the operation of the Franchised Business at the Approved Location; (ii) all Franchised Business Records; (iii) Other Business Records (if any); and (iv) all accounting and other records, books of account, tax returns and other documents and materials in the possession of or under the control of Franchisee relating to the Franchised Business, Franchisee, and/or the subject matter and terms of this Agreement, including, without limitation, all records of Franchisee required to be maintained under applicable law. If any of the materials described in this Section 9.4 are kept at another location under Section 5.1, Franchisee shall permit Franchisor to inspect these materials at such other location. Franchisor and its authorized agents and representatives shall be allowed to make extracts from or copies of all the materials described in this Section 9.4. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by law, whichever is lower). If the audit or any other inspection should reveal that Franchisee has not spent the required local advertising expenditures or if the inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition to any other payments required above, reimburse Franchisor for any and all costs and expenses connected with the inspection

(including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

9.5 ***Inquiry by Franchisor***. Franchisee, by its execution of this Agreement, authorizes Franchisor and its agents and representatives to make credit and background checks, including, without limitation, reasonable inquiries of Franchisee's bankers, suppliers and other trade creditors regarding their dealings with Franchisee in relation to the Franchised Business and the subject matter and terms of this Agreement, to discuss the affairs, finances and accounts of the Franchised Business and the subject matter and terms of this Agreement and Franchisee, by its execution of this Agreement, authorizes and directs these bankers, suppliers and trade creditors to discuss with Franchisor and its authorized agents and representatives the affairs, finances and accounts of the Franchised Business and to obtain information and copies of invoices relating to sales or other dealings between all these parties and Franchisee in any way relating to the Franchised Business and the subject matter and terms of this Agreement. If requested, Franchisee agrees to sign and deliver these directions and other documents as Franchisor may require authorizing the bankers, suppliers and trade creditors to release or disclose such information and documents to Franchisor.

## Article 10. Advertising/Marketing Fund

10.1 ***Advertising and Marketing***. Franchisee agrees that all advertising and marketing by Franchisee with respect to the Franchised Business shall be conducted in a dignified manner and shall conform to the System and System Standards. Such requirements apply regardless of the medium in which the Franchisee chooses to advertise. Franchisee agrees to use only the current Licensed Marks in its advertising and marketing. Franchisor may require, upon written notice to Franchisee, that all advertising that Franchisee proposes to use must be approved by Franchisor before Franchisee's use of the materials. Franchisor may disapprove any advertising or marketing materials used or proposed to be used by Franchisee, without liability to Franchisee for any costs incurred by Franchisee in connection with the same. Franchisee shall not sponsor or deliver marketing for which the purpose, intent or effect is to reach customers who are in the territory of other franchisees' Franchised Businesses unless such advertising has been coordinated with, or approved by, LEI. All advertising, including internet-based advertising, must be designed to route customers to the franchisee serving that customer's location.

10.2 ***No Representation and Warranty***. Franchisor makes no representation or warranty that any marketing, advertising or promotional materials or programs that it provides to Franchisee, or that is prepared by Franchisee and approved by Franchisor, comply with federal, state or local laws, rules, and regulations, or the terms and conditions of any agreements or orders to which Franchisee may be subject. Franchisee shall be solely responsible for the use of all such materials and programs and Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the use of any such materials and programs by Franchisee. Franchisee shall, at its own expense and risk, obtain all governmental approvals of all such materials and programs and defend any claim that such materials and programs are not in compliance with law, and Franchisee shall indemnify Franchisor (as provided pursuant to Section 17.4) in connection with Franchisee's use of any marketing, advertising or promotional materials or programs in Franchisee's operation of the Franchised Business.

10.3 ***Marketing Fund***. Franchisor has established a Marketing Fund, as set forth in Section 8.6. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

10.3.1 Franchisor shall oversee all marketing programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or pro rata from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide.

10.3.2 Franchisee's Marketing Fund Contributions may be used to meet the costs of, or reimburse Franchisor for its costs of, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

10.3.3 Franchisor may spend in any fiscal year an amount greater or less than the total contributions of all Franchised Businesses to the Marketing Fund. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

10.3.4 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a pro rata basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

10.3.5 Each LEI Home Enhancements business operated by Franchisor, or an affiliate of Franchisor, shall make Marketing Fund Contributions at the same rate as franchisees in the System.

10.3.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund audited, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

10.3.7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

10.4 ***Local Advertising***. Franchisee shall spend the greater of $1,000 per month or up to 10% of Franchisee's Monthly Gross Sales on local advertising activities ("**Local Advertising**") that are conducted and approved as set forth in Section 10.1. Franchisee shall submit evidence of local advertising expenditures to Franchisor on a monthly basis. In the event that Franchisee fails to expend the required amounts on local advertising, Franchisor may, immediately upon notice provided to Franchisee, conduct the required local advertising on Franchisee's behalf, and shall bill Franchisee for any amounts expended on Franchisee's behalf.

10.5 ***Grand Opening Advertising***. Franchisee shall spend at least $10,000 prior to opening the Franchised Business and during the first three months of operation of the Franchised Business on local advertising and promotion of the initial opening ("Grand Opening Advertising") that is conducted and approved as set forth in Section 10.1. Grand Opening Advertising expenditures shall satisfy any required expenditures for Local Advertising for the first three months of operation of the Franchised Business.

## Article 11. Licensed Marks

11.1 ***Use of Licensed Marks***. Franchisee shall have the non-exclusive right and license for the Term to use the Franchisor's Licensed Marks solely for purposes of operating the Franchised Business under the System in compliance with this Agreement. Franchisee may use the Licensed Marks only in the manner and format specified in the Operations Manual or otherwise with the prior written consent of Franchisor. Franchisor reserves the right to specify the use of the Licensed Marks and to pre-approve in writing any non-specified use of the Licensed Marks. Franchisee shall not use or permit to be used any of the Licensed Marks in connection with any other business owned or operated by Franchisee or its affiliates. Franchisee shall not use any marks to identify the Franchised Business other than the Licensed Marks as specified by Franchisor.

11.2 ***Goodwill***. Franchisee acknowledges and agrees that Franchisee shall not acquire any proprietary rights in the Licensed Marks by virtue of the license granted to Franchisee in this Agreement or otherwise. All goodwill established by Franchisee's use of the Licensed Marks shall inure to the sole and exclusive benefit of Franchisor. Franchisee agrees not to contest at any time either the validity, or Franchisor's ownership, of any of the Licensed Marks. Any unauthorized use of the Licensed Marks by Franchisee shall constitute an infringement of Franchisor's rights in and to the Licensed Marks.

11.3 ***No Use in Business Name***. Except as provided in Section 11.4, Franchisee may not use the Licensed Marks in connection with Franchisee's corporate, business organization or trade name, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form. Franchisee may not use the Licensed Marks when selling any unauthorized product or service or in any other manner that Franchisor has not expressly authorized in writing.

11.4 ***Identification***. Franchisee shall identify itself as the independent owner of the Franchised Business, give notices of trademark and service mark registrations in the manner Franchisor specifies, and make the fictitious or assumed name registrations as may be required under applicable law or as may be required by Franchisor to distinguish itself from Franchisor.

11.5 ***Infringements***.

11.5.1 Franchisee shall give notice to Franchisor immediately upon learning of any alleged infringement or a challenge to Franchisee's use of the Licensed Marks, or any claim by any third party of any rights in the Licensed Marks or any similar mark, and shall not communicate with any person other than Franchisor or Franchisor's attorneys and Franchisee's attorneys in connection with the alleged infringement, challenge or claim. Franchisor has the sole discretion to take the action, if any, it deems appropriate and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Licensed Marks. Franchisee shall sign all instruments and documents, provide assistance and take any action that, in the opinion of Franchisor's attorneys, may be necessary or advisable to protect and maintain Franchisor's interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain Franchisor's interest in the Licensed Marks.

11.5.2 Franchisor will bear all legal expenses incident to Franchisee's participation, at Franchisor's request, in any action to prevent the infringement or illegal use of the Licensed Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this Section, Franchisor shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities, or indirect, incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Licensed Marks.

11.6 ***Modification or Discontinuance***. Franchisor has the right to modify or discontinue its or Franchisee's use of the Licensed Marks or the specifications for use of the Licensed Marks, or to require Franchisee to commence use of new or substitute Licensed Marks. Franchisee agrees that Franchisor may change the mark under which Franchisee operates the Franchised Business to another mark, and, if such change is made, within the time specified by Franchisor, Franchisee shall cease using the old mark and use the new Licensed Mark as directed by Franchisor at Franchisee's sole expense. If such change is made, reference in this Agreement to the Licensed Marks shall be deemed to refer to such new mark.

11.7 ***Electronic Commerce***. Franchisee shall comply with the requirements stated in the Operations Manual regarding its use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including the LEI website, as well as any social media format. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee shall give Franchisor copies of all proposed applications for registrations of any of the Licensed Marks or any variation thereof for use in and for electronic commerce. Franchisee shall obtain Franchisor's prior written approval before filing any application, which approval Franchisor may withhold in its sole discretion. Franchisee may not use the Licensed Marks, any portion thereof, or any words confusingly similar to the Licensed Marks in any e-mail address, domain name, or other identification of Franchisee or the Franchised Business in any electronic medium, unless agreed to in advance, in writing, by Franchisor.

## Article 12. Rights to the System

12.1 ***Ownership of System***. Franchisee shall not contest Franchisor's unrestricted and exclusive ownership of the System or Franchisor's right to grant licenses to use the System. All Improvements and additions to or associated with the System, whenever and by whomever made, and all service mark and trademark registrations and goodwill at any time associated with the System, including the Licensed Marks, are the property of Franchisor. Franchisee acknowledges that it does not have any right to license others to use any part of the System, and that all materials relating to the System shall at all times remain the sole property of Franchisor. Upon expiration or termination of this Agreement, no monetary amount will be assigned or attributed to any goodwill associated with Franchisee's use of the System.

12.2 ***Disputes Concerning System***. Franchisor has the sole and absolute right to handle and resolve litigation and other disputes with third parties (including imitators and infringers) concerning the use of all or any part of the System. Franchisor will not have any obligation to initiate suit against imitators or infringers, and may settle any dispute by grant of a license or otherwise. Franchisee shall, at its reasonable expense, extend its full cooperation to Franchisor in all such matters.

12.3 ***System and Business Improvements***. During the Term, any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of, or directly or indirectly related to, the System or any Licensed Mark or portions thereof (collectively, an "**Improvement**") made by Franchisee, or its Owners, Managers, employees, independent contractors or related business entities, while employed by, working at the direction of or owning the Franchised Business shall be the sole and exclusive property of Franchisor, regardless of any such party's participation or sole participation in its development, and will be deemed assigned to Franchisor. Upon Franchisor's request, Franchisee and its Owners shall, and shall cause any other such party described above to, sign any instruments and documents that Franchisor requests which assist Franchisor to perfect or protect all intellectual property rights in such Improvement. Franchisee, its Owners, employees and independent contractors shall not be entitled to any compensation for the use or licensing of any Improvement. All of the Improvements and any related information remain Franchisor's sole property. Both during the Term, and following the termination, of Franchisee's contractual relationship hereunder, Franchisee shall not use, attempt to register, or register, anywhere in the world, any mark that incorporates one or more terms, elements, or characteristics of any Licensed Mark, or any mark which could give rise to a likelihood of confusion, in Franchisor's reasonable and sole discretion, with any Licensed Mark, or any mark owned by Franchisor, or its parent, or related companies. Any such mark shall be Franchisor's sole and exclusive property, and will be deemed assigned to Franchisor upon its creation.

12.4 ***Complaints***. Franchisee shall immediately provide Franchisor with copies of any complaints relating to the operation or activities of the Franchised Business that Franchisee receives from any of its customers, any Better Business Bureau or any federal, state or local regulatory or governmental agency.

## Article 13. Operations Manual and Confidentiality

13.1 ***Operations Manual***. Franchisor will entrust to Franchisee a copy of the Operations Manual and Franchisee shall comply with all provisions of the Operations Manual. Franchisor may make the Operations Manual available through hard copy, CD, a secure Internet link or some other method in the Franchisor's sole and absolute discretion from time to time during the Term. Franchisor may communicate to Franchisee mandatory and suggested standards, methods, procedures and specifications applicable to the System and System Standards and information relative to other obligations of Franchisee under this Agreement and to the operation of the Franchised Business. Franchisor may make such communications through the Operations Manual, System Standards or written or electronic media. The Operations Manual at all times shall remain the exclusive property of Franchisor, and Franchisee shall return the Operations Manual (and all copies thereof which Franchisee has made) to Franchisor promptly upon request by Franchisor and, in any event, upon termination of expiration of this Agreement for any reason whatsoever. Franchisee shall not at any time copy, duplicate, record or otherwise reproduce or transcribe the Operations Manual or any of the forms supplied by Franchisor hereunder without Franchisor's prior written consent. If the Operations Manual is supplied electronically, Franchisee may print one copy solely to use in its operation of the Franchised Business. Franchisor reserves the right from time to time to revise the Operations Manual, and Franchisee expressly agrees confirm in writing to Franchisor that Franchisee has made corresponding revisions to its copy of the Operations Manual and will comply with each new or changed standard immediately upon receipt of such revision, which changes shall be implemented at Franchisee's sole cost and expense. In the event of any discrepancy between the Operations Manual held by Franchisee and the Operations Manual maintained by Franchisor, Franchisee agrees that the terms of the Operations Manual maintained by Franchisor shall control.

13.2 ***Confidential Information***. Franchisee acknowledges that certain information relating to the operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including System Standards and the contents of the Operations Manual, is derived from information that Franchisor has disclosed to Franchisee and that all such information is of a proprietary and confidential nature and a trade secret of Franchisor (the "**Confidential Information**"). Franchisee and each of its Owners, officers, directors, members, partners, Managers, employees and independent contractors shall maintain the absolute confidentiality of all the Confidential Information both during the Term and after the termination or expiration of this Agreement and shall use the Confidential Information only if necessary to operate the Franchised Business, and shall not disclose the Confidential Information for any reason whatsoever, except as hereinafter provided. Franchisee may disclose the Confidential Information to its Owners, officers, directors, members, partners, Manager, employees and independent contractors only if necessary to operate the Franchised Business and only in accordance with this Agreement. Franchisee shall cause those persons receiving the Confidential Information to sign a Confidentiality Agreement. Franchisee shall not use the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit therefrom not specifically approved in writing by Franchisor during or after the Term of this Agreement.

13.3 ***Use of Confidential Information***.

13.3.1 Franchisee shall not acquire any interest in the Confidential Information other than the right to use the Confidential Information in connection with its ownership and operation of the Franchised Business during the Term, and Franchisee acknowledges that its use or duplication of the Confidential Information in any other business or capacity shall constitute an unfair method of competition with Franchisor, its affiliates and Franchisor's other franchisees.

13.3.2 Franchisee acknowledges that Franchisor is disclosing the Confidential Information to Franchisee solely on the condition that Franchisee agrees, and Franchisee hereby agrees, that the Confidential Information received from Franchisor (i) shall only be used by Franchisee for purposes of performing its obligations under this Agreement, (ii) shall not be used by Franchisee in any other business, manner or capacity, (iii) shall have its absolute confidentiality maintained by Franchisee both during and after the Term (iv) shall not be copied by Franchisee without Franchisor's written authorization, and (v) shall not be disclosed by Franchisee to any third party without the prior written consent of Franchisor. Franchisee must use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further must limit the dissemination of the Confidential Information within its own organization to individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. Franchisee shall cause each person receiving the Confidential Information to sign the form of confidentiality agreement provided by Franchisor.

13.3.3 Franchisee acknowledges that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to Franchisee is completely within the discretion of Franchisor.

13.3.4 Franchisee further acknowledges and agrees that the identity, background and/or work capabilities of Franchisor's employees and independent contractors constitutes, by way of example and not limitation, the Confidential Information and, accordingly, that Franchisee shall not directly or indirectly solicit, retain or hire for employment or for any other type of working relationship any employee of Franchisor or any of its affiliates without the prior express written consent of the Franchisor.

## Article 14. Non-Competition

14.1 ***Non-Competition During the Term***. Commencing on the Effective Date and for balance of the Term, Franchisee (and its Owners if Franchisee is a business entity) shall not, directly or indirectly, own or be involved with a Competitive Business anywhere within the United States. A "**Competitive Business**" means a business that offers residential home improvement products and services competitive with or similar to those offered by Franchisor, its affiliates, its franchisees or its licensees or its affiliates' franchisees, licensees and members, without regard to geographic location.

14.2 ***Post-Term Non-Competition***. In the event that this Agreement is terminated for any reason, or in the event that this Agreement is subject to a Transfer, then for a period of twenty-four (24) months after termination, or Transfer, Franchisee (and its Owners if Franchisee is a corporate entity) agrees that it (or they) (i) shall not, either directly or indirectly own, advise, consult for or be involved with a Competitive Business that is located in any city in which another LEI Home Enhancements business located as of the date of termination or Transfer of the Agreement, or the Territory, or any zip code where the Franchised Business served customers during the Term; (ii) divert or attempt to divert any customer serviced by the Franchised Business or another LEI Home Enhancements business during the Term to a Competitive Business; (iii) induce or attempt to induce any such customer(s) described herein to modify their behavior in a way that would result in a reduction of the business such customer may do with any LEI Home Enhancements business, the Franchised Business or any successor business using the Franchisor's Licensed Marks.

14.3 ***Severability of Restrictive Covenants***. Franchisee acknowledges that the invalidity or unenforceability of any portion of Section 14.1 or Section 14.2 shall not affect the validity or enforceability of any other portion of Section 14.1 or Section 14.2 or any other section of this Agreement and any invalid or unenforceable portion of Section 14.1 or Section 14.2 shall be deemed to be severable and subject to Section 19.1.

14.4 ***Amendment of Restrictive Covenants***. Franchisee acknowledges that the provisions of this Article 14 have been included for the sole benefit of Franchisor and that Franchisor has the right, from time to time during the Term, in its sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant written in this Article 14 or any portion of this Agreement without Franchisee's consent effective upon Franchisor giving notice to Franchisee.

14.5 ***Acknowledgements regarding Restrictive Covenants***. Franchisee agrees that the covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which afford it the opportunity to derive income from other endeavors.

## Article 15. Transfer

15.1 ***Transfer by Franchisor***. Franchisor has the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of this Agreement, or any or all of its rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party as Franchisor may in its sole discretion deem appropriate. In the event of such transfer, Franchisor shall be released from any liability under this Agreement for the obligations transferred.

15.2 ***Transfer by Franchisee***. Franchisee acknowledges that the granting of the rights hereunder is based upon Franchisor's investigation of Franchisee's qualifications and that such rights are personal to Franchisee. Except as otherwise provided herein, Franchisee shall not sell, divide, encumber, assign, hypothecate, mortgage, sub-license, or transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted herein, or any part of this Agreement, or any rights or privileges

incidental to this Agreement, or the Franchised Business or any of its interest, or Franchisee's rights or interest in this Agreement, and if Franchisee is a business entity, Franchisee's Owners shall not transfer the shares of the corporation or of the ownership or membership interests in such entity (collectively referred to as a "**Transfer**"), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party without the prior written consent of Franchisor. Franchisor shall not unreasonably withhold its consent to such Transfer having regard to factors which may include, without limitation, the viability of the investment by the transferee based on the price for the Franchised Business payable by the transferee. Any actual, attempted or purported Transfer without Franchisor's prior written consent shall constitute a default of this Agreement and shall be null and void. Franchisor reserves the right to require any or all of the following as a condition to its consent to any Transfer:

15.2.1 the proposed transferee is acceptable to Franchisor based upon standards for new franchisees used by Franchisor at such time;

15.2.2 Franchisee is not in default in the performance or observance of any of Franchisee's obligations under this Agreement (including, without limitation, making all payments in full when due), and any other agreement between Franchisee (or its affiliates) and Franchisor (or its affiliates) relating to the Franchised Business or any other agreement between Franchisee (or its affiliates) and Franchisor (or its affiliates);

15.2.3 Franchisee has settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to Franchisor and all trade creditors of the Franchised Business;

15.2.4 Franchisee has delivered to Franchisor a general release, in a form satisfactory to Franchisor, of all claims Franchisee and its members, officers, directors, Owners, guarantors, employees, independent contractors, affiliates, successors and assigns may have against Franchisor, its members, officers, directors, Owners, employees, affiliates, successors and assigns;

15.2.5 the proposed transferee has agreed, in writing, to complete Franchisor's Initial Training Program to the Franchisor's reasonable satisfaction and to pay Franchisor's reasonable costs of administering such program and all transportation and accommodation costs and living expenses of the transferee and its manager and key employees and independent contractors for such Initial Training Program;

15.2.6 the proposed transferee assumes all rights and the obligations of Franchisee hereunder and, if required by Franchisor, signs Franchisor's then-current form of franchise agreement (and all other agreements, instruments and documents then customarily used by Franchisor in the granting of Franchised Businesses) on the then prevailing terms, conditions and fees (but without obligation to pay the Initial Franchise Fee) for a period equal to the then unexpired portion of the Term;

15.2.7 except in the case of a Transfer under Section 15.3 or a transfer to Franchisor under Section 15.4, Franchisee has paid Franchisor's then current transfer fee

(the "**Transfer Fee**") (presently set at $10,000) to reimburse Franchisor for its expenses in connection with the Transfer (provided, however that a Transfer Fee will not be charged solely for mortgages or other encumbrances). Such Transfer Fee shall be paid in two installments, with fifty (50%) percent due at the time Franchisee proposes such Transfer to Franchisor, and the remaining fifty (50%) percent due when Franchisee and its transferee submits executed documents to effect the Transfer, including transferee's franchise agreement and Franchisee's general release;

15.2.8 the Transfer is completed in accordance with any applicable bulk sales legislation; and

15.2.9 there are no outstanding disputes between Franchisor, or any of its affiliates, and Franchisee and/or transferee and any owners and/or affiliates of either.

It is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts that are owed by Franchisee, Franchisee will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of the Transfer; provided, however, Franchisee's obligations under Section 14.2 shall survive the transfer of this Agreement.

15.3 ***Transfer to a Corporation or Limited Liability Company***. If Franchisee is an individual, Franchisee may, coincident with or at any time after execution of this Agreement, after obtaining the written consent of Franchisor and provided all obligations of Franchisee to Franchisor have been satisfied, transfer and assign all of Franchisee's rights and obligations hereunder to a corporation or limited liability company, provided Franchisee is and throughout the Term remains a principal executive officer of such corporation or limited liability company and the beneficial and registered owner of greater than fifty percent (50%) of the issued and outstanding voting and equity rights and interests in such corporation or limited liability company (and any rights or options convertible into such voting or equity rights or interests), and provided that Franchisee forthwith:

15.3.1 causes the corporation and its directors and shareholders or, if a limited liability company, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement; signs and causes the corporation and its directors and shareholders or, if a limited liability company, its owners or members, to sign any agreement as may be specified by Franchisor relating to the assumption by the corporation or limited liability company of any rights and obligations under this Agreement; and causes the corporation or limited liability company to inform Franchisor and to keep it informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation or limited liability company from time to time;

15.3.2 signs such documents in respect of the transfer and assignment as Franchisor may direct, including the attached Owner's Guaranty; and

15.3.3 pays to Franchisor all of Franchisor's reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation,

execution and filing of all documentation required by Franchisor in connection with the Transfer.

15.4 ***Death or Incapacity***. If Franchisee dies or becomes incapacitated (or if Franchisee is a corporation, limited liability company, partnership or other entity, the death or incapacity of a principal Owner) so that Franchisee, a principal Owner, or a qualified Manager appointed or employed by Franchisee, is not able to devote full time and attention to the operation of the Franchised Business, then the heirs or personal representatives of Franchisee shall Transfer the rights granted hereunder to a third party acceptable to Franchisor within a reasonable time, not to exceed six (6) months from the date of death or Incapacity. Franchisor reserves the right to require any or all of the conditions set out in Section 15.2 to be satisfied prior to providing its consent to such Transfer. In the event that any of the required conditions stated in Section 15.2 are not satisfied (except in Section 15.2.5), Franchisor shall have the right in its sole discretion to terminate this Agreement by notice, in the case of death, sent to the estate of Franchisee and, in the case of Incapacity of Franchisee, to Franchisee. For purposes of this Section 15.4, "Incapacity" means that, in the reasonable opinion of Franchisor, Franchisee or its principal Owner, by reason of physical or mental illness or disability, is unable to operate the Franchised Business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period. In the event of Franchisee's or the principal Owner's death or Incapacity, Franchisor may elect to service Franchisee's customers itself or through the use of another franchisee if those customers cannot otherwise be adequately serviced as a result of such Incapacity or death. Franchisor or such other franchisee shall be entitled to be paid for such services in accordance with Franchisor's or such other franchisee's then current fees for such services.

15.5 ***Right of First Refusal***. If Franchisee or one (1) or more of its Owners proposes to make a Transfer to any individual or entity other than a corporation, partnership or other entity wholly owned by Franchisee or its Owners, Franchisor has the right for a period of thirty (30) days after Franchisee or such Owners have submitted all information requested by Franchisor to exercise a right of first refusal and substitute itself for the proposed transferee in the transaction. If Franchisor declines to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, Franchisee shall promptly notify Franchisor and Franchisor has the further right to exercise its right of first refusal regarding the revised transaction for a period of fifteen (15) days. If Franchisor exercises its right of first refusal, Franchisor shall have not less than ninety (90) days to close the transaction, and Franchisor has the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction. If Franchisor does not exercise its right of first refusal, Franchisee or the transferring Owners may make a Transfer on the terms and conditions of the offer considered by Franchisor if Franchisee and its Owners have complied with all of the provisions of Section 15.2.

## Article 16. Termination and Expiration

16.1 ***Termination by Franchisor Without Opportunity to Cure***. Franchisee shall be deemed to be in default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted herein effective immediately, without giving Franchisee notice of, or the opportunity to cure, the default, if Franchisee:

16.1.1 (a) makes or is deemed to have made a general assignment for the benefit of creditors; (b) if a petition is filed against Franchisee under the Bankruptcy Code and not dismissed within sixty (60) days of filing; (c) if a petition is filed by Franchisee under the Bankruptcy Code; (d) if Franchisee is declared or adjudicated bankrupt; (e) if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed of or for Franchisee; (f) if Franchisee commits any act of bankruptcy or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings; (g) if Franchisee admits in writing an inability to pay debts generally as they become due;

16.1.2 (a) has any of the products or chattels of the Franchised Business at any time seized or taken in execution or in attachment by a creditor of Franchisee; (b) a writ of execution is issued against such products or chattels; or (c) if Franchisee, without the prior written consent of Franchisor, gives any security interest in any of such products or chattels or sells any of such products or chattels, except in the normal course of business, and, as a consequence of these acts, in the judgment of Franchisor, the operation of the Franchised Business or any security interest which Franchisor may have in respect of this Agreement is materially impaired;

16.1.3 willfully or fraudulently misrepresents any fact, condition or report made in any application given to Franchisor or required to be made by this Agreement;

16.1.4 is subject in any twelve (12) month period to three (3) or more notices regarding a curable default;

16.1.5 under reports Monthly Gross Sales two (2) or more times in a fiscal year;

16.1.6 dies or becomes incapacitated and a Transfer is not consummated as described in Section 15.4;

16.1.7 by its actions, or its failure to take an action that it is required to take, adversely affects the goodwill associated with Franchisor, the Licensed Marks or the Franchised Business;

16.1.8 defaults, or any affiliates of Franchisee or the Owner defaults, under any other agreement with Franchisor (or its affiliates) and Franchisor (or its affiliates) has the right to terminate such other agreement without giving Franchisee (or its affiliates) an opportunity to cure the default;

16.1.9 infringes into another franchisee's territory except as permitted by Article 3;

16.1.10 abandons the Franchised Business, or by its conduct indicates an intent to do so; or

16.1.11 fails to meet the Minimum Sales Performance Standards pursuant to Section 7.5 above.

16.2 ***Termination by Franchisor After Opportunity to Cure***. Franchisee shall be deemed to be in default of this Agreement, and Franchisor, at its option, may terminate this Agreement and all rights granted herein effective as of the time noted, if Franchisee:

16.2.1 fails to pay when due any monies owed to Franchisor or any affiliate of Franchisor, including, without limitation, the Initial Franchise Fee or Royalty Fees, or fails to pay any monies owed Franchisor under Section 8.6 and such default is not cured within ten (10) days after receiving notice thereof from Franchisor;

16.2.2 is in default in paying any monies owed to any Supplier under the normal payment terms and conditions of such Supplier and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same;

16.2.3 fails to service satisfactorily all of Franchisee's customer accounts to the satisfaction of Franchisor and in accordance with the System and System Standards and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same;

16.2.4 is in default of any of Franchisee's other obligations contained in this Agreement or in any other agreement or instrument entered into or made between Franchisee (or its affiliates) and Franchisor (or its affiliates) relating to the Franchised Business including, without limitation any training obligations, and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same;

16.2.5 defaults, or any affiliates of Franchisee or the Owner defaults, under any other franchise agreement or other agreement with Franchisor (or its affiliates) and has not cured such default within the applicable cure period; or

16.3 ***Other Relief***. Any termination under Sections 16.1 and 16.2 of this Agreement shall be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which Franchisor may otherwise be entitled against Franchisee. Franchisor shall have the right to retain all moneys paid to it by Franchisee under this Agreement or otherwise as consideration for the rights and benefits previously conferred on Franchisee hereunder. The foregoing remedy shall not exclude any of the remedies which Franchisor may have at law or in equity by reason of the default, breach or non-observance by Franchisee of any provision of this Agreement.

16.4 ***Franchisee's Obligations on Termination or Expiration***. Upon the termination or expiration of this Agreement for any reason whatsoever, Franchisee shall cease to be a franchisee of Franchisor and shall immediately:

16.4.1 pay to Franchisor all amounts and charges as have become due hereunder through the date of termination or expiration of this Agreement or will become due hereunder or under any other agreement between Franchisee (or its affiliates) and Franchisor (or its affiliates) and are then unpaid;

16.4.2 discontinue using and return to Franchisor all copies of the Operations Manual, including any copies printed from the LEI website, any written embodiment of System Standards and the Confidential Information;

16.4.3 assign any telephone numbers of the Franchised Business to Franchisor, except that this type of assignment will not be required for any telephone number and listing that is already part of a telephone system owned and/or operated by Franchisor or a number which Franchisee notified Franchisor, upon signing the Agreement, it wished to retain, and which Franchisee did not market during the Term;

16.4.4 transfer any websites and domain names related to the Franchised Business or another residential home improvement products and services business operated during the Term to Franchisor (Franchisee shall not receive any compensation for such transfer) or in the case of retained domains remove any Licensed Marks and references to the Licensed Marks of the Franchised Business;

16.4.5 satisfactorily address and resolve all warranty claims or customer disputes, at Franchisor's option, or reimburse Franchisor for the cost of doing so;

16.4.6 cease to operate the Franchised Business under the System, including any patent protected materials, or customized templates or otherwise and not, directly or indirectly, represent to the public that such Franchised Business is operated in association with Franchisor or the System, or hold itself out as a present or former franchisee of Franchisor;

16.4.7 cease to use, directly or indirectly, in advertising or in any other manner whatever, any of the Licensed Marks, any colorable imitation thereof or any name or mark similar to any of the Licensed Marks, any other identifying characteristics or indicia of operation of the System (including by way of example and not limitation, use of sales or telephone scripts or trade dress of the Franchised Business) and any confidential standards, methods, procedures and specifications associated with the System;

16.4.8 discontinue using for any purpose, and sell to Franchisor at its request, at the fully depreciated book value thereof, any or all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms or other products or materials which display any Licensed Marks or any distinctive feature or device associated with the System;

16.4.9 take all such action as may be necessary to cancel any fictitious or assumed name registration which contains any part of the Licensed Marks under any federal or state laws or regulations and give Franchisor evidence satisfactory to Franchisor of compliance with Franchisee's obligation hereunder within thirty (30) days after the termination or expiration of this Agreement;

16.4.10 permit Franchisor at Franchisee's expense to enter the location from which the Franchised Business is conducted and inspect for, and if necessary remove, any and all personal property of Franchisor and any and all personal property of Franchisee which displays any of the Licensed Marks or any distinctive feature or device associated

with the System, including any and all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms, and vehicles and make such reasonable alterations in the exterior and interior decor as Franchisor deems necessary to remove from the premises where the Franchised Business is operated any identification as a Franchised Business;

16.4.11 delete any references to Franchisor or the Licensed Marks, domain names, copyrighted materials, or any other proprietary materials from any website used by Franchisee; and

16.4.12 observe and comply with the provisions of Sections 13.2, 13.3 and 14.2 of this Agreement.

## Article 17. Relationship and Indemnification

17.1 ***Independent Parties***.

17.1.1 Franchisee is and shall at all times remain an independent contractor and is not and shall not represent itself to be the agent, joint venturer, partner or employee of Franchisor, or to be related to Franchisor other than as its independent franchisee. Franchisee shall not make any representations or take any action which could establish any apparent relationship of agency, joint venture, partnership or employment with Franchisor, and Franchisor shall not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by Franchisee to any other person nor with respect to any other action of Franchisee. Franchisee shall not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in the name or on the credit of Franchisor. No acts of assistance given by Franchisor to Franchisee shall be construed so as to alter this relationship. Franchisee is solely responsible for paying all operating costs of the Franchised Business, including all taxes.

17.1.2 Franchisor will not have the power to hire or fire Franchisee's employees or independent contractors and Franchisee expressly agrees that it will never contend otherwise. Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Franchised Business and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising its control of the day-to-day operations of the Franchised Business.

17.2 ***Liability of Franchisee***. If two (2) or more individuals sign this Agreement as Franchisee, the liability of each such individual hereunder shall be joint and several.

17.3 ***Non-Liability***. Franchisor is not obligated or liable for any injury or death of any person or damage to any property caused by Franchisee's acts, failure to act, negligence or willful conduct, or for any other liability of Franchisee.

17.4 ***Franchisee Indemnity***. Franchisee hereby agrees to indemnify, hold harmless and, upon request, defend Franchisor, its affiliates, and their respective members, owners, shareholders, directors, officers, employees, independent contractors and agents (the "**Indemnified Parties**"), from and against all suits, proceedings, assessments, losses, costs of investigation, claims, liabilities, demands or actions of any nature or kind whatsoever ("**Claims**"), directly or indirectly arising out of, or in any manner whatsoever associated or connected with:

17.4.1 the failure of Franchisee to pay when due any levies, taxes or assessments that Franchisee may be required by applicable law to pay;

17.4.2 Franchisee's operation of the Franchised Business; or

17.4.3 Franchisee's acts, failure to act, or negligence or willful conduct;

17.4.4 and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims. Under no circumstance will any Indemnified Party be required to seek recovery from third parties or otherwise mitigate its losses to maintain a claim against Franchisee.

## Article 18. Dispute Resolution

18.1 ***Resolution of Disputes***. Any dispute between Franchisor and Franchisee relating to or arising out of the relationship created by this Agreement is subject to the dispute resolution provisions written below.

18.2 ***Mediation***.

18.2.1 In the event of any dispute, other than disputes that are the subject of Franchisee's default under Section 16.1.1), Section 16.1.3, Section 16.1.5, Section 16.1.6, or Section 16.2.1, or a dispute involving any alleged violation of Articles 11, 12, 13, 14, or 15 or Section 16.4, the disputing party shall be obligated to first attempt to resolve such dispute through mediation, which proceeding shall be a condition precedent to commencing any legal action and shall be initiated by submitting a written request for mediation to the Judicial Arbitration & Mediation Services, Inc. ("**JAMS**") according to its procedures, or any other mediation service the parties mutually agree to according to such mediator's procedures.

18.2.2 The mediation process shall begin promptly and shall be concluded within thirty (30) days after the day the request for mediation is made, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall

be privileged and confidential and shall not be admissible into evidence in any litigation. During the pendency of any dispute resolution proceeding, the parties shall not disclose any information relating to the dispute or the dispute resolution proceeding to any person not party to the mediation. Franchisee expressly agrees not to commence any legal action until mediation has been concluded.

18.2.3 All mediation proceedings shall take place in the city and state where Franchisor has its principal place of business at the time the mediation is commenced. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them.

18.2.4 The commencement of any dispute resolution procedure will not act to prevent Franchisor, if required to prevent the possible loss of any rights, from instituting or proceeding with any action that may be the subject of the dispute.

18.3 ***Venue***. Franchisee and each Owner agrees that (i) any state court of general jurisdiction sitting in Hamilton County, Ohio, or (ii) the United States District Court for Butler County, Ohio shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement, and Franchisee and each Owner irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court. If applicable law provides Franchisee additional rights as to notices, opportunities to cure or otherwise, then as are provided by this Agreement as to termination, renewal, transfer or otherwise, Franchisor shall comply with the requirements of such laws if they exceed Franchisor's obligations under this Agreement.

18.4 ***Injunctive Relief***. Notwithstanding anything in this Article 18 to the contrary, Franchisor may seek to obtain at any time in any court of competent jurisdiction any order for specific performance or injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause Franchisor irreparable harm. Franchisor may have such specific performance or 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 Franchisee's sole remedy in the event of the entry of such specific performance or injunction order, shall be the dissolution of such order, if warranted (all claims for damages by reason of the wrongful issuance of any such order being expressly waived hereby). Franchisee and each of its Owners acknowledges that any violation of Articles 11, 12, 13, 14 or 15 or Section 16.4 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisee and each of its Owners consents to the issuance of an injunction at Franchisor's request (without posting a bond or other security) prohibiting any conduct in violation of any of those Sections and agrees that the existence of any claims Franchisee or any of its Owners may have against Franchisor, whether or not arising herefrom, shall not constitute a defense to the enforcement of any of those Sections.

18.5 ***Business Judgment***. The parties recognize, and any mediator, arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its business judgment based on its assessment of the overall best interests of the System and/or franchise network.

Where such discretion has been exercised and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

18.6 ***Limitations Period***. Except for claims arising from Franchisee's non-payment or underpayment of amounts Franchisee owes Franchisor, any and all claims arising out of or relating to this Agreement or any agreement related to this Agreement or signed concurrently or the relationship of the parties, shall be barred unless a judicial proceeding is commenced within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim. Such limitation period, however, shall be considered tolled during the pendency of a mediation proceeding.

18.7 ***No Punitive, Exemplary or Consequential Damages***. EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES UNDER SECTION 17.4 AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE LICENSED MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE AND FRANCHISEE'S RESPECTIVE OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM SHALL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

18.8 ***No Jury Trial***. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

18.9 ***No Class or Consolidated Actions***. ANY LITIGATION OR MEDIATION BETWEEN FRANCHISOR AND FRANCHISEE, AND ANY OF THEIR RESPECTIVE CURRENT OR FORMER AFFILIATES, SUBSIDIARIES, PARENTS, DIRECTORS, OFFICERS, OR AGENTS SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A GROUP, ASSOCIATION, CONSOLIDATED, JOINT, COMMON, OR CLASS ACTION OR ON ANY REPRESENTATIVE BASIS.

## Article 19. General

19.1 ***Severability of Provisions***. Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any other part of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, length of time and/or business scope, but would be enforceable by reducing any part or all thereof, Franchisor and Franchisee agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

19.2 ***Counterparts***. This Agreement may be signed in counterparts, and each counterpart when so signed and delivered shall be deemed an original.

19.3 ***Force Majeure***. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any delay; provided, however, that if the delay exceeds 120 days, Franchisor shall have the right to terminate this Agreement or to require Franchisee to move to a new location approved by Franchisor within an additional period of 120 days.

19.4 ***Successors and Assigns***. This Agreement shall inure to the benefit of and be binding upon Franchisor, Franchisee and their respective heirs, legal representatives, successors and permitted assigns.

19.5 ***Survival***. All obligations of Franchisor and Franchisee which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or Transfer and until they are satisfied or by their nature expire.

19.6 ***Notices***. All notices, consents and approvals permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if stated in writing and in the case of Franchisee, left with an adult person working at the Franchised Business, or, in the case of either party, sent by a prepaid certified letter or by overnight courier service or transmitted by electronic mail or other form of recorded communication (with a confirming copy mailed), to Franchisor addressed as follows:

LEI Franchising, LLC
11880 Kemper Springs Drive
Cincinnati, OH 45240
E-Mail: RGaskill@leihomeenhancements.com

and to Franchisee addressed as follows:

_____
_____
_____
_____
_____

Any notice so given or made shall be deemed to have been given or made and received on the earlier of (i) the day of delivery or (ii) one (1) business day after transmission by facsimile or other form of recorded communication service of the same or by overnight courier service, as the case may be, or (iii) on the third (3rd) business day following the day of mailing of the same by certified mail. Any party from time to time by notice in writing given under the terms of this Agreement may change its address or facsimile number for the purpose of this Agreement.

19.7 ***Right of Set-off***. Notwithstanding any other provision of this Agreement, upon the failure of Franchisee to pay Franchisor as and when due any sums of money under this Agreement or any other amounts owing to Franchisor, Franchisor may, at its election, deduct any and all such sums remaining unpaid from any monies or credit held by Franchisor for the account of Franchisee.

19.8 ***Not Withhold Payment***. Franchisee agrees that Franchisee shall not on the grounds of the alleged non-performance by Franchisor of any of its obligations under this Agreement or under any other agreement between the parties, withhold payment of any amounts due to Franchisor whether on account of equipment or goods purchased by Franchisee or otherwise.

19.9 ***Non-Waiver***. The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, or a waiver by such party of its right at any time to require strict compliance with all terms and conditions of this Agreement. Franchisor's acceptance of payments due under this Agreement shall not constitute a waiver of any breaches by Franchisee that precede the acceptance of such payments.

19.10 ***Applicable Law***. This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of Ohio without giving effect to its conflicts of law principles, provided, however, that the state's franchise law shall apply only if its independent jurisdictional requirements are met. If applicable law provides Franchisee with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor will comply with the requirements of such laws if they exceed Franchisor's obligations under this Agreement.

19.11 ***Rights of Franchisor Are Cumulative***. The rights of Franchisor under this Agreement are cumulative and no exercise or enforcement by Franchisor of any right or remedy under this Agreement shall preclude the exercise or enforcement by Franchisor of any other right or remedy under this Agreement or which Franchisor is otherwise entitled by law to enforce. At the option of Franchisor, a default by Franchisee under this Agreement shall constitute a default by Franchisee under any other agreement between the parties.

19.12 ***No Third Party Beneficiaries***. Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, any third party. No agreement between Franchisor and any third party.

19.13 ***Approvals or Consents***. Requests by Franchisee for approvals or consents shall be in writing and shall be timely made. Approvals and consents by Franchisor shall not be effective unless in writing and duly signed by Franchisor. Except as expressly provided to the contrary herein, Franchisor may grant or withhold, such approvals or consents, and may make any determinations permitted hereunder, in its sole discretion and shall not be required to show "reasonableness" or to comply with any other standard.

19.14 ***Effect of Standards***. Franchisor's specifications of the System shall not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. Franchisor shall not be liable to Franchisee or others on account of the specifications of the System, including the designation of System Standards or the operation of the Franchised Business under the System.

19.15 ***Construction***. Franchisee acknowledges that it had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement shall be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

19.16 ***Further Assurances***. The parties agree to diligently do or cause to be done all acts or things and to sign all documents and instruments necessary to implement and carry into effect this Agreement to its fullest extent.

19.17 ***Entire Agreement/Amendments***. Franchisor and Franchisee each acknowledge and warrant to each other that they wish to have all terms of the business relationship defined in this Agreement. Neither Franchisor nor Franchisee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different from or supplementary to the rights and obligations stated herein. Accordingly, Franchisor and Franchisee agree that this Agreement, together with any other documents or agreements signed by the parties contemporaneously herewith, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they have placed, and shall place, no reliance on such discussions. This Agreement, together with any other documents or agreements signed by the parties contemporaneously or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to Franchisee and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, signed by an officer of Franchisor or such other entity granting the franchise rights. Notwithstanding anything in this Section 19.17 to the contrary, nothing in this Agreement or any related agreement is intended to disclaim any representation made by Franchisor in Franchisor's Franchise Disclosure Document. No change, modification, amendment or waiver of any of the provisions hereof shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment and signed by the party to be charged.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Agreement as dated below.

| Franchisee: | Franchisor: |
| --- | --- |
| | **LEI FRANCHISING, LLC** |
| By:_____ | By:_____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title:_____ |
| Date:_____ | Date:_____ |

# Exhibit D - 1

## BUSINESS TERMS

This Exhibit D-1 represents a Territory that shall be known as "_____" and is further defined herein and in related ancillary documents. The Territory is governed by a Franchise Agreement (including amendments, if any). For convenience of administration, a single Franchise Agreement and any amendments, agreements, or ancillary documents thereto, may be executed to govern multiple territories. In such event and for avoidance of doubt, the terms set forth in the Franchise Agreement and any amendment, as well as those in any ancillary documents or agreements executed in connection with any of them, constitutes a separate and independent contract between the parties as to each such Territory.

Effective Date of this Agreement:

Expiration Date of this Agreement:

Initial Franchise Fees: $49,500.00

Minimum Sales Performance Standards:

| YEAR | GROSS CONTRACT VALUE |
|---|---|
| Year 1 | $1,000,000.00 |
| Year 2 | $1,500,000.00 |
| Year 3 and each remaining year of the Term | $1,750,000.00 |

Approved Location of Franchised Business (office site):

Franchisee Business Name:

Address:

Owner(s): See Exhibit D-3

Phone Number:

Cell Number:

Facsimile Number:

E-mail Address:

Territory Name:

Population:

Zip Codes:

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |

Initials: _____ Initials: _____ Initials: _____ Initials: _____
Date: _____ Date: _____ Date: _____ Date: _____

Territory Name (if continued to page 2)

**Acknowledged and Agreed**:

| Franchisee: | Franchisor: |
|---|---|
| By:_____<br>Name:<br>Title:<br><br>(Additional owners sign below)<br><br>By:_____<br>Name:<br>Title: | LEI Franchising, LLC<br><br>By:_____<br>Name:<br>Title: |

## Exhibit D - 2

## OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a franchise and the execution of the Franchise Agreement having an effective date of _____ (the "**Franchise Agreement**") by and between **LEI FRANCHISING, LLC**, an Ohio limited liability company ("**LEI**" or "**Franchisor**"), and _____ ("**Franchisee**"), the undersigned hereby personally and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the Term of the Franchise Agreement and, including any renewal thereof, as provided in the Franchise Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Agreement (including those associated with any Holdover Term) and any documents, agreements, instruments and promissory notes signed with or in connection with the Franchise Agreement (collectively, the "**Franchise Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents.

The undersigned waives:

1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;

2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guarantied;

3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guarantied;

4) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

5) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee's obligations;

2) the undersigned shall render any payment or performance required under the Franchise Documents upon demand if Franchisee fails or refuses punctually to do so;

3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and

5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Franchise Documents, as the same may be amended or renewed, until Franchisee's duties and obligations to Franchisor are fully discharged and satisfied.

All capitalized terms when used shall have the meanings ascribed to them in the Franchise Agreement.

This Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the state where Franchisor has its principal place of business at the time a dispute arises, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature as dated below.

| WITNESS(ES): | GUARANTOR(S): |
|---|---|
| _____ | _____ |
| Print or Type Name | Print or Type Name |
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Date | Date |
| _____ | _____ |
| Print or Type Name | Print or Type Name |
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Date | Date |

## Exhibit D - 3

## OWNERS OF FRANCHISEE

| Name of Owner | Nature of Interest | Beneficial Interest in Franchisee |
|---|---|---|
| | | % |
| | | % |
| | Total | 100% |

# EXHIBIT D - 4

## NON-COMPETE AGREEMENT
## (Franchisee as an Entity)

THIS NON-COMPETE AGREEMENT (this "**Agreement**"), by and between, **LEI FRANCHISING, LLC**, an Ohio limited liability company ("**Franchisor**"), _____ ("**Franchisee**"), a _____ organized under the laws of the State of _____, and _____ ("**Covenantor**"), an individual resident of the State of _____,

W I T N E S S E T H:

WHEREAS, pursuant to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**"), Franchisor granted Franchisee a franchise to operate a residential home improvement business (the "**Franchised Business**"), using Franchisor's unique franchise system and Franchisor's marks LEI, LEI Home Enhancements® and other proprietary marks; and

WHEREAS, Covenantor is the owner, in whole or in part, of Franchisee, or is a manager, employee or independent contractor of Franchisee; and

WHEREAS, Franchisor has expended substantial amounts of time and money in developing the Marks (as hereinafter defined) and Franchisor's distinctive franchise system, including, without limitation, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, and procedures for the efficient operation of a residential home improvements franchise, all of which Franchisee and Covenantor acknowledges to be confidential and proprietary information; and

WHEREAS, in connection with the operation of the Franchised Business, Franchisee and Covenantor will have access to such confidential and proprietary information; and

WHEREAS, as a condition precedent to granting the Franchised Business to Franchisee, all shareholders, officers, partners or members of Franchisee must execute the covenants herein;

NOW, THEREFORE, as additional consideration and inducement for granting the Franchised Business to Franchisee, Covenantor hereby agrees and covenants to Franchisor as follows:

1. **Confidentiality**. Franchisee and Covenantor acknowledge the proprietary and confidential nature of Franchisor's Operations Manual, which Franchisee has received on loan from Franchisor, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, customer or referral lists, procedures for the efficient operation of a residential home improvements franchise, and any other methods, procedures, processes, techniques, information, knowledge, or know-how concerning Franchisor's franchise system which may not be commonly known to the public or to Franchisor's or Franchisee's competitors and which Franchisor or Franchisee have identified or

may identify as proprietary and confidential information ("**Trade Secrets**"). Franchisee and Covenantor will use such Trade Secrets solely in accordance with the Franchise Agreement and will not, during the term of the Franchise Agreement, or at any time thereafter, communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, persons, partnership, association or corporation.

2. **Proprietary Marks**. Franchisee and Covenantor acknowledge Franchisor's right, title, and interest in and to the marks LEI, LEI Home Enhancements®, Franchisor's logo, and certain other proprietary service marks, logos, symbols, and trade names presently used by Franchisor or which Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the "**Licensed Marks**"). Franchisee and Covenantor further acknowledge that any use of the Licensed Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Licensed Marks and of the Franchise Agreement. Franchisee and Covenantor expressly covenants that they will not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Licensed Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. **Non-Solicitation**. Franchisee and Covenantor covenant that they will not, during the term of the Franchise Agreement, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation:

(a) divert or attempt to divert any business or customer of Franchisee's business or of any other franchisee of Franchisor to any competitor or to Covenantor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act which may be injurious or prejudicial to the goodwill associated with the Licensed Marks and Franchisor's franchise system; or

(b) employ or seek to employ any person who is at that time employed by Franchisee, Franchisor, or any other franchisee of Franchisor, or otherwise directly or indirectly attempt to induce such person to leave his or her employment.

4. **Non-competition**. Franchisee and Covenantor covenant that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation, own, maintain, operate, engage in, or have any interest in, any business offering residential home improvement services or other products or services which are offered under the Franchised Business, which is or is intended to be located within Franchisee's Territory (as defined in the Franchise Agreement) or a city where another franchisee's operates an LEI Home Enhancements business.

5. **Remedies**. Franchisee and Covenantor acknowledge that the violation of any of the covenants contained in this Agreement would result in irreparable injury to Franchisor, for which

no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorney fees incurred by Franchisor in obtaining, an injunction enjoining any conduct by Franchisee or Covenantor prohibited by the terms of this Agreement. This remedy will be in addition to any and all other remedies which may be available to Franchisor at law or in equity.

6. **Severability**. The parties agree that each of the covenants contained in this Agreement will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant contained herein is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and Covenantor expressly agree to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Agreement.

7. **Effect.** This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

8. **Construction**. The parties agree that this Agreement will be governed by and construed in accordance with the laws of, the State of Ohio.

9. **Jurisdiction**. The parties agree that any action based upon this Agreement brought by any party hereto against any other party hereto may be brought within the State of Ohio in the judicial district in which Franchisor has its principal place of business, and hereby consent to the exercise of personal jurisdiction by any such court and waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

10. **Legal Expenses**. In the event a dispute arises under this Agreement, the prevailing party will be entitled to recover its expenses, including reasonable attorney and accountant fees, in addition to any other relief to which it may be found entitled.

11. **Franchisor Third-Party Beneficiary**. Covenantor and Franchisee acknowledge and intend that the covenants contained in this Agreement will directly benefit Franchisor, who will be a third-party beneficiary thereof, entitled to enforce the provisions thereof in Franchisor's own name without Franchisee as a party in any action filed for such purpose, and will further be entitled to all remedies provided in Section 5 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be executed by their duly authorized representative, as of the dates set forth below.

FRANCHISEE:

By: _____
Its: _____
Date: _____

COVENANTOR

_____
Name: _____
Date: _____

**NON-COMPETE AGREEMENT**
**(Franchisee as an Individual)**

THIS NON-COMPETE AGREEMENT (this "**Agreement**"), by and between, **LEI FRANCHISING, LLC**, an Ohio limited liability company ("**Franchisor**"), and _____ ("**Franchisee**"), an individual resident of the State of _____,

W I T N E S S E T H:

WHEREAS, pursuant to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**"), Franchisor granted Franchisee a franchise to operate a residential home improvement business (the "**Franchised Business**"), using Franchisor's unique franchise system and Franchisor's marks LEI, LEI Home Enhancements® and other proprietary marks; and

WHEREAS, Franchisor has expended substantial amounts of time and money in developing the Marks (as hereinafter defined) and Franchisor's distinctive franchise system, including, without limitation, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, and procedures for the efficient operation of a residential home improvements franchise, all of which Franchisee acknowledges to be confidential and proprietary information; and

WHEREAS, in connection with the operation of the Franchised Business, Franchisee will have access to such confidential and proprietary information; and

WHEREAS, as a condition precedent to granting the Franchised Business to Franchisee, Franchisee must execute the covenants contained herein;

NOW, THEREFORE, as additional consideration and inducement for granting the Franchised Business to Franchisee, Franchisee hereby agrees and covenants to Franchisor as follows:

1. **Confidentiality**. Franchisee acknowledges the proprietary and confidential nature of Franchisor's Operations Manual, which Franchisee has received on loan from Franchisor, unique sales and marketing methods, pricing techniques, promotional materials, new product development, financial information, customer or referral lists, procedures for the efficient operation of a residential home improvements franchise, and any other methods, procedures, processes, techniques, information, knowledge, or know-how concerning Franchisor's franchise system which may not be commonly known to the public or to Franchisor's or Franchisee's competitors and which Franchisor or Franchisee have identified or may identify as proprietary and confidential information ("**Trade Secrets**"). Franchisee will use such Trade Secrets solely in accordance with the Franchise Agreement and will not, during the term of the Franchise Agreement, or at any time thereafter, communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, persons, partnership, association or corporation.

2. **Proprietary Marks**. Franchisee acknowledges Franchisor's right, title, and interest in and to the marks LEI, LEI Home Enhancements®, Franchisor's logo, and certain other proprietary service marks, logos, symbols, and trade names presently used by Franchisor or

which Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the "**Licensed Marks**"). Franchisee further acknowledges that any use of the Licensed Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Licensed Marks and of the Franchise Agreement. Franchisee expressly covenants that it will not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Licensed Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. **Non-Solicitation**. Franchisee covenants that it will not, during the term of the Franchise Agreement, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation:

(a) divert or attempt to divert any business or customer of Franchisee's business or of any other franchisee of Franchisor to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act which may be injurious or prejudicial to the goodwill associated with the Licensed Marks and Franchisor's franchise system; or

(b) employ or seek to employ any person who is at that time employed by Franchisee, Franchisor, or any other franchisee of Franchisor, or otherwise directly or indirectly attempt to induce such person to leave his or her employment.

4. **Non-competition**. Franchisee covenants that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation, own, maintain, operate, engage in, or have any interest in, any business offering residential home improvement services or other products or services which are offered under the Franchised Business, which is or is intended to be located within Franchisee's Territory (as defined in the Franchise Agreement) or a city where another franchisee's operates an LEI Home Enhancements business.

5. **Remedies**. Franchisee acknowledges that the violation of any of the covenants contained in this Agreement would result in irreparable injury to Franchisor, for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorney fees incurred by Franchisor in obtaining, an injunction enjoining any conduct by Franchisee prohibited by the terms of this Agreement. This remedy will be in addition to any and all other remedies which may be available to Franchisor at law or in equity.

6. **Severability**. The parties agree that each of the covenants contained in this Agreement will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant contained herein is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Agreement.

7. **Effect.** This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

8. **Construction**. The parties agree that this Agreement will be governed by and construed in accordance with the laws of, the State of Ohio.

9. **Jurisdiction**. The parties agree that any action based upon this Agreement brought by any party hereto against any other party hereto may be brought within the State of Ohio in the judicial district in which Franchisor has its principal place of business, and hereby consent to the exercise of personal jurisdiction by any such court and waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

10. **Legal Expenses**. In the event a dispute arises under this Agreement, the prevailing party will be entitled to recover its expenses, including reasonable attorney and accountant fees, in addition to any other relief to which it may be found entitled.

11. **Franchisor Third-Party Beneficiary**. Franchisee acknowledges and intends that the covenants contained in this Agreement will directly benefit Franchisor, who will be a third-party beneficiary thereof, entitled to enforce the provisions thereof in Franchisor's own name without Franchisee as a party in any action filed for such purpose, and will further be entitled to all remedies provided in Section 5 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be executed by their duly authorized representative, as of the dates set forth below.

FRANCHISEE:

By: _____
Its: _____
Date: _____

# EXHIBIT D-5

## IRREVOCABLE POWER OF ATTORNEY
## (Telephone Number)

KNOW ALL MEN BY THESE PRESENTS:

That _____ ("**Franchisee**") does hereby irrevocably constitute and appoint LEI Franchising, LLC, an Ohio limited liability company ("**Franchisor**"), the true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, may be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee's right, title and interest in and to any and all telephone numbers of Franchisee's franchised business and all related Yellow Pages, White Pages and other business listings, including but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services for Franchisee, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor will be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor will be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated evenly herewith by and between Franchisor and Franchisee. Such termination, however, will not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Ohio and the laws of the State of Ohio and will govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the ___ day of _____, 20___.

FRANCHISEE – Corporate/Limited Liability Company:

_____

*[Name of corporation or limited liability company]*

By: _____

Its: _____

Individual:

_____ *Signature*

_____ *Signature*

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT E

## List of Franchisees

| | |
|---|---|
| ARIZONA | Alpha Innovations LLC<br>11303 West McCaslin Rose Lane<br>Surprise, AZ 85378<br>(480) 739-8686 |
| COLORADO | TCV Enterprises<br>4251 Kipling Street<br>Suite 335<br>Wheat Ridge, CO 80033<br>(513) 280-3555 |
| FLORIDA | LEI Central Florida, Inc.<br>5401 S. Kirkman Road<br>Suite 310<br>Orlando, FL 32819<br>(407) 641-2117 |
| GEORGIA | DMART Industries, LLC<br>3348 Peachtree Rd Suite 700<br>Atlanta GA 30326<br>(770) 373-7531 |

| | |
|---|---|
| KENTUCKY | DTBG LLC<br>601 North Shore Drive STE 201 #112<br>Jeffersonville, IN, 47130<br>(859) 552-9723 |
| MARYLAND | Energy Group LLC<br>10903 Indian Head Hwy<br>Fort Washington, Maryland 20744<br>(240) 859-0563 |
| MINNESOTA | Flaherty Exteriors, LLC<br>5615 150th St N#725<br>Hugo MN 55038<br>(651) 492-2892 |
| MISSOURI | Musser Group LLC<br>6800 Manhattan Blvd<br>Building 3, Suite 304<br>Fort Worth, TX 76120<br>(817) 217-1571 |
| NORTH CAROLINA | Energy Group LLC<br>3801 Computer Drive<br>Suite 102<br>Raleigh, NC 27609<br>(855) 348-4663 |
| OHIO | KM7 LLC<br>651 Lakeview Plaza Blvd.<br>Suite H<br>Columbus, OH 43085<br>(773) 858-0510 |
| PENNSYLVANIA | SJW Group<br>7000 Stonewood Rd. Suite 105<br>Wexford PA 15090<br>(878) 332-8984<br><br>Energy Group LLC<br>109 E Moreland Ave.<br>Hatboro PA 19040<br>Phone: (855) 348-4663 |

| | |
|---|---|
| TENNESSEE | SRM Energy Solutions<br>9005 Overlook Blvd.<br>Brentwood TN 37027<br>(615) 505-3321 |
| TEXAS | Musser Group LLC<br>6800 Manhattan Blvd<br>Building 3, Suite 304<br>Fort Worth, TX 76120<br>(817) 217-1571 |
| UTAH | TCV Enterprises<br>4001 South 700 East Suite 500<br>Salt Lake City UT 84107<br>(855) 259-4636 |
| VIRGINIA | Energy Group LLC<br>10530 Warwick Avenue<br>Suite 4c<br>Fairfax, VA 22030<br>(855) 348-4663<br><br>Energy Group LLC<br>8501 Maryland Drive<br>Suite 104<br>Richmond, VA 23294<br>(855) 348-4663 |
| WASHINGTON | TCV Enterprises<br>401 Olympia Ave NE Suite 254<br>Renton. WA 98056<br>(855) 259-4636 |
| WISCONSIN | DMART Industries, LLC<br>6601 Grand Teton Plaza Suite A1<br>Madison WI 53719<br>(608) 208-9525 |

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT F

## State Addenda

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**REQUIRED BY THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the LEI Franchising, LLC Franchise Disclosure Document (the "Disclosure Document" or "FDD"), the following provisions will supersede and apply to all franchises offered and sold in the State of Illinois:

Illinois law governs the Franchise Agreement(s).

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

Your rights upon Termination and Non-Renewal 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.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

**AMENDMENT TO THE LEI FRANCHISING, LLC FRANCHISE AGREEMENT**

**REQUIRED BY THE STATE OF ILLINOIS**

Notwithstanding anything contained in the Franchise Agreement (the "Agreement") and Franchise Disclosure Document to the contrary, the Illinois Franchise Disclosure Act (the "Act"), Franchisor and Franchisee agree that the Agreement will be amended as follows:

Illinois law governs the Franchise Agreement(s).

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

Your rights upon Termination and Non-Renewal 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.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>LEI FRANCHISING, LLC |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233 and notwithstanding anything to the contrary set forth in the LEI Franchising, LLC Franchise Disclosure Document (the "Disclosure Document" or "FDD") the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:

1. The "Summary" section of Item 17(h) of the Disclosure Document (entitled "'Cause' defined – defaults which cannot be cured") is amended by adding the following language:

"Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq."

2. The "Summary" section of Item 17(v) of the Disclosure Document (entitled "Choice of forum") is amended by adding the following language:

"The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

3. The "Summary" section of Item 17(w) of the Disclosure Document (entitled "Choice of law") is amended by adding the following language:

"General releases required for renewal, sale or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

4. Item 5 of the Disclosure Document (entitled "Initial Fees") is amended by adding the following language:

"On the basis of our financial information, pursuant to the requirement of the Maryland Securities Commissioner, we will defer your payment to us of the initial franchise fees and all other initial payments owed to us until such time as all obligations owed to you by us under the Franchise Agreement have been fulfilled by us and you have opened the Franchised Business."

5. Each provision of this Addendum to the FDD will be effective only to the extent (with respect to each provision) that Maryland law would apply to your franchise, without reference to this Addendum.

**AMENDMENT TO LEI FRANCHISING, LLC FRANCHISE AGREEMENT**

**REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, Franchisor and Franchisee agree that the LEI Franchising, LLC, Franchise Agreement (the "Agreement") will be amended as follows:

1. The following language is added to Sections 1.2 (under the heading "The Franchisee"):

> "Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

2. The following language is added to Section 4.2.3 of the Agreement (under the heading "Renewal"):

> ", except that the general release provisions required as a condition of renewal will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. The following language is added to Section 8.1 of the Agreement (under the heading "Initial Franchise Fees"):

> "Notwithstanding any other provision of this Agreement to the contrary, on the basis of our financial information, pursuant to the requirement of the Maryland Securities Commissioner, we will defer your payment to us of the Initial Franchise Fee and other initial payments owed to us until such time as all obligations owed to you by us under this Agreement have been fulfilled by us and you have opened the Franchised Business."

4. The following language is added to Section 15.2.4 of the Agreement (under the heading "Transfer by Franchisee"):

> ", except that the general release provisions required as a condition of transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

5. The following language is added to the end of Section 18.3 of the Agreement (under the heading "Venue"):

> "Franchisee may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law."

6. The following language is added to the end of Section 18.6 of the Agreement (under the heading "Limitations Period"):

> "All claims arising under the Maryland Franchise Registration and Disclosure Law will be commenced within 3 years after the grant of the franchise."

7. The following language is added to Section 19.17 of the Agreement (under the heading "Entire Agreement/Amendments"):

> "Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

8. Each provision of this Amendment to the Agreement is effective only to the extent (with respect to each provision) that the Maryland Franchise Registration and Disclosure Law, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>LEI FRANCHISING, LLC |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

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

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

C.) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS 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 FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

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

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

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

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

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

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

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

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

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

* * * *

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

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN $100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

**DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE**

**CONSUMER PROTECTION DIVISION**

**ATTN: FRANCHISE**

**670 G. MENNEN WILLIAMS BUILDING**

**LANSING, MICHIGAN 48913**

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**THE MINNESOTA FRANCHISE INVESTMENT LAW**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document ("FDD") for LEI Franchising, LLC for use in the State of Minnesota is amended to include the following:

1. The State Cover Page is amended to add the following statements:

**"THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE LICENSE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE."**

2. Item 13, "Trademarks," is amended by adding the following paragraph at the end of the Item:

"The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the trade name infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the trade name in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to

Franchisor of any such claims within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

3. The "Summary" section of Item 17(c) (entitled "Requirements for you to renew or extend") is amended by adding the following language:

"However, this general release provision will not apply to any liability under the Minnesota Rule 2860.4400D or any liability imposed by Minnesota Statutes Chapter 80C."

4. The "Summary" section of Item 17(g) (entitled "'Cause' defined – defaults which can be cured") is amended by adding the following language:

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

5. The "Summary" section of Item 17(h) (entitled "'Cause' defined – defaults which cannot be cured") is amended by adding the following language:

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

"Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq."

6. The "Summary" section of Item 17(m) (entitled "Conditions for Franchisor's approval of transfer") is amended by adding the following language:

"However, this general release provision will not apply to any liability under the Minnesota Rule2860.4400D or any liability imposed by Minnesota Statutes Chapter 80C."

7. The "Summary" section of Item 17(v) (entitled "Choice of forum") is amended by adding the following language:

"Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the 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 laws of the jurisdiction."

8. The "Summary" section of Item 17(w) (entitled "Choice of law") is amended by adding the following language:

"Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

Each provision of this Addendum to the FDD will be effective only to the extent, with respect to each provision, that the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce would apply to your franchise, without reference to this Addendum.

## MINNESOTA AMENDMENT

## TO THE LEI FRANCHISING, LLC FRANCHISE AGREEMENT

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached LEI Franchising, LLC Franchise Agreement (the "Agreement") agree as follows:

1. The following language is added to Section 4.2.3 of the Agreement (under the heading "Renewal"):

> ", except that the general release provisions required as a condition of renewal will not apply to any liability under the Minnesota Rule 2860.4400D."

2. The following new Section 4.2.6 is added to the Agreement:

> "4.2.6. Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 day notice of non-renewal of the Franchise Agreement."

3. Section 11.5 of the Agreement (under the heading "Infringements") is amended to add the following language.

> "Franchisor will protect the Franchisee's right granted hereby to use the Licensed Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Licensed Marks. The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the trade name infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the trade name in accordance with the requirements of the franchise, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

4. The following language is added to Section 15.2.4 of the Agreement (under the heading "Transfer by Franchisee"):

> ", except that the general release provisions required as a condition of transfer will not apply to any liability under the Minnesota Rule 2860.4400D."

5. The following language is added to the end of Section 15.2 of the Agreement (under the heading "Transfer by Franchisee"):

> "Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. § 80C.14 (Subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld."

6. The following language is added to the end of Section 16.1 of the Agreement (under the heading "Termination by Franchisor Without Opportunity to Cure"):

> "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

7. The following language is added to the end of Section 16.2 of the Agreement (under the heading "Termination by Franchisor After Opportunity to Cure"):

> "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement. At the election of Franchisor, effective upon the expiration of 90 days after giving of written notice in the event Franchisee defaults, and does not cure to Franchisor's reasonable satisfaction within the 60-day notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Operations Manual or otherwise; provided, however, that Franchisee will be entitled to notice and opportunity to cure any such default only once in any six month period, and any subsequent occurrence of the same or substantially similar default within such six month period will entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of Notice and without opportunity to cure."

8. The following language is added to the end of Section 18.3 of the Agreement (under the heading "Venue"):

> "Nothing contained herein will limit Franchisee's right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or

agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

9. The following language is added to the end of Section 18.4 of the Agreement (under the heading "Injunctive Relief"):

"Notwithstanding the foregoing, Minn. Rule 2860.4400J prohibits requiring a franchisee to consent to a franchisor obtaining injunctive relief. Therefore, any requirement in this Section 18.4 that Franchisee consent to Franchisor's obtaining injunctive relief shall not apply."

10. The following language is added to Section 18.6 of the Agreement (under the heading "Limitations Period"):

"Notwithstanding the foregoing, any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, Subd. 5."

11. Minn. Rule 2860.4400J prohibits requiring a franchisee to waive a jury trial or consent to liquidated damages. Therefore Section 18.8 of the Agreement ("No Jury Trial") is deleted and replaced with the following:

18.8 [intentionally deleted]

12. The following language is added to the end of Section 19.10 of the Agreement (under the heading "Applicable Law"):

"Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

13. Each provision of this Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply to Franchisee's franchise, without reference to this Amendment.

***

[Intentionally Blank. Signatures are on the next page.]

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| | |
|---|---|
| Franchisee: | Franchisor:<br>LEI Franchising, LLC |
| By:_____<br>Name<br>Title | By:_____<br>Name<br>Title |
| Date: _____ | Date: _____ |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York State Franchise Act, and notwithstanding anything to the contrary in the LEI Franchising, LLC Franchise Disclosure Document (the "Disclosure Document" or "FDD"), the following provisions will supersede and apply to all franchises offered and sold in the State of New York:

1. The following information is added to the cover page of the FDD:

   "INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERD IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT."

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

   "Except as provided above, with regard to the Franchisor, or a person identified in Item 2:

   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 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 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."

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

"Neither the Franchisor, its affiliate, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the Franchisor held this position in the company or partnership."

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

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

5. The following is added to the end of the "Summary" sections of Item 17(c), entitled "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 the General Business Law Sections 687.4 and 687.5 be satisfied."

6. The following language replaces the "Summary" section of Item 17(d), entitled "Termination by franchisee":

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

7. The following is added to the end of the "Summary" section of Item 17(j), entitled "Assignment of contract by franchisor":

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

8. The following is added to the end of the "Summary" sections of Item 17(v), entitled "Choice of forum," and Item 17(w), entitled "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."

**AMENDMENT TO THE LEI FRANCHISING, LLC FRANCHISE AGREEMENT**

**REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York State Franchise Act, Franchisor and Franchisee hereby agree that the attached LEI Franchising, LLC Franchise Agreement (the "Agreement") will be amended as follows:

1. Section 19.10 is amended by adding the following to the end thereof:

"The foregoing should not be considered a waiver of any right that either Franchisor or Franchisee may have under the General Business Law of the State of New York, Article 33, or any rule or regulation promulgated thereunder."

2. The Franchise Agreement is hereby amended by adding a new Section 19.18, which shall read in its entirety as follows:

"Notwithstanding anything in this Agreement to the contrary, to the extent that Franchisee's Franchised Business is subject to the New York General Business Law Article 33, Articles 680 through 695 (the "New York Law"), Franchisor will not require Franchisee to assent to any release, assignment, novation, waiver or estoppel which would relieve any person from any duty or liability imposed by the New York Law."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>LEI FRANCHISING, LLC |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the requirements of the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, and notwithstanding anything to the contrary in the LEI Franchising, LLC Franchise Disclosure Document (the "Disclosure Document" or "FDD"), the following provisions will supersede and apply to all franchises offered and sold in the Commonwealth of Virginia:

9. The "Summary" section of Item 17(h) (entitled "'Cause' defined – defaults which are not curable") is amended by adding the following language:

> "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 or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise. 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."

10. Each provision of this Addendum to the FDD will be effective only to the extent (with respect to each provision) that the Virginia Retail Franchising Act would apply to your franchise, without reference to this Addendum.

**AMENDMENT TO THE LEI FRANCHISING, LLC FRANCHISE AGREEMENT**

**REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the requirements of the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, Franchisor and Franchisee hereby agree that the attached LEI Franchising, LLC Franchise Agreement (the "Agreement") will be amended as follows:

3. The following new Section 16.5 is added to Article 16 of the Agreement (under the heading "Virginia Termination Provisions"):

> "16.5 **Virginia Termination Provisions**. 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 this Article 16 do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, such provision may not be enforceable.

4. This Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, would apply to Franchisee's Franchised Business, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>LEI FRANCHISING, LLC |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

**REQUIRED BY THE STATE OF WASHINGTON**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW § 19.100.010 *et. seq.*, and notwithstanding anything to the contrary in the LEI Franchising, LLC Franchise Disclosure Document (the "Disclosure Document" or "FDD"), the following provisions will supersede and apply to all franchises offered and sold in the State of Washington:

1. The State of Washington has a statute, RCW § 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of arbitration, or is determined by the arbitrator.

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

4. A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as rights to a jury trial may not be enforceable.

5. Transfer fees are collectible to the extent they reflect the Franchisor's estimated or actual costs in effecting a transfer.

6. On the basis of our financial information, pursuant to the requirement of the Washington Department of Financial Institutions, Securities Division, we will defer your payment to us of the initial franchise fees until such time as we have fulfilled all of our initial pre-opening obligations owed to you by us under the Franchise Agreement and you have opened the Franchised Business.

[SIGNATURE PAGE FOLLOWS]

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20__.

| | |
|---|---|
| LEI Franchising, LLC | [FRANCHISEE ENTITY] |
| By: _____ | By: _____ |
| Print Name: _____ | Print Name: _____ |
| Title: _____ | Title: _____ |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**

**THE WISCONSIN FAIR DEALERSHIP LAW**

In recognition of the requirements of the Wisconsin Fair Dealership Law (the "Dealership Law"), the Franchise Disclosure Document (the "FDD") for LEI Franchising, LLC in connection with the offer and sale of franchises for use in the State of Wisconsin is amended to include the following:

1. Article 135.04 of the Dealership Law requires that except in certain circumstances a franchisee must receive ninety (90) days written notice of termination, cancellation, or non-renewal of the franchise, stating all the reasons for such termination, cancellation, or non-renewal, and sixty (60) days in which to rectify any claimed deficiencies. Therefore, the following additional disclosure is inserted below the "The Franchise Relationship" table set forth in Item 17 of the FDD: "Concerning any franchise sold in the State of Wisconsin, to the extent required under Wisconsin law, we will provide you at least 90 days written notice of any termination, cancellation, or non-renewal of your franchise, stating all of the reasons for such termination, cancellation or non-renewal. To the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies."

2. Item 17(w) is amended by adding the following language thereto: "Concerning any franchise sold in the State of Wisconsin, to the extent that any provision of the Franchise Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law will control."

3. Each provision of this Addendum to the FDD will be effective only to the extent, with respect to each provision, that the Wisconsin Fair Dealership Law would apply to your franchise, without reference to this Addendum.

**WISCONSIN AMENDMENT**

**TO THE LEI FRANCHISING, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the Wisconsin Fair Dealership Law (the "Dealership Law"), the parties to the attached LEI Franchising, LLC Franchise Agreement agree as follows:

1. The Franchise Agreement is amended by adding a new Section 4.2.6 thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 4 to the contrary, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision not to grant you a successor franchise, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

2. The Franchise Agreement is amended by adding a new Section 16.5 thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 16 to the contrary, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision to terminate this Agreement, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

3. Section 19.10 of the Franchise Agreement is hereby amended by adding the following language to the end thereof: "Notwithstanding anything in this Agreement to the contrary, to the extent that any provision of this Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law shall control."

4. Each provision of this Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Wisconsin Fair Dealership Law, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor: |
|---|---|
| | LEI FRANCHISING, LLC |
| By: _____ | By: _____ |
| Name | Name |
| Title | Title |
| Date:_____ | Date:_____ |

# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT G
## Operations Manual Table of Contents

# Franchise Operations Manual

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# LEI HOME ENHANCEMENTS®
# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT H

## Receipts

**RECEIPT**
(Your Copy)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If LEI Franchising, LLC 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, LEI Franchising, LLC or an affiliate in connection with the proposed franchise sale.

New York requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that LEI Franchising, LLC gives you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If LEI Franchising, LLC 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 B**.

The name, principal address and telephone number of each franchise seller offering the franchise: Brad Roeske, LEI Franchising, LLC, 11880 Kemper Springs Drive, Cincinnati, Ohio 45240, (513) 738-4663.

Issuance Date: May 31, 2019

See **Exhibit A** for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated May 31, 2019 that included the following Exhibits:

| | | |
|---|---|---|
| A | | Agents for Service of Process |
| B | | State Franchise Regulators |
| C | | Financial Statements |
| D | | Franchise Agreement |
| | D-1 | Business Terms |
| | D-2 | Owner's Guaranty |
| | D-3 | Owners of Franchisee |
| | D-4 | Non-Competition Agreement |
| | D-5 | Powers of Attorney |
| E | | List of Franchisees |
| F | | State Addenda |
| G | | Receipts |

_____ _____
Date Name of Franchisee

_____
Signature of Franchisee or Authorized Officer/Partner

_____
Title of Signing Person

KEEP THIS COPY FOR YOUR RECORDS.

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_____ _____
Date Name of Franchisee

_____
Signature of Franchisee or Authorized Officer/Partner

_____
Title of Signing Person

Please sign this copy of the receipt, date your signature, and return it to LEI Franchising, LLC, 11880 Kemper Springs Drive, Cincinnati, Ohio 45240**.**