FRANCHISE DISCLOSURE DOCUMENT

LIGHTHOUSE OUTDOOR LIVING

LIGHTHOUSE LANDSCAPE LIGHTING

Lighthouse Franchise Systems, LLC
a Pennsylvania limited liability company
211 North Walnut Street, 1st Floor
West Chester, PA 19380
Telephone: (610) 213-3016
E-mail: LHmanagement@Lighthouse-lights.com
www.Lighthouse-Lights.com

The franchisee will establish and operate a business that offers and sells landscape lighting and related products, installation and services using our proprietary system and marks (the "**Lighthouse Business**").

The estimated total investment necessary to begin operation of a Lighthouse Business ranges from $97,500 to $202,750. This includes $31,350 to $72,150 that you must pay to the franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Ronny Tang at 211 North Walnut Street, 1st Floor, West Chester, PA 19380, telephone (610) 213-3016.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise¸" which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov 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.

The issuance date of this Franchise Disclosure Document is May 15, 2025.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

2. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

LIGHTHOUSE FRANCHISE SYSTEMS, LLC
FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

Exhibits

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

The Franchisor and the System

Lighthouse Franchise Systems, LLC ("**us**," "**our**" or "**we**") is the franchisor of the "Lighthouse" outdoor and landscape lighting concept, which is described further below.

We were originally formed on May 22, 2013, as an Ohio limited liability company. In June 2014, we began operations in Pennsylvania and were reorganized as a Pennsylvania limited liability company in October 2014. Our principal place of business is located at 211 North Walnut Street, 1st Floor, West Chester, PA 19380. We do not maintain sales offices at any other location. We conduct business under the names and marks "Lighthouse Outdoor Living," "Lighthouse Landscape Lighting," and "Lighthouse Outdoor Lighting," and we do not conduct business under any other name. Our agents for service of process are listed in Exhibit C to this Disclosure Document.

We franchise the right to operate a franchised business that provides the sale, installation, and service of landscape lighting and living area designs and products, as well as additional services and products that we approve using our Lighthouse System and Proprietary Marks (both defined below). The franchise system relating to the operation and establishment of businesses using the names "Lighthouse Outdoor Living," "Lighthouse Landscape Lighting" and "Lighthouse Outdoor Lighting" was first developed and operated by our predecessor and its affiliate as described below under "Our Predecessor and the Background of the Franchise System".

We acquired the "Lighthouse" franchise system through an asset purchase agreement dated June 15, 2013 (as amended in February 2014), and became the franchisor through that acquisition. We began offering franchises for landscape lighting businesses using the names "Lighthouse Landscape Lighting", "Lighthouse Outdoor Lighting" and additional names as we may authorize including "Lighthouse Outdoor Living" (which are also referred to as "**Lighthouse Businesses**" and "**Franchised Businesses**" in this disclosure document) in June 2015. In September 2015, we became a subsidiary of Corelight Holdings, LLC, which is a Pennsylvania limited liability company and also has its principal place of business at 211 North Walnut Street, 1st Floor, West Chester, PA 19380. We do not offer (and have not in the past offered) any other franchises and do not engage in any business activity other than franchising and operating businesses under the Proprietary Marks. We do not operate, and have not operated, a business of the type described in this Disclosure Document, but as described below we have affiliates that affiliate operate Lighthouse Businesses (we refer these as "**Affiliate LH Businesses**").

Our Affiliates

Neither our parent (Corelight Holdings, LLC), nor any of our affiliates offers (or previously offered) franchises in any line of business.

Lighthouse Manufacturing and Distribution, LLC ("**LHM&D**") offers products to our franchisees and Affiliate LH Businesses. We have designated LHM&D as the sole source of supply for the lighting products that will be used and sold in our franchise system, which include lighting fixtures, LED lamps, wiring, transformers, connectors, and accessories. LHM&D does not offer any type of franchise, nor has it offered franchises in the past.

LHDS.Design LLC, which is doing business as "Lighthouse Design Studio," offers design and consulting services for outdoor lighting projects to the public. Lighthouse Design Studio also currently offers design and consulting services to our franchise system in connection with their franchised businesses, and may also offer franchisees opportunities to perform installation and maintenance services to its design customers. Nightscaping, LLC offers and sells outdoor light fixtures, equipment and related products and supplies to the public, directly and through third-party commercial distributors. Nightscaping's products are available for purchase by Lighthouse Businesses through LHM&D. LHM&D, Lighthouse Design Studio, and Nightscaping, LLC are Pennsylvania limited liability companies, with their principal businesses at 835 Lincoln Avenue, Unit 14, West Chester, Pennsylvania 19380.

Other than LHM&D, Lighthouse Design Studio, and Nightscaping, LLC, we do not currently have any affiliates that provide products or services to our franchisees. As of December 31, 2024, we have affiliates that operate four Lighthouse Businesses.

In the future, we and our affiliates may continue to operate and develop new businesses that are separate from the Proprietary Marks (as defined below) but are in the residential light and outdoor living area industry. For instance, Nightscaping currently offers and sells outdoor lighting products directly to the public through its website, www.nightscapingusa.com. We may develop additional affiliates and related businesses.

Our Predecessor and the Background of the Franchise System

The "Lighthouse" landscape lighting and franchise system was first developed by Lighthouse Landscape Lighting Franchisor, Inc. ("**LLLF**" or "**Predecessor**"). The Predecessor was formed on December 4, 2002, as a Maryland limited liability company and when we acquired its assets, LLLF's principal place of business was at 2112 Crown Drive, St. Augustine, Florida 32092. The Predecessor first began offering franchises for Lighthouse Businesses in December 2002. Our Predecessor did not operate Lighthouse Businesses, but its affiliate, Lighthouse Landscape Lighting, Inc. ("**INC**"), operated a business that is similar to those described in this disclosure document, using the Lighthouse System (as defined below) and Proprietary Marks. INC was headquartered at 3821 Paddington Place, St. Augustine, Florida 32092 (888.531.5483). To the best of our knowledge, except for LLLF's offer of franchises for Lighthouse Business, neither LLLF nor INC offered franchises in any line of business.

The Franchise Rights Offered

Franchise Agreement. We offer qualified parties the opportunity to become a franchisee operating a Lighthouse Business using our Proprietary Marks (which are described below). If we approve your application to become a franchisee, then you and we will sign a franchise agreement ("**Franchise Agreement**"), the form of which is included in this disclosure document as Exhibit A. Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to establish and operate a Lighthouse Business within an agreed-upon area (the "**Protected Territory**"). Our respective rights in the Protected Territory are spelled out in the Franchise Agreement and described in Item 12 of this Disclosure Document.

In this Disclosure Document, we use the term "**you**" to refer to individuals, partnerships, corporations, limited liability companies, limited liability partnerships, and partnerships that become a "franchisee" under a Franchise Agreement (as well as the direct and indirect owners of those partnerships, corporations, limited liability companies, limited liability partnerships, and partnerships). If you are an entity, we will require all owners, shareholders, partners, or members, who have a direct or indirect ownership interest of 5% or more, to sign a personal guaranty. The form of the guaranty is attached to the Franchise Agreement as an exhibit.

Lighthouse Businesses. We own the right to use and grant licenses to others to use our system (the "**Lighthouse System**") for establishing, developing, operating, and maintaining a business that provides for the sale, installation, and service of landscape and outdoor lighting designs and products, related outdoor living area products, and additional services and products that we approve use in connection with our Lighthouse System and Proprietary Marks. The Lighthouse Businesses offer and sell the approved products in conjunction with the services they provide to customers (*e.g.*, lighting design, installation and/or maintenance services). Product sales are not conducted separate from the services (*e.g.*, not for wholesale or resale or to for customer DIY use).

We identify the Lighthouse System using certain trademarks, such as the marks "Lighthouse Outdoor Living," "Lighthouse Landscape Lighting," and additional tradenames including "Lighthouse Outdoor Lighting," as well as other trade names, marks, and names that we later designate for use in connection with Lighthouse Businesses (the "**Proprietary Marks**").

You must operate your Lighthouse Business according to our standards and procedures, as set out in our Confidential Operating Manuals (the "**Manual**"). We will provide you with access to a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use the Proprietary Marks that we designate in writing for use with the Lighthouse System. We may periodically change and improve the Proprietary Marks and parts of the Lighthouse System, and you must promptly comply with all new or changed marks and instructions, whether provided to you in the form of the Manuals or otherwise.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Lighthouse Business operations, including, for example, zoning, sign regulations (for example, signs on the lawns of the homeowner's that you serve), licenses to do business, sanitation, fictitious name registrations, data collection and use, sales tax permits, and fire clearances, EEOC, OSHA, discrimination, employment, and sexual harassment laws. In some jurisdictions, you or your employees may need to be licensed as electricians in order to provide some lighting services offered by Lighthouse Businesses. Other than the types of laws and regulations noted above, we are not aware of any regulations or laws directed solely to Lighthouse Businesses or outdoor landscape lighting businesses of the type that are described in this Disclosure Document. You should consult with your attorney concerning all federal, state, and local laws and ordinances that may affect your Lighthouse Business' operation.

Competition

The Lighthouse System and Lighthouse Businesses are designed to meet the outdoor/landscape lighting needs of owners of single-family homes and commercial buildings. The market for outdoor/landscape lighting is mature and competitive. You can expect to compete in your market with locally-owned contractors and other similar businesses, as well as with national and regional chains, that offer outdoor/landscape lighting products and services. Landscape lighting business concepts compete on the basis of many factors, such as the quality of lighting designs provided to customers, price, product and service quality, promotions, and marketing programs. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, and seasonal fluctuation.

ITEM 2
BUSINESS EXPERIENCE

Operating Manager **Ronny Tang**

Mr. Tang has been the Operating Manager for us and our affiliate, LH Mfg. & Dist., LLC since April 2016. Mr. Tang also serves as the Operating Manager for additional affiliates, Lighthouse Design Studio since March 2021 and Nightscaping, LLC since June 2014. Mr. Tang is has also served as Operating Manager of SCI Powertech January 2011, in West Chester, Pennsylvania.

ITEM 3
LITIGATION

LLW Enterprise, LLC and Volt, LLC v. Tim Ryan, Nightscaping, LLC, Corelight Holdings, LLC, Lighthouse Manufacturing And Distribution, LLC, Sidera LLC, Tim Ryan, SCI Powertech LLC, Joshua Johnston, Ronny Tang Sip Shiong and Lighthouse Franchise Systems, LLC, Case No. 8:19-cv-1641-T-35AAS, US District Court for the Middle District of Florida, filed on July 9, 2019. Plaintiffs, which are two related businesses that manufacture and sell outdoor lighting products, brought this action against several defendants. The defendants included our parent, Corelight Holdings, LLC; our affiliates LHM&D and Nightscaping LLC; our operating manager, Ronny Tang; and based on our status as a subsidiary of Corelight Holdings, we were also named as a defendant (together, the “Corelight Defendants”). The plaintiffs allege that the Corelight Defendants hired Tim Ryan and another individual, who were employees or consultants of the Plaintiffs, in order to compete with plaintiffs and that plaintiff’s confidential and proprietary information was improperly provided the defendants in violation of their restrictive covenants with plaintiffs. The plaintiffs filed the action on July 9, 2019 against all the defendants and sought injunctive relief and unspecified damages. The complaint included claims against the Corelight Defendants seeking cancellation of Nightscaping LLC’s trademark registration of the “Nightscaping” mark and alleging tortious interference of the plaintiff’s restrictive covenants with its employees, aiding and abetting the violation of their restrictive covenants, civil conspiracy to violate the restrictive covenants, violation of Florida’s Deceptive and Unfair Trade Practices Act, and unfair competition. The defendants filed a motion to dismiss the claims, which included the Corelight Defendant’s motion to dismiss all claims for lack of personal jurisdiction or to change venue to Pennsylvania. In April 2020, the plaintiffs withdrew their petition before the Trademark Trial and Appeal Board to cancel Nightscaping’s trademark registration, which withdrawal was with prejudice. In June 2020, the court issued a ruling in which it dismissed, without prejudice, the plaintiffs’ claims for unfair competition, and rejected the motion to dismiss as to other claims for lack of jurisdiction. The court provided further dates by which the parties were to file any amended claims and responses. In August 2020, the parties reached a settlement of all claims. Through Corelight Holdings’ insurance, a settlement payment of approximately $792,000 was paid to the plaintiffs. We, our affiliates, and the individual defendants did not make any payments to the plaintiffs. As part of the settlement agreement, we and the other defendants did not admit to any wrongdoing. Subsequently, the case was dismissed.

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

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee (the "**Franchise Fee**"). The amount of the Franchise Fee will vary, according to the schedule listed below, depending on the population within the area that will be the "Protected Territory" of your Franchised Business. The schedule for the Franchise Fees is:

Territory Type	Franchise Fee	Population in Territory
Tier 1	$29,350	Less than 750,000
Tier 2	$48,250	750,000 through 1,449,999
Tier 3	$69,150	1,500,000 up to 3,000,000

We will determine the population based on the most recently issued U.S. Census data before you and we sign the Franchise Agreement, and that population size will be identified in the Franchise Agreement. (Additional information regarding the Territory for a Franchised Business is included in Item 12 of this disclosure document).

The Franchise Fee is due in lump sum when you sign the Franchise Agreement, and is non-refundable in consideration of administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others. The Franchise Fee is uniform for all new franchisees according to the schedule described above. During our last fiscal year, which ended December 31, 2024, we did not sell new franchises.

Inventory

Before beginning to operate your Franchised Business, you will need to buy an opening inventory of lighting products and components. We estimate that the start-up inventory needed for a typical Franchised Business will range from $2,000 to $3,000. You must purchase this inventory from our affiliate, LH M&D. The purchase price is due in lump sum and is non-refundable.

We do not offer financing for the Franchise Fee or the inventory purchases.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Monthly Operations Fee	Varies by territory selected: Tier 1: $600 Tier 2: $925 Tier 3: $1,250	On or before the 10th day after the end of each calendar month.	Applies to each month in the term beginning with the first full month after you sign the Franchise Agreement. (For example, if you sign the Franchise Agreement on October 5th, the first Monthly Operations Fee will apply to November and be due by December 10th.)
Royalty	7% of Total Gross Revenue	On or before the 10th day after the end of each calendar month.	See Note 2 for the definition of "Total Gross Revenue."
Technology Fee	Varies by territory selected: Tier 1: $600 Tier 2: $600 Tier 3: $600	On or before the 10th day after the end of each calendar month.	Applies to each month in the term beginning with the first full month after you sign the Franchise Agreement.
Marketing Obligation	5% of Total Gross Revenues	Same as Royalty	Currently, you are required to satisfy the Marketing Obligation by spending 5% of your Total Gross Revenues on marketing and promotions that you will make conduct in your area. We may, however, change that allocation to include contributions to a Brand Fund or Regional Fun. See Notes 2 and 3 and in Item 11 under "Advertising."
Late payment/ late report charge	$250 (each time)	Upon demand	Only due if you don't pay us the amounts you owe us, or do not submit the required reports, on time.

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Interest on Overdue Amounts	Two percentage points (200 basis points) over the Prime Rate published in *The Wall Street Journal* when payment is due or when made, whichever is higher	Upon demand	Only due if you don't pay amounts due, when due. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due. Interest will not exceed the legal rate, if any, that may apply.
Refresher Training	Will vary – but currently there is no fee	Upon demand, if incurred	We may provide optional or mandatory refresher training programs or seminars for you, your managers or employees. We do not currently charge an additional fee for this training, but we may do so in the future.
Additional Assistance	Will vary based on type of assistance requested.	Upon demand, if incurred	If you request additional assistance and we (or our affiliates) are able to do so, we may charge our then-current fee and out-of-pocket expenses. The amount may vary based on the type of assistance you request. For example, if you request project design services from us or our affiliates in excess of the regular assistance, we may charge an hourly fee, which is currently $175 per hour for the requested services.
Audit Costs	All costs and expenses associated with the audit, reasonable accounting, and legal costs.	Upon demand	Only due if you underreport your sales or underpay your royalties by 3% or more, or if you fail to pay your royalties or provide sales reports as required under the Franchise Agreement. (You will also have to pay interest and late fees on the underpayment (see above)). If you understate any amount by 10% or more that would be grounds for immediate termination (see Item 17).

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Supplier Testing	Will vary, based on the costs we incur	Upon demand, if incurred	Only due if you propose a new supplier of products, and we inspect the supplier or test the supplier's products, in which case we may require that you pay our reasonable costs in conducting those inspections and running those tests.
Securities Offering	$7,500 or our reasonable costs and expenses to review a proposed offering, whichever is greater.	Upon demand	Only due if you propose to make an offering of any securities, in which case you must reimburse us for our reasonable costs (including legal and accounting fees) in evaluating your proposed offering. This review is solely for our purposes and is limited to the relationship between you and us (or our affiliates) and the Proprietary Marks.
Renewal Fee	1/3 of our then-current initial franchise fee for new franchises with territory of comparable size	Before renewal	Payable if you choose to renew your Franchise Agreement.
Transfer Fee	$5,000	Before transfer	Only due if you propose a transfer, in which case the transfer fee must be paid before the transfer will be formally approved.
Enforcement Costs - Costs and Attorneys' Fees	Will vary under circumstances	Upon demand	If you default under the Franchise Agreement, you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement. Additionally, you must reimburse us for our expenses (including reasonable attorneys' fees) if we successfully defend your claim against us under the Franchise Agreement.

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Indemnity	Will vary under circumstances	As incurred	If we are sued or a claim is raised against us because of your business operation (which can also include your use of the Proprietary Marks in a manner not consistent with the Franchise Agreement), then you must indemnify us, and reimburse us for our costs (including our legal fees). Among other things, this includes any claims raised as a result of an offer of securities for your company.
Insurance	Will vary under circumstances	Upon demand	If you do not maintain the insurance required by the Franchise Agreement and Manual (as described in Item 8), then we have the option (but not the obligation) to buy insurance for you, in which case you must reimburse us for buying insurance for you, also to include our reasonable expenses.
Fees if termination in First Year of new Franchise	Will vary – up to 12 months of Monthly Operations Fees	Upon demand	See Note 4.

(Please review this table in conjunction with the notes below.)

<u>Notes:</u>

1. We impose and collect all fees described above. All fees are uniformly applied to new system franchisees and non-refundable. However, in some instances in which it was appropriate to do so, we may waive some or all of these fees for a particular franchisee.

2. The term "**Total Gross Revenue**" means all revenue from the sale of all merchandise, products, and services, as well as all other income of every kind and nature related to, that you derive from, or that originates from the Lighthouse Business. Among other things, this includes the proceeds of sales made at retail and at wholesale (whether such sales are permitted or not), whether for cash, check, or credit (and regardless of collection in the case of check or credit) as well as any business interruption insurance policies. In calculating "Total Gross Revenue," you will not deduct customer refunds for services already provided, but you may exclude the amount of discounts provided given (so that Total Gross Revenues includes the price actually charged once the discount is applied) and sales or other taxes that you collect from customers and remit to the appropriate taxing authorities. For the purpose of determining when your royalty payments are due, you are deemed to have received Total Gross Revenue when you have delivered the service or product that gives rise to the payment

(whether or not you extend payment terms to the customer or allow the customer to pay you at a later time) and royalties will be valued at your prices in effect when the products or services were delivered.

We require that you pay royalties to us within 10 days after the end the month (or, if we don't use a calendar month as our accounting period, as we otherwise reasonably direct). We may require you to make payment by electronic funds transfer ("**EFT**") or credit card arrangement. If we ask you to do so, you must establish an appropriate EFT account and sign the EFT authorization forms that we provide (the current form is attached to the Franchise Agreement as Exhibit E). You must always keep a sufficient balance in your bank account in order to pay the charges that you owe to us at that time.

3. Marketing Obligation. During the term of the Franchise Agreement, you must satisfy a marketing obligation for each month that is equal to 5.0% of the Total Gross Revenues of your Lighthouse Business (the "Marketing Obligation"). We have the right to designate how and in what proportion you must contribute and/or spend your Marketing Obligation among any one or more of the following: (a) contributions to the system-wide Brand Fund; (b) contributions to a Regional Fund for your area; and/or (c) expenditures on marketing and promotion that you independently conduct in your local area. As of the date of this Disclosure Document, we require that you spend all 5% of your Total Gross Revenues on local advertising that you conduct. We have the right to change how we allocate your Marketing Obligation between the Brand Fund, a Regional Fund, and local marketing, but the total that we require will not exceed 5% of your Total Gross Revenues. As of the date of the Disclosure Document, we have not established a Brand Fund or any Regional Funds. Additional information regarding your advertising requirements are in Item 11 under "Advertising and Marketing."

4. If the Franchise Agreement is for a new Lighthouse Business (meaning it is not signed to renew or transfer an existing Lighthouse Business) and is terminated for any reason during the first 12 months after you and we enter into the Franchise Agreement, you must pay us an amount equal to the total of Monthly Operations Fees for a 12-month period less the amounts you paid to us as Monthly Operations Fees during the time between the date you and we signed Franchise Agreement and the termination date. This fee is not a penalty but is payable in consideration of the resources and expenses that we will incur in connection with granting a new franchise and with your initial training and initial phase of operations.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method Of Payment**	**When Due**	**To Whom Payment is to be Made**
Franchise Fee (Note 1)	$29,350, $48,250, or $69,150	Lump sum	Upon signing Franchise Agreement	Us
Grand Opening Advertising (Note 2)	$5,000 to $10,000	As incurred	Within 90 days after signing the Franchise Agreement	Advertising suppliers
Office Equipment & Supplies (Note 3)	$1,000 to $2,000	As incurred	As incurred	Suppliers, including our affiliate, LHM&D
Equipment & Tools (Note 4)	$7,000 to $8,000	As incurred	As incurred	Suppliers
Signage – Van Wrap (Note 5)	$5,000	As incurred	As incurred	Suppliers
Computer System (Note 6)	$2,000 to 3,000	As incurred	As incurred	Third parties
Travel & Living Expenses While Training (Note 7)	$2,000 to 3,000	As incurred	As incurred	Third parties
Insurance (Note 8)	$1,500 to $3,000	As incurred	As incurred	Insurance carriers
Professional Fees (Note 9)	$2,000 to $3,500	As incurred	As incurred	Lawyers, accountants, etc.
Permits and Licensing (Note 10)	$300 to $1,100	As incurred	As incurred	Third Parties
Inventory (Note 11)	$2,000 to $3,000	As incurred	As incurred	Us or our affiliate, LHM&D
Van (Note 12)	$30,000 to $60,000	As incurred	As incurred	Suppliers
Additional Funds (3 Months) (Note 13)	$10,250 - $32,000	As incurred	As incurred	Us, suppliers, employees and other creditors

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method Of Payment**	**When Due**	**To Whom Payment is to be Made**
Total Estimated Initial Investment (Note 14) (not including real estate costs (Note 15))	$97,400 to $202,750			

The table above describes the estimated initial investment required for the establishment of a Lighthouse Business. Please review this table in conjunction with the notes that follow.

Notes:

Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions. None of the fees or costs estimated in this Item 7 are refundable (except to the extent that you can negotiate with vendors). Payments to us are not refundable.

1. Franchise Fee. As discussed in Item 5, the Franchise Fee is $29,350, $48,250, or $69,150 depending on the population that is within your Protected Territory (see Item 5 for the schedule of how the different fee levels apply). You must pay us the franchise fee when you sign the Franchise Agreement.

2. Grand Opening Advertising. You must develop and submit a grand opening marketing plan to us for our prior written approval. If you do not submit a plan, or we do not approve your plan, we will have the right (but not the obligation) to prepare an opening plan for you. While you are required to spend at least $5,000 on Grand Opening Advertising, you may wish to spend more. The estimate is for your initial promotion and advertising efforts. These efforts may begin before the beginning of operations of your Lighthouse Business, but you must complete your grand opening advertising within 90 days after your business opens. Additional details can be found in Item 11, under the subheading "Advertising and Marketing."

3. Office Equipment and Supplies. This is an estimate of the costs of setting up the office for your Lighthouse Business, including necessary office furniture, equipment, stationery, envelopes, etc. We have designated an approved supplier for all printed materials (catalogs, brochures, etc.) relating to the Proprietary Products (which are described in more detail in Item 8), as well as uniforms and other branded apparel to be used in connection with the Lighthouse Businesses. Before you begin operating, you must purchase from the approved supplier an opening package of catalogs, brochures and marketing materials relating to the Proprietary Products, and initial set of uniforms.

4. Equipment and Tools. You must purchase certain types of equipment for the Lighthouse Business as described in the Manual, including electrical hand tools and drills. The cost will vary depending on the size and capacity of your Lighthouse Business.

5. Van Wrap & Signage. We do not require that you have any signage, other than the wrap for your van and signs to be left on the lawn of any house that you have serviced with the

homeowner's permission. However, the specific location where your clients will be located may have different regulations dictating the size, layout, and illumination of the signs on their lawns and because you must abide by those regulations, you may incur higher or lower costs for your signage.

6. Computer System. As described in Item 11 under the heading "Computer and Required Software," we may require you to use certain software, hardware and/or support services in connection with the operation of your Lighthouse Business. At this time, we require that you use a computer (or smart tablet) with internet access and that you use QuickBooks, HubSpot, and Pandadoc software programs. You must also have a cell phone. At this time, we will provide you with HubSpot, Pandadoc, QuickBooks, a local phone number with auto receptionist, Microsite, Proprietary SEO, social media (Google Business Profile, Instagram, Facebook) and a *Lighthouse* email address as part of the monthly Technology Fee. Our current policy is that we establish a master account for cell phone numbers and assign a telephone number that you will use with your work cell phone during the term of the Franchise Agreement. We are in the process of evaluating additional software for various functions, which may include design rendering, as well as other activities. If implemented, this software may replace some existing software components and require the use of additional hardware.

7. Travel and Living Expenses While Training. As described in Item 11, we provide initial training for you (or if you are an entity, your "Designated Principal") and additional other employees that you designate (together, the "**Trainees**"). We estimate the hotel costs to be approximately $100 to $200 per room per night. You will need to arrange and pay for these individuals' salaries, transportation, and additional meals and food during training. The cost will depend, for example, based how far Trainees must travel and the type of travel arrangements chosen. We will conduct the training at our training facility in Indianapolis, Indiana or another place that we may reasonably select. The estimates assume travel and meals for one individual.

8. Insurance. This is an estimate of your first-year insurance premium for required insurance coverages. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors. The cost of other coverage, including workers' compensation, health insurance, motor vehicle insurance, and other types of coverage cannot be estimated as they vary widely on a market-by-market basis; therefore, they are not included in these estimates. We set minimum insurance requirements for the Lighthouse Businesses, but we recommend that you seek the advice of an independent risk management professional and/or insurance broker to determine the additional coverage you should have in place for your business. See Item 8 for more details regarding insurance.

9. Professional Fees. We recommend that you consult with your own accountant, attorney, risk management, and business advisors before making any decision to enter into a Franchise Agreement. You should also use an attorney or other business advisor to review any lease and other agreements that you enter in connection with your Lighthouse Business or other independent business relationship. You may also incur costs if you form an entity to be the franchisee.

10. Permits and Licensing. This estimate includes the costs of obtaining the necessary permits and licensing before you open the Lighthouse Business.

11. Inventory. You will need to purchase a certain amount of inventory to start the Lighthouse Business. The amount of inventory depends on many factors, including the size of your

Lighthouse Business, the size of your Protected Territory, and your estimate of initial demand. At this time, we have designated our affiliate, LHM&D, as the sole source of supply for the lighting products that will be used and sold in our franchise system, which include lighting fixtures, LED lamps, wiring, transformers, connectors, and accessories. So you will purchase these items from LHM&D.

12. Van. You must have a van for use in operating your business. If you do not already have a van that is satisfactory for this purpose, you will incur costs to purchase or lease one. Your cost will vary significantly depending on your personal preference as to the choice of van (including whether you choose to obtain a new or used van), whether you purchase or lease the van, your credit history, and the cost of the options that you choose, financing, and other associated costs. The estimates provided here is for the van only. The low end of the estimate is to purchase a used van and the high end is to purchase a new van. You may choose to lease a van instead of purchasing one. If you do so, we estimate that leasing costs will range from approximately $800 to $1,200 per month. However, as noted above, your actual costs may vary based on numerous factors.

13. Additional Funds. You will need additional capital to support on-going expenses, such as payroll and utilities, insurance, licenses, inventory, security, repairs and maintenance, and miscellaneous expenses. Other than the Monthly Operations Fee and Technology Fee (which are set amounts based on the size Territory that you select), the estimate does not include payments that you will make to us, such as initial fees, royalties, and advertising contributions. (As described in Item 5, you will pay a Monthly Operations Fee and Technology Fee each month during the term of the Franchise Agreement. The estimates above include these fees for the initial three-month period.) New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after.

    Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

    The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Lighthouse Business; the length of time it may take to obtain permits and then open the space for the Lighthouse Business; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

    You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

14. Total. In preparing the figures in this Item 7, we relied on our own experience in the industry, as well as the experience of Predecessor and its affiliate during the time they were involved in the franchise system as described in Item 1. You should review these estimates on your own, preferably with a business advisor of your own choosing.

15. Real Estate. We did not include real estate costs in the estimate because most of our franchisees do not rent or buy a place to do business. Instead, most of our franchisees operate their businesses from their own homes. If you wish to lease office or warehouse space, you will incur additional costs.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To insure that the highest degree of quality and service is maintained, you must operate the Lighthouse Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

You may offer customers only the services and products that we have expressly authorized Lighthouse Businesses to offer, which we will specify in the Manual or otherwise in writing. We have the right to designate specific services and products as optional or mandatory. We have the right to require that certain equipment, fixtures, furnishings, supplies, and other products and materials required for use or sale in the operation of the Lighthouse Business be purchased solely from suppliers (including manufacturers, distributors, and other sources), who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply your needs promptly and reliably; and who have first been approved in writing by us and not thereafter withdrawn from the approved supplier list. These items include, for example, light fixtures, components, transformers, and wiring. We describe in more detail below the purchasing and supplier requirements that we currently have in effect.

Our affiliate, LHM&D has developed and offers a line of lighting components and related products that was specially designed for use with our system and that bear our trademarks or that are otherwise prepared according to our specifications and which carry manufacturer warranty terms that we have specified for purchasers of these items (“**Proprietary Products**”). The Proprietary Products also include items produced by our affiliate, Nightscaping, LLC, which are sold to franchisees through LHM&D. At this time, our affiliate LHM&D is the only approved supplier of Proprietary Products and we do not expect to approve alternative suppliers for these items. The Proprietary Products include: lighting fixtures, LED lamps, wiring, transformers, connectors and accessories. The Proprietary Products represent the core retail sales items of Lighthouse Businesses. The requirement that products be purchased from LHM&D is to maintain the quality and uniformity among all Lighthouse Businesses, and ensure that customers receive the product warranties that we have specified for the products sold through Lighthouse Businesses. We have the right to limit the products approved for sale and use in Lighthouse Businesses to the Proprietary Products. If we do alter our requirements or supplier arrangements in the future, we may require that you purchase the Proprietary Products only from us or from vendors that we have designated in writing.

For the small number of products that are not provided exclusively by us or our affiliates we may, instead designate approved suppliers for certain items or approve specific items rather than the supplier of those items. One aspect of the business where we anticipate that we may approve the use of alternative products and suppliers is in connection with customer requests for repairs and partial upgrades of existing lighting systems. However, for any new lighting installation or overhaul of lighting systems, we currently require the use of the Proprietary Products. Additionally, we may authorize Lighting Businesses to offer and sell related outdoor living products as ancillary items to the Proprietary Products, such as outdoor music and audio products. If we authorize any additional products, you must purchase them according to the standards and specifications that we specify, which may limit purchases to specific brands and designate suppliers.

We have approved a third-party vendor to supply all printed materials (catalogs, brochures, etc.) relating to the Proprietary Products, as well as uniforms and other branded apparel to be used in connection with the Lighthouse Businesses. Before you begin operating, you must purchase an opening package of catalogs, brochures and marketing materials relating to the Proprietary Products, and an initial set of uniforms from the approved supplier.

If you want to purchase any products (other than Proprietary Products or similar core products, which are addressed above) equipment, fixtures, furnishings, supplies, and other materials from an unapproved supplier, you must submit to us a written request for approval. Upon request, we will issue you and the supplier our then-current standards and specifications for such items (to the extent we have written standards and specifications for the relevant items), as well as our criteria for supplier approval. The supplier must also acknowledge in writing that you are independent from us and that we are not liable for debts incurred by our franchisees. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory that we designated for such testing. Either you or the supplier must pay to us amounts to cover the reasonable costs of the inspections and the actual cost of any tests, which may vary based on the type of items and the scope of testing that we consider appropriate to evaluate the proposed item. For example, an item that involves electrical components may require tests, including for durability and longevity, that other items do not need. We will provide an estimate of the costs upon request. We may also require that the supplier comply with such other reasonable requirements, as we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs. We reserve the right, at our option, to re-inspect the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of our then-current criteria. If, in providing services to you, any third party may obtain access to Confidential Information (as defined below; see Item 14), we may require, as a condition of approval of such provider, the execution of covenants of non-disclosure, non-solicitation and non-competition in a form satisfactory to us. Although the Franchise Agreement does not obligate us to notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will notify you of approval or disapproval within 30 days of our receipt of your written notice unless there is a component that needs to be tested for longevity, in which even the testing may take up to a year.

As described above, as of the date we issued this disclosure document, our affiliate, LHM&D is the only designated supplier of the Proprietary Products. LHM&D will derive revenue from your purchases of these items. Except for these items, at this time neither our affiliates nor we are suppliers of any inventory item or products that you must purchase. Other than ownership of our affiliate, LHM&D, none of our officers owns an interest in any companies that are vendors or suppliers to the Lighthouse Business franchises.

We estimate that your purchases from approved suppliers or according to our specifications will represent approximately 90% to 95% of your total purchases in the establishment and continuing operation of the Lighthouse Business.

We may collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, "**Allowances**") offered to us or to our affiliates by manufacturers, suppliers and distributors based upon your purchases of lighting fixtures, transformers, wires, and other goods and services. We do not currently have any of these arrangements in effect.

During our last fiscal year (ended December 31, 2024), we did not sell any products or services to our franchisees, but our affiliate, LHM&D did. The amount of revenue that LHM&D derived from, or on account of, franchisee purchases of products during LHM&D's 2024 fiscal year was approximately $968,287, which represented approximately 100% of its total revenues.

We may negotiate purchase arrangements, including price terms, with suppliers regarding various products. If we do so, we will negotiate with suppliers to promote the overall interests of our franchise system including our interests as the franchisor. If you buy from these suppliers, you will receive the volume or other discount negotiated for the entire franchise system. At this time, we have arrangements with vendors relating to certain lighting equipment and decorative products that may be sold through the business, sales coaching services, and certain IT and software services.

We do not provide any material benefits to you based on your use of designated or approved suppliers.

We currently do not have, own or control, any purchasing or distribution cooperatives.

Insurance

Under the Franchise Agreement, you must obtain and maintain insurance coverages and policies as specified in the agreement and in the Manuals, which include specified minimum coverages. Currently, we require the following minimum coverages:

- Comprehensive General Liability Insurance and product liability insurance, to include bodily injury and property damage. For each occurrence, at least $1 million, and general aggregate coverage of at least $2 million.

- Fire and lighting, extended coverage, theft, vandalism and malicious mischief, flood and sprinkler leakage insurance on all fixtures, equipment, supplies and other property used in the Lighthouse Business, and on the Lighthouse Business for at least 80% of the cash value of all of the above. An appropriate deductible clause may be included with our prior written approval.

- Automobile liability insurance, and property damages liability, including owned, hired, and non-owned vehicle coverage, with a combined single limit of at least $1 million.

- Worker's Compensation Insurance in amounts required by law.

- Business interruption insurance for actual losses sustained.

- Other insurance and types (and amounts) of coverage that may be required under the terms of any lease for your vehicle or the premises at which you operate your Lighthouse Business, or that we may periodically require in writing.

Each insurance policy must be issued by an issuer we approve, who must have a rating of at least "A" or better by A.M. Best Company's insurance ratings service. All insurance policies must name us or (if we ask) our affiliate as additional insured parties. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, at least 30 days before you are first required to carry insurance, and after that, at least 30 days before the expiration of any such policy. All insurance certificates must expressly provide that the insurance company will send us written notice, at least 30 days before any cancellation, material change, or non-renewal of any policy.

If you do not maintain the insurance required by the Franchise Agreement and Manual, then we will have the right (but not the obligation) to purchase insurance for you. If we do so, then you must reimburse us for those premiums and also for the reasonable expenses that we incur in obtaining that insurance coverage.

Computer System and Required Software

We do not require you to purchase a particular computer system, but we do require that you use certain software, currently *QuickBooks, HubSpot,* and *Pandadoc*. We have the contractual right to access your computer. Additional information about computer requirements and related issues can be found in Item 11.

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(s) in Agreement	Disclosure Document Item(s)
a.	Site selection and acquisition/lease	Not applicable	Not applicable
b.	Pre-opening purchases/leases	6.9, 6.10, and 6.11	7 and 8
c.	Site development and other pre-opening requirements	6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, and 6.13	8 and 11
d.	Initial and ongoing training	5.1, 5.2, 5.3, 5.4 and 5.5	7 and 11
e.	Opening	2.1, 5.1 and 12.8	11
f.	Fees	4, 3.3 and 12, and Exhibit A	5, 6 and 11
g.	Compliance with standards and policies/Operating Manuals	1.4, 1.5, 6.2, 6.12, and 9	8, 11, and 14

	Obligation	Section(s) in Agreement	Disclosure Document Item(s)
h.	Trademarks and proprietary information	1.1 and 8	13 and 14
i.	Restrictions on products/services offered	1.4, 6.2, 6.3, 6.6, 6.10 and 6.11	8 and 16
j.	Warranty and customer service requirements	6.1	16
k.	Territorial development	1.2 and 1.3	12
l.	Ongoing product/service purchases	5	8
m.	Maintenance, appearance and remodeling requirements	3.2.7, 6, and 13.5.5	8
n.	Insurance	19	7 and 8
o.	Advertising	12	6, 8, and 11
p.	Indemnification	20 and Ex. B	6
q.	Owner's participation/ management/staffing	5.1, 5.5, 6.1, and 6.4	15
r.	Records/reports	4.4 and 11	6
s.	Inspection/audits	4.4 and 11	6 and 11
t.	Transfer	13	17
u.	Renewal	3.2	17
v.	Post-termination obligations	15	17
w.	Non-competition covenants	16	17
x.	Dispute resolution	17	17
y.	Taxes/permits	6.7 and 6.8	1
z.	Other: Personal Guarantee	6.14, 13.5 and Ex. C	15

ITEM 10
FINANCING

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

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

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

Pre-Opening Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you.

Before you open your Lighthouse Business:

(1) We will make training available to your Trainees. If you are an entity (such as a corporation, limited liability company, limited liability partnership), one of the Trainees must be your Designated Principal, whom we do not have at any time a reasonable objection. (Franchise Agreement, Sections 5.1, 5.5)

(2) We will provide you access, for the term of the Franchise Agreement, to one copy of the Manual. (Franchise Agreement, Section 9.2)

(3) We may (but are not required to) prepare an opening plan for your Grand Opening Advertising Program, if you fail to submit such a plan, or we do not approve your plan. You will be solely responsible for the cost of the Grand Opening Advertising Program. (Franchise Agreement, Section 12.8)

(4) We may provide you with lists of products and materials available from certain approved vendors for you to order. We will receive orders from you and place orders on your behalf if you utilize certain vendors that we make available. If we designate approved vendors other than our affiliate, LHM&D, for some products, then you may choose to order from the vendors we have approved. (Franchise Agreement, Section 5.9)

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Lighthouse Business.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Lighthouse Business:

(1) If you wish to employ additional persons as Installation Technicians, we will evaluate the qualifications of each person and provide installation and technical training to your intended technicians. (Franchise Agreement, Sections 5.2)

(2) We may (but are not required to) provide refresher training programs or seminars at locations that we designate. Attendance at such refresher training programs or seminars is mandatory for you, your managers, or employees, and will be at your sole expense. (Franchise Agreement, Section 5.3)

(3) If you designate new or additional managers after the initial training program, we will provide training to such managers to the extent we can reasonably accommodate them in our regularly scheduled training courses. We will not charge an additional fee for such training, but

you will be solely responsible for your employees' salaries and travel and living expenses in connection with attending that training. (Franchise Agreement, Section 5.3)

(4) We will provide additional guidance or assistance relating to Lighthouse Businesses as we determine appropriate, which may be various formats, such online training, written materials, and phone or video consultation. (Franchise Agreement, Section 5.7)

(5) We will provide phone support and assistance on an ongoing basis. (Franchise Agreement, Section 5.8)

(6) We may provide assistance and training to you for your development of advertising and promotional materials, and to the extent that we develop materials advertising materials for use by the system you may choose to purchase those materials from us. (Franchise Agreement, Section 5.9)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Lighthouse Business.

Typical Length of Time Before Operation

We expect that a new franchisee will be ready open and begin operating its Lighthouse Business within 60 days from signing the Franchise Agreement. The time required to open may be affected by various factors including completing training, delays in making financing arrangements, meeting local ordinances or community requirements, delivery of equipment and signs, and similar factors. Because you will not conduct your business from a retail location that customers will visit, we do not impose any requirements with respect to site selection, and therefore, we also do not provide you with site selection assistance. If you do not equip, open and start to operate (continuously) your Lighthouse Business within the Protected Territory within 90 days after signing the Franchise Agreement, that failure will be grounds to terminate without opportunity to cure. If you do not meet certain "Minimum Performance Standards," that will also be grounds for termination without opportunity to cure.

Training

Before you begin operating your Lighthouse Business, you (or, if you are an Entity, the Designated Principal) must attend and successfully complete, to our reasonable satisfaction, the initial training program that we offer. Additionally, if your Designated Principal will not supervise your Lighthouse Business on a full-time and daily basis, you must employ a full-time manager (the "**Franchised Business Manager**") to do so, and the Franchised Business Manager must also attend and successfully complete our initial training program. You may send additional employees (who are acceptable to us) to the training (however, if you send more than three Trainees, we reserve the right to charge a fee for each additional person). You must complete initial training within 30 days after you sign the Franchise Agreement.

We also provide, through a third-party, an additional sales training program. Currently, we have selected Sandler Training to provide this sales program, which is approximately 25 hours long and is conducted online. Your Designated Principal (or, alternative approved person) must complete this sales training program before you begin operating the Lighthouse Business. If you wish for more than one person to participate in the sales training, you must pay any fees that the sale training provider charges for your additional participants. If you designate new or additional managers after the initial training program, we will provide training to such managers to the extent we can reasonably accommodate them in our regularly scheduled training courses. We will not charge an additional fee for such training, but you will be solely responsible for the employees' salaries and travel and living expenses in connection with attending these training programs.

Our initial training program will be approximately 4 days of class-room and field training, at our training facility in Nashville, Tennessee or other location(s) that we may specify. The training course encompasses key aspects of operating and managing the Franchised Business. The subjects covered include Introduction and Start Up, Marketing, Sales, Installation, Ordering, Product, Office, General and Field Training. Instructional materials for the initial training program are the Manual and various other materials. In addition, we will provide you with a catalogue to assist in the initial purchase of inventory. The training program will be conducted and supervised by Tim Ryan and also assisted by Ronny Tang, our Operating Manager. Mr. Ryan is the head of product development and corporate training for us, as well as our affiliate LHM&D. He has been involved in the green industry for more than 20 years and has been designing and installing outdoor lighting for the majority of those years. Mr. Ryan joined us in December 2014, but has provided training services in the Lighthouse system at prior times as well.

TRAINING PROGRAM

The following chart outlines our initial training program:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Introduction and Start Up	2	0	Nashville, TN
Marketing	6	0	Nashville, TN
Sales	20	0	Online/Nashville, TN
Installation	6	8-12	Online/Nashville, TN
Ordering	2	0	Nashville, TN
Product	6	0	Nashville, TN
Office	1	0	Nashville, TN
General	1	0	Nashville, TN
Field Training	0	20 - 40	Nashville, TN
Total	44	28 - 52	

The instructional materials for our training program include the Manual.

If you wish to employ or engage additional persons (who have not attended the initial training program) to provide product installation or other technical services as part of the Franchised Business (each an "**Installation Technician**") you must first obtain our prior written approval for her/his service in that capacity. Each person you wish to have approved as an

Installation Technician must attend and successfully complete, to our reasonable satisfaction, a training course at our training facility in Indianapolis, Indiana or other location(s) that we may specify. We do not charge an additional fee for this training, but you will be solely responsible for the employees' salaries and travel and living expenses in connection with attending these training programs.

We may provide refresher training programs or seminars, which we will conduct at locations that we designate; if we do, we may require that you, your managers or employees attend and successfully complete such programs. We do not currently charge an additional fee for this training, but we may do so in the future. In addition to any fee, you will be solely responsible for the cost in connection to attending such programs. You will be required to attend our annual conference, if we decide to hold one. We also strongly encourage you to attend other seminars, conventions, conferences held by us.

We may conduct training programs (other than the initial training) using electronic links (such as podcast, ZOOM, or Team) or distance learning tools and web-based training programs.

We will bear the cost of providing the instructors and required materials for your Trainees for the training that we provide, except as described above for refresher training or additional third-party training that you request. You will bear all expenses incurred in connection with you Trainees in attending such programs, including travel and lodging costs and employees' salaries.

We may provide additional guidance or assistance relating to the operation of Lighthouse Businesses as we determine appropriate. We may provide this assistance in various ways, such as online training, written materials, and by phone or video consultation. If you request further assistance or training and if we (directly or through an affiliate) are able to do so, then we may charge our then-current charges and out-of-pocket expenses for the additional requested assistance. The amount may vary based on the type of assistance you request. For example, if you request project design services from us or our affiliates in excess of the regular assistance, we may charge an hourly fee, which is currently $175 per hour for the requested services. At this time, project design services are provided through our affiliate, Lighthouse Design Studio.

Advertising and Marketing

Grand Opening Advertising

Within the first 90 days after the signing of the Franchise Agreement, you must execute and complete the Grand Opening Advertising Program, for which you must spend a minimum of $5,000. You must submit to us, for our prior written approval, a grand opening marketing plan. However, if we do not approve your proposed plan, or if you do not submit a plan, we will have the right (but not the obligation) to prepare a grand opening marketing plan for you.

Monthly Marketing Obligation.

Each month you must contribute or spend an amount equal to 5% of the Total Gross Revenues of your Franchised Business for marketing (the "Marketing Obligation"). We will have the right to allocate your Marketing Obligation among the following: (a) a Brand Fund (if we establish one); (b) a Regional Fund, if one is established for your area; and (c) for you to spend on local marketing and promotion. Currently, we have allocated the entire Marketing Obligation to local activities, and therefore you will satisfy the Marketing Obligation by spending 5% of your Total Gross Revenues on marketing and promotions that you conduct in your area.

We have the right to periodically change the allocation of the Marketing Obligation. If we make a change, we will give you at least 30 days' advance written notice of that change, which will take effect as stated in the notice.

Brand Fund. We have the right to establish a marketing and promotional fund for System in the U.S. (the "**Brand Fund**"). If we do so, the following provisions (and others in the Franchise Agreement) apply:

(1) We will have sole decision-making authority and direction over all marketing programs, and any concepts, materials, and media used in such programs.

(2) The Brand Fund, all contributions to that fund, and the fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System.

(3) The Brand Fund will not be our asset. We will prepare and make available to you upon request an annual statement of the operations of the Brand Fund as shown on our books.

(4) If established, the Brand Fund will be intended to be of perpetual duration, but we will have the right to terminate the Brand Fund. The Brand Fund will not be terminated, however, until all monies in the Brand Fund have been expended for marketing purposes.

(5) None of the amounts that we will collect in connection with the Brand Fund will be used for marketing that is principally a solicitation for the sale of franchises.

(6) As to the Brand Fund: (a) we will not be required to spend any particular amount on marketing in the area where your Lighthouse Business is located; and (b) if there are unspent amounts in the Brand Fund at fiscal year-end, those amounts will be carried over by the Brand Fund for expenditure in the following year.

(7) We will make an annual accounting of the Brand Fund available upon request. The Brand Fund will not be audited.

(8) Company- or affiliate-owned Lighthouse Businesses will contribute to the Brand Fund based on the same calculations that apply to a franchised business.

Regional Funds. We also have the right, but are not required, to establish regional or area specific advertising programs through regional advertising funds (a "Regional Fund") and, if we do so, we may allocate a portion of your Marketing Obligation to that regional program. During any period that we establish and require you to participate in a Regional Fund for a geographic area that covers your Lighthouse Business, you will be required to make contributions to it based on the allocation that we periodically designate. Company-owned and affiliate-owned Lighthouse Businesses in the geographic area covered by a Regional Fund will contribute to that Regional Fund. We have not yet established any Regional Funds.

Local Marketing. You may be required to spend a certain amount on local marketing and promotion on a continuous basis throughout the term of your Franchise Agreement. Currently, this requirement is set at 5% of your Gross Revenues (the entire amount of the Advertising Obligation. The required contributions and expenditures are minimum requirements only, and you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your business.

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements. You may not use any advertising or promotional plans (either in connection with local advertising and promotion or joint advertising with other franchisees, if any) that we have not approved in writing. You must submit to us samples of all proposed plans and materials to us for our review and prior written approval. If written approved is not received by you from us within 10 days of our receipt, then the marketing and promotional materials will be deemed disapproved. We do not set prices for you, and you are not required to obtain our approval of the prices you intend to charge.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if needed, also require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any collective advertising activities that you may make with other franchisees.)

We may periodically make available to you for purchase or otherwise at your expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion. We may develop advertising programs for the promotion of Proprietary Marks or merchandise offered by Lighthouse Businesses. We have not established an advertising council composed of franchisees that advises us on advertising policies, but have the option to do so in the future.

Online Sites

Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish an Online Site relating in any manner whatsoever to your Lighthouse Lighting Business or referring to the Proprietary Marks. You also may not offer or promote or sell any products or services or make any use of the Proprietary Marks, through the Online Sites without our prior written approval. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Online Site. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social media sites, social networking sites (for example Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Houzz, Porch, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iPad or Droid apps), and other applications, etc. However, if we approve a separate Online Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Online Site without our prior written approval; (2) before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Online Site without our prior written approval; (4) you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the

Manuals or otherwise in writing; (5) if we require, you must establish hyperlinks to our Online Site and other Online Sites; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

Computer and Required Software

We require our franchisees to use certain computer and related technology, as further described below ("**Computer System**"). You must meet our requirements concerning the Computer System, which may include: (a) back office and sales and management systems, data, audio, video, and voice storage, retrieval, and transmission systems for use in your Lighthouse Lighting Business; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; and (e) Internet access mode (such as the form of telecommunications connection) and speed.

At this time, our requirements for "Computer System" are that you use a computer (or smart tablet) with internet access and emailing ability, and that you use Quickbooks, Pandadoc and HubSpot software programs on your computer (or smart tablet) with internet access. HubSpot is program that provides sales, marketing, scheduling and reporting functions. If you do not already have a computer or smart tablet, you must purchase or lease one before you begin operating. We estimate the costs to purchase or lease a computer or tablet with these standards to be approximately $2,000 to $3,000. At this time, we will provide you with Quickbooks, HubSpot, Pandadoc, Microsite, Proprietary SEO, social media (Google Business Profile, Instagram, Facebook), a Lighthouse email address and a local phone number with Auto-Receptionist as part of the monthly Technology Fee. You must also have a cell phone that will be dedicated to your franchised business. Our policy at this time is that we establish a master account for cell phone numbers and assign a telephone number that you will use with your work cell phone during the term of the Franchise Agreement. We do not currently require you to purchase any other computer system, software, or maintenance contracts.

We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates.

We do not currently have independent access to your Computer System, but will have the right to request access to all of your information and data (or to change our standards to permit us to have independent access), and there are no contractual limitations on our right to access the information and data. Additionally, we will have independent access to the information generated through different Social Media platforms, HubSpot, Pandadoc, and have administrative rights to access and use that data. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

Neither we nor any affiliate or supplier is required to provide you with ongoing maintenance, repairs, upgrades or updates. We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support. Other than for HubSpot and Pandadoc, which is described above, we do not currently require that you purchase any maintenance, update, upgrade or support contracts for the Computer System. We do not have information about the availability or annual cost of any optional maintenance, upgrading, updating or support contracts.

You may not use our Proprietary Marks (including any abbreviation or other name associated with us or the system) as part of your e-mail address, domain name, social network or social media name or address, or any or other identification of your business in any electronic medium. We have the right to approve your email address or require you to use only an e-mail address that we provide for your Lighthouse Business' e-mails.

Manual

The table of contents of the Manual is attached to this Disclosure Document as Exhibit F and includes the number of pages devoted to each subject. There are approximately 150 total pages in the Manual (which may be in electronic form, so pages may vary).

ITEM 12
TERRITORY

General

Under the Franchise Agreement, we will grant you the right and license to operate your Lighthouse Business within an agreed-upon area, which is referred to as the "**Protected Territory**." The size of the Territory will be determined based on the population residing within the Territory (we will determine the population based on the most recently-issued U.S. Census data). We do not specify a minimum size territory, but the Protected Territory will typically consist of one or more counties within which the Lighthouse Business locates taking into. The exact size of each Territory will vary depending on, among other things, the area in which you wish to serve as a franchisee, geographic factors of the area, and the size Territory you wish to purchase. As described in Item 5, the amount of the Franchise Fee will vary based on the size of the Territory that you purchase. Currently, we have these organized into the following sizes: Tier 1 – population of less than 750,000; Tier 2 – population of 750,000 through 1,449,999; and Tier 3 – population of 1,500,000 up to 3,000,000. You and we will discuss the potential Territory and the population within that geographic area before we and you agree upon the area that will be the Territory specified in your Franchise Agreement.

During the term of the Franchise Agreement, and except as otherwise set out in that agreement, we will neither establish, nor license anyone else to establish, another Lighthouse Business at any location within the Protected Territory.

We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following described below.

- We have the right to use and license others to use the Lighthouse System and Proprietary Marks for the operation of Lighthouse Businesses at any location outside the Protected Territory in your Franchise Agreement, despite the proximity to your Protected Territory.

- We have the right to acquire and operate (or be acquired by) by any business of any kind, including another outdoor lighting business, whether such businesses are located or operating within or outside the Protected Territory (together, the "**Acquired Business**"). And following an acquisition of this type, we may operate and grant licenses to the Acquired Business for the operation of the existing and additional businesses so long as the Acquired Business' operations that are within the Protected Territory will not be operated as Lighthouse Businesses under the Lighthouse System and Proprietary Marks. The Acquired Businesses may offer or sell products and services that are similar to or different from the products and services offered by the Lighthouse Business and may make such sales at or from any location, whether within or outside the Protected Territory, despite their proximity to the Protected Territory or their actual or threatened impact on sales at Franchisee's Lighthouse Business.

- We have the right to use and license others to use the Proprietary Marks, and other marks, for the operation of businesses at any location, even if those businesses and marks are the same as, or similar to, the Lighthouse Business and Proprietary Mark (except that we will not do so from a Lighthouse Business located in your Protected Territory). As part of these rights, we may offer and sell landscape and outdoor lighting design services to customers at any location, inside or outside of the Protected Territory (see below for terms to participate in Subcontract Projects).

- We have the right to enter into arrangements with Large Accounts (as that term is defined in below) for landscape and outdoor lighting projects to be performed at any location, inside or outside of the Protected Territory (see below regarding terms to participate in Large Accounts).

- We may sell and distribute, or license others to sell and distribute, directly or indirectly, any products or services, including the Proprietary Products, from any location or to any purchaser (including, among other things, the sale of products or services at wholesale and to purchasers in the Protected Territory through mail order and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Lighthouse Business operated inside the Protected Territory. We are not required to share with you the revenue from these types of sales.

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.

You may offer and sell only approved landscape and outdoor lighting products, related outdoor living-area products, and installation and services from the Lighthouse Business, and only in accordance with the requirements of the Franchise Agreement and the procedures in the Manual, and only to end-user customers. In doing so, you may not offer and sell products separately from the related services (*e.g.*, lighting design, installation and/or maintenance services) of your Lighthouse Business. You must not sell products to wholesale customers or otherwise for resale. You must not offer or sell services or products through any other means, including without limitation, sales or mail order catalogs, temporary locations, the Internet, or through any other electronic media.

As described in Item 1, we or affiliates may develop businesses that are separate from the "Lighthouse Landscape Lighting" names and marks but are in the residential light industry. These separate businesses may include do-it-yourself or "DIY" line of lighting products.

The Franchise Agreement does not give you the option, right of first refusal or similar rights to acquire additional franchises within the territory or contiguous territories. You may only operate your Lighthouse Business within your Protected Territory. The Franchise Agreement does not provide you any right to change or relocate your Protected Territory to other areas.

Subcontract Project and Large Accounts

We or affiliates may provide landscape and outdoor lighting design services ("**Design Consulting Services**") to customers regardless of their location. If the customer of Design Consulting Services also requests landscape lighting installation or maintenance services at a location that is within your Protected Territory, we will provide you with the option to undertake the installation and maintenance services (a "**Subcontract Project**"). Provided that you meet the participation conditions described below, for any such Subcontract Project that is within your Protected Territory, we will notify you about the Subcontract Project, and you will have 30 days to notify us that you accept the Subcontract Project.

As described above, we have the right to right to develop and administer one or more Large Accounts for the System. "**Large Account**" means a customer, or a group of customers, that has multiple locations for which it will purchase landscape and outdoor lighting installation and/or maintenance services. We may negotiate the terms and conditions of all services and Products to be sold to Large Accounts. If you meet the participation conditions described below and we establish a Large Account agreement involving a location within your Protected Territory, we will notify you of the Large Account opportunity, including the material terms for participation. You must service the Large Accounts in the Protected Territory on our behalf according to the pricing and other terms that we negotiate, or you opt out of participation in Large Accounts. If you participate, you may later choose to terminate your participation in the Large Account program at any time by giving us at least 30 days' notice. If you elect not to participate, or later terminate your participation, we are not required to readmit you into the Large Account program. You may not enter into any relationship with a Large Account customer that we consider to conflict with the customer's Large Account arrangement with us.

The terms for participation in Subcontract Projects and Large Accounts include: (a) you must be in full compliance with this Agreement, and during any periods that you are not in full compliance, we are not required to offer Subcontract Projects or Large Account participation to you; (b) you must be able to satisfy the conditions and obligations of any Subcontract Project or Large Account agreement; (c) you must submit the appropriate documentation to receive payment for the services provided; and (d) if you do or satisfy the qualification or conditions of a Subcontract Project or National Account agreement, or if you do not exercise the option to participate in a Subcontract Project or a National Account agreement (or you later terminate your participation), we have the right to service or authorize others to service the Subcontract Projects and Large Account customers within the Protected Territory without any compensation to you.

Your Minimum Development Obligations

In order to retain your rights with respect to the Protected Territory as well as your rights under the Franchise Agreement, you must meet the Minimum Development Obligation and the Minimum Performance Standards (described below). If you do not meet these standards, that default will be grounds for termination of the Franchise Agreement without an opportunity to cure. These standards are as follows:

- *Minimum Development Obligation:* You must equip, open and start to operate (continuously) your Lighthouse Business within the Protected Territory within 90 days after signing the Franchise Agreement; and

- *Minimum Performance Standards:* Beginning with your second "Operating Year" (as described below), your Lighthouse Business must generate a minimum level of Total Gross Revenue for each Operating Year (the "**Minimum Performance Standards**"). The Minimum Performance Standards vary based on whether the Protected Territory is Tier 1, Tier 2, or Tier 3, as follows:

Tier 1	At least $225,000 in Total Gross Revenue for the second Operating Year; and $375,000 in Total Gross Revenue in each subsequent Operating Year.
Tier 2	At least $350,000 in Total Gross Revenue for the second Operating Year; and $525,000 in Total Gross Revenue in each subsequent Operating Year.
Tier 3	At least $450,000 in Total Gross Revenue for the second Operating Year; and $600,000 in Total Gross Revenue in each subsequent Operating Year.

For the purposes of the Minimum Performance Standards, your first "**Operating Year**" will begin on the earlier of (a) the date you begin operating, or (b) the first day after the end of the Development Period, and will continue for 12 calendar months. Each subsequent Operating Year will be the immediately following 12-month period.

ITEM 13
TRADEMARKS

We grant you the right to use certain Proprietary Marks under the Franchise Agreement. We own registrations for the following Proprietary Marks with the U.S. Patent and Trademark Office ("**USPTO**") on its Principal Register:

Name or Mark	Registration Number	Registration Date
LIGHTHOUSE LANDSCAPE LIGHTING	Reg. No. 4435761	November 19, 2013 (and renewed)
LIGHTHOUSE OUTDOOR LIVING	Reg. No. 4435779	November 19, 2013 (and renewed)

We acquired the Proprietary Marks listed above from LLLF as part of the Acquisition, which is described in Item 1. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. No affidavits of use have yet come due but when they are due, we intend to file all of the required affidavits with the USPTO. Currently, we know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

There is no agreement in effect that significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Mark: (1) as part of any corporate name or other business name; (2) as part of any e-mail address, domain name, social network or social media name or address, and/or any other identification of you in any electronic medium; (3) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (4) in any manner associated with performing or selling any unauthorized services or products; or (5) in any other manner that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your business and Lighthouse Business in the manner we specify (such as on invoices, order forms, receipts, and contracts). You must also provide the trademark registration notices that we require, and obtain any assumed business name registrations that applicable law requires.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in compliance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement, as well as your out-of-pocket costs (except that you will bear the salary costs of your employees). If we determine that you have not used the Proprietary Marks in compliance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement, and you must promptly reimburse us for those amounts. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

If we determine that it is advisable at any time for you to modify or discontinue using any Proprietary Mark or for you and the Lighthouse Business to use one or more additional or substitute marks, you will have to immediately comply with our directions. We will not have any obligation to reimburse you for any expenditure you make because of any discontinuance or modification.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

We do not own any patents that are material to the operation of your Lighthouse Business.

Copyrights

We own common law copyrights in various materials used in our business and the development and operation of Lighthouse Businesses, including the Lighthouse Business trade dress, the Manual, advertising and promotional materials, and similar materials (discussed below). We have not registered these materials with the U.S. Registrar of Copyrights, and we are not required to do so. We may register one or more of these items or copyrightable materials in the future.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. Neither the Franchise Agreement nor any other agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditure you make because of any discontinuance or modification.

Confidential Information

Except for the purpose of operating the Lighthouse Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Lighthouse Business that may be communicated to you or that you may learn by virtue of your operation of the Lighthouse Business or your operations under the Franchise Agreement. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Lighthouse Business. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, including any information gathered through the Computer System. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through non-wrongful publication or communication by others.

In addition, we may require you, your Principal Operator, your owners, your Highly Trained Personnel, and any employee who may have access to any confidential information to sign non-disclosure and non-competition covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Lighthouse Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached to the Franchise Agreement.

Confidential Operation Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to the Manual. We will provide you with access to one copy of the Manual for the term of the Franchise Agreement. Our Manual includes the Lighthouse Landscape Lighting Operations Manual, other manuals, written directives, materials, and any other confidential communications provided or approved by us, whether or not such instructions are made part of the Operations Manual. We will have the right to amend and modify the Manual periodically, as we deem appropriate, to reflect additions to, deletions from, and modifications to, the specifications of those services and products that comprise a part of the Lighthouse System. Each new or changed standard and/or specifications will be deemed effective upon receipt. The Manual will delineate reasonable and mandatory specifications, standards, operating procedures, and rules prescribed periodically prescribed by us for Lighthouse Businesses, the products and services that we deem to comprise a part of the Lighthouse System, and other guidelines and recommendations concerning operational procedures. We will have the right to modify the Manual periodically to reflect changes in the specifications, standards, operating procedures and rules prescribed by us for Lighthouse Businesses. However, no such addition or modification will alter your fundamental status and rights under the Franchise Agreement.

We may provide the Manual in any format we determine as appropriate, including paper format or electronic form (such as through an Online Site). If we elect to provide the Manual electronically, you must immediately return all hard copies of the Manual

You must always treat in a confidential manner the Manual, any other manuals we create (or that we approve) for use with the Lighthouse Business, and the information contained in the Manual. You must use best efforts to maintain this information as secret and confidential, protected from viewing by others, and treat the Manual with the same degree of care as you would treat your most highly confidential documents. You may not copy, duplicate, record, or otherwise reproduce the Manual and the related materials, or any portion of the Manual (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always keep the Manual in a locked receptacle at the Lighthouse Business' premises.

We may periodically revise the contents of the Manual, and you must make corresponding revisions to your copy of the Manuals and comply with each new or changed standard immediately upon receipt of the revision. You must ensure the Manual is kept current and up to date. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

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

The Franchise Agreement requires you (or your officers, directors, members, as the case may be) to devote your full time and attention to the Lighthouse Business and to diligently promote the Lighthouse Business. You cannot engage in any business or other activities that will conflict your obligations under the Franchise Agreement.

Additionally, if you are a corporation, partnership or LLC, you must appoint an individual owner as your "**Designated Principal**." The Designated Principal must successfully complete our training program and be fully responsible for the overall management of Lighthouse Business. Additionally, if your Designated Principal will not supervise the Franchised Business on a full-time and daily basis, you must employ a full-time Franchised Business Manager for the daily operations.

If you are an entity, each individual who holds a 5% or greater ownership interest in the franchisee entity (including each individual holding a 5% or greater interest in any partnership, limited liability company or corporation having a controlling interest in the franchisee entity) must enter into a continuing guaranty agreement under seal, assuming and agreeing to discharge all of your obligations under the Franchise Agreement in the form attached to the Franchise Agreement as Exhibit C.

You must require all owners to execute the Non-Competition Agreement attached to the Franchise Agreement as Exhibit B before their training, and deliver a copy of such signed agreement to us. The Franchised Business Manager or other operations manager must be a person to whom we do not have, at any time, a reasonable objection to her/his service in that capacity, and must successfully complete the initial training program.

Other than as described above, we do not impose any other restrictions on your managers.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must comply with all standards, specifications, processes, procedures, and requirements in effect, and as may be in effect at any time in the future, regarding the operation of the Lighthouse Business, including all requirements in the Manual, which we may amend periodically.

You must use the Lighthouse Business solely for the operation of the Lighthouse Business; keep the business open and in normal operation for such minimum hours and days as we may periodically specify in the Manual or as we may otherwise approve in writing (subject to local ordinances or other applicable restrictions, if any); and refrain from using or permitting the use of any Proprietary Marks for any other purpose or activity at any time without first obtaining our written consent.

You must not engage in any trade practice or other activity or sell any product or literature which is harmful to the goodwill or reflects unfavorably on the reputation of you, us, the Lighthouse Business, or the products or services sold by the Lighthouse Business, or constitute deceptive or unfair competition, or otherwise is a violation of any applicable law.

We may change, supplement, improve, or modify the System at any time, as we deem appropriate. These changes may include, among others, the adoption or use of new or different products, services, equipment of Lighthouse Businesses; development of new techniques and methods for the promotion and sale of products and services from Lighthouse Businesses; and the use of new marks or copyrights. You must, upon reasonable notice, accept, adopt, implement, use, and display any change to the System we may make, at your expense. There are no limits on our right to make changes.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary ***
a. Length of the franchise term	3.1	5 years
b. Renewal or extension of the term	3.2	One additional term of 5 years; may be extended by 5-year terms but only if both parties agree; subject to certain contractual requirements described in "c" below.
c. Requirements for you to renew or extend	3.2	You must sign our then-current form of franchise agreement, which may contain materially different terms and conditions than your original contract (an example of which is that we may require a higher royalty (of up to 10% of gross revenues) upon renewal); you must give us notice that you wish to renew, satisfy any monetary obligations, be in compliance with the Franchise Agreement, sign a release, pay renewal fee, comply with then-current training requirements; and bring the Lighthouse Business up-to-date.
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	14	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 14 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because you make a bankruptcy filing.)
g. "Cause" defined – curable defaults	14.3	All other defaults not specified in §§ 14.1 and 14.2 of the Franchise Agreement. The cure period will be 30 days.
h. "Cause" defined - non-curable defaults	14.1 and 14.2	Bankruptcy, abandonment, conviction of felony, violation of covenants, maintaining false books or records, 3 or more defaults in 12 months, failure to meet Minimum Development Obligation or Minimum Performance Standards, and others; see §§ 14.1 and 14.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because you make a bankruptcy filing.)

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary ***
i. Your obligations on termination/ nonrenewal	15	Stop operating Lighthouse Business, stop using Proprietary Marks, pay us all amounts due, and other obligations (see §§ 15.1 – 15.11 of the Franchise Agreement).
j. Assignment of contract by us	13.1	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - defined	13.4	Includes transfer of any interest, or any rights and obligations under the Franchise Agreement or of interests (such as stock) in the entity that is the "franchisee" (if you are an entity).
l. Our approval of transfer by you	13.4	We have the right to review all transfers. No transfer is permitted without our prior written approval.
m. Conditions for our approval of transfer	13.5	Release us, sign a new Franchise Agreement, pay a transfer fee, and other requirements; please see §§ 13.5.1 - 13.5.10 of the Franchise Agreement for the details.
n. Our right of first refusal to acquire your business	13.6	We have a right of first refusal. If you or one of your Principals plans to sell or transfer any material asset of the Lighthouse Business or the entity owning the business to a third party, you and/or the Principal must first offer the assets or interest to us under the same terms and conditions. If we do not wish to acquire the assets or interest, you and/or the Principal may then transfer them to the third party.
o. Our option to purchase your business	15.10	We have the option, within 30 days of expiration, termination, or default, to buy from you any or all of the Business Assets (such as resalable merchandise, materials, supplies, inventory, equipment, signs, advertising materials, etc.) at their then-current book value.
p. Your death or disability	13.7, 13.8 and 13.9	Your estate must transfer your interest in the Lighthouse Business to a third party we have approved, within six months after the death or our notice.

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary ***
q. Non-competition covenants during the term of the franchise	16.3 and 16.4	Includes prohibition on engaging in any Competitive Activity or any business that engages in a Competitive Activity, and diverting any business or customer to competitor. A Competitive Activity means installing and/or servicing landscape and outdoor lighting products and merchandise, and offering and selling (by any means) landscape and outdoor lighting products and merchandise, and/or other products and services that are the same as or similar to those provided or sold through the System. See § 16 of the Franchise Agreement for details.
r. Non-competition covenants after the franchise is terminated or expires	16.4	Includes a two-year prohibition similar to “q” (above) within the Protected Territory, within the 10 miles of the Protected Territory and within 10 miles of any other Lighthouse Business then-operating or planned under the System.
s. Modification of the agreement	22.8	Must be in writing signed by both parties.
t. Integration/ merger clause	22.7	Only the final written terms of the Franchise Agreement are binding, subject to state law. Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	17.2 and 17.3	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) in Pennsylvania. The Franchise Agreement contains several provisions that may affect your legal rights, including a waiver of a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Sections 17.2 and 17.3 in the Franchise Agreement.
v. Choice of forum	17.2	*If we ever litigate, you must do so in the courts that have jurisdiction over then-current corporate headquarters (currently, West Chester, PA). (*See Note below)
w. Choice of law	17.1	Pennsylvania (*See Note below)

* Please refer to the disclosure addenda and contractual amendments attached to this Disclosure Document at Exhibits G & H for additional terms that may be required under applicable state law.

ITEM 18
PUBLIC FIGURES

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

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 outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

This franchisor does 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 Ronny Tang at 211 North Walnut Street, 1st Floor, West Chester, PA 19380 (tel. – to 610-213-3016), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
System-wide Outlet Summary for years 2022-2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	20	20	0
	2023	20	20	0
	2024	20	20	0
Company-Owned	2022	4	4	0
	2023	4	4	0
	2024	4	3	-1
Total Outlets	**2022**	**24**	**24**	**0**
	2023	**24**	**24**	**0**
	2024	**24**	**23**	**-1**

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 to 2024

State	Year	Number of Transfers
Total	2022 2023 2024	**0** **0** **0**

Table 3:
Status of Franchised Outlets for fiscal years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Colorado (note 1)	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Delaware	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Iowa	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Kentucky (note 2)	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maryland (note 3)	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Massachus setts	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Mississippi	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Missouri	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
New Jersey	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
North Carolina	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 1	0 0 0	0 0 0	1 1 0
Ohio	2022 2023 2024	3 3 3	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	3 3 3
Pennsylva-nia	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Tennessee	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Texas	2022 2023 2024	3 3 3	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	3 3 3
Totals	**2022 2023 2024**	**20 20 20**	**0 0 1**	**0 0 0**	**0 0 1**	**0 0 0**	**0 0 0**	**20 20 20**

1. One of the Colorado franchised businesses listed in Table 3 above was divided into two franchised businesses covering separate areas.

2. The Kentucky franchised businesses listed in Table 3 above is part of one of the franchised business based in Ohio, and a portion of its territory is in Kentucky.

3. The Maryland franchised businesses listed in Table 3 above also includes a portion of territory in Washington, DC and Virginia (and its office address shown in Exhibit D is in Virginia)

Table 4:
Status of Company-Owned Outlets for years 2022 to 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Re-acquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Indiana	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Nebraska	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 1	0 0 0	1 1 0
North Carolina	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Tennes-see	2022 2023 2024	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Totals	**2022** **2023** **2024**	**4** **4** **4**	**0** **0** **0**	**0** **0** **0**	**0** **0** **1**	**0** **0** **0**	**4** **4** **3**

Table 5:
Projected Openings as of December 31, 2024 for 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Texas	0	1	0
Total	**0**	**1**	**0**

<u>Notes to Tables 1 through 5:</u>

(1) All numbers are as of the fiscal year end. Each fiscal year ends on December 31.

(2) States not listed had no activity during the relevant time frame.

(3) The "Company-Owned Outlets" refer to the Lighthouse Businesses operated by our affiliates.

*****

The names, addresses, and telephone numbers of our franchisees, as of December 31, 2024 (the end of our most recent fiscal year), appear in Exhibit D. Franchisees who had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year, or has not communicated with us within ten weeks of the date of this Disclosure Document are identified on Exhibit D. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the past three years, some franchisees have signed confidentiality agreements with us or our predecessor. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with us or our predecessor.

As of the date of this franchise disclosure document, there are no Lighthouse Lighting franchisee associations in existence regardless of whether they use our trademark or not.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit E is our audited financial statements for our fiscal years ending December 31, 2024, December 31, 2023, and December 31, 2022. Our fiscal year ends on December 31st each year.

ITEM 22
CONTRACTS

Attached to this Disclosure Document is the Franchise Agreement (Exhibit A) and our General Release (Exhibit J).

ITEM 23
RECEIPTS

The last two pages of this Disclosure Document (Exhibit K) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Disclosure Document.

EXHIBIT A
FRANCHISE AGREEMENT

LIGHTHOUSE FRANCHISE SYSTEMS, LLC

FRANCHISE AGREEMENT

Table of Contents

LIGHTHOUSE FRANCHISE SYSTEMS, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into this __________ day of __________________, 20____ (the "**Signature Date**") by and between:

- Lighthouse Franchise Systems, LLC, a Pennsylvania limited liability company, having its principal place of business at 211 North Walnut Street, 1st Floor, West Chester, Pennsylvania 19380 ("**Franchisor**"); and
- ____, a [resident of] [corporation organized in] [limited liability company organized in] ___________________________, having its principal offices at ____ ("**Franchisee**").

Introduction:

A. Franchisor owns a distinctive system for the establishment, development, operation, and maintenance of businesses that sell and service landscape and outdoor lighting products and related outdoor living-area products (including related installation and other services) (the "**Lighthouse System**"). Franchisor offers franchises to third parties to operate businesses using the Lighthouse System and Proprietary Marks (a business that uses Franchisor's Lighthouse System and Proprietary Marks is referred to in this Agreement as a "**Lighthouse Business**"). Franchisor has the right to periodically change, improve, and/or further develop the Lighthouse System and Proprietary Marks.

B. Franchisor owns and identifies the Lighthouse System by means of its Proprietary Marks, which include the "Lighthouse Landscape Lighting," and "Lighthouse Outdoor Living," and related names including "Lighthouse Outdoor Lighting," as well as other names and certain other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs that Franchisor may designate for use with Lighthouse Business (the "**Proprietary Marks**").

C. Franchisor grants franchises to qualified persons who wish to own and operate Lighthouse Businesses within a designated area.

D. Franchisee wishes to operate a Lighthouse Business and has applied for a franchise, and Franchisor has approved that application relying on the information given by Franchisee and the representations that Franchisee has made in the application.

In consideration of the promises and the commitments in this Agreement, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereby agree as follows:

1 GRANT OF FRANCHISE

1.1 *Grant of Franchise*. Franchisor grants to Franchisee the right and franchise, and Franchisee accepts and undertakes the obligation, all on the terms of this Agreement, to:

1.1.1 Establish and operate one (1) Lighthouse Business under the Lighthouse System within the Protected Territory (as defined in Section 1.2 below); and

1.1.2 Use the Proprietary Marks and Lighthouse System to operate the Lighthouse Business within the Protected Territory.

1.2 *Protected Territory*. During the term of this Agreement, except as otherwise provided in this Agreement (including, without limitation, Sections 1.3, 1.5, and 2 below), Franchisor agrees that it will not establish, nor license any other person to establish, another Lighthouse Business at any location within the "Protected Territory". The Protected Territory is the geographic area that is specified in writing in Exhibit A to this Agreement; and in Exhibit A, the parties designate the Protected Territory as a "Tier 1," "Tier 2," or "Tier 3" territory type, based on the population within the are comprising the Protected Territory as of the Signature Date.

1.3 *Franchisor's Retained Rights and Exclusions from the Protected Territory*. Franchisor and its affiliates (including parents, subsidiaries and related companies) retain all other rights other than those granted to Franchisee under Section 1.2 above. Among other things, Franchisor has the right to do any or all of the following as Franchisor deems advisable, and without granting Franchisee any rights (as used in this Sections 1.3 and 1.5, the term "Franchisor" includes Franchisor's affiliates):

1.3.1 To establish, and franchise others to use the Lighthouse System and the Proprietary Marks and to operate Lighthouse Businesses at any location outside the Protected Territory, despite their proximity to the Protected Territory or their actual or threatened impact on sales at Franchisee's Lighthouse Business.

1.3.2 To acquire and operate (or be acquired by) by any business of any kind, including another outdoor lighting business, whether such business(es) are located or otherwise operating within or outside the Protected Territory (together, the "**Acquired Business**"), and following the acquisition, Franchisor may operate and/or grant licenses to the Acquired Business for the operation of the existing and/or additional businesses (on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights in the existing or additional operations of the Acquired Business) so long as the Acquired Business' operations that are within the Protected Territory will not be operated as Lighthouse Businesses under the Proprietary Marks. Any operator of the Acquired Business may offer or sell products and services that are similar to or different from the products and services offered by the Lighthouse Business and the Acquired Business' operations may make such sales at or from any location, whether within or outside the Protected Territory, despite their proximity to the Protected Territory or their actual or threatened impact on sales at Franchisee's Lighthouse Business.

1.3.3 To use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses at any location, which businesses and marks may be the same as, similar to, or different from the Lighthouse Business and Proprietary Marks (but these will not be "*Lighthouse Landscape Lighting*" or "*Lighthouse Outdoor Living*" businesses operated at locations in the Protected Territory), which businesses may include, without limitation, residential related services and products insect prevention and treatments services and products.

1.3.4 To enter into arrangements with Large Accounts (as that term is defined in Section 1.5 below) for landscape and outdoor lighting projects to be performed at any location, inside or outside of the Protected Territory, subject to the terms of Section 1.5 of this Agreement.

1.3.5 To sell and distribute, and/or license others to sell and distribute, directly or indirectly, any products or services, including among other things Proprietary Products, from any location or to any purchaser (including, but not limited to, the sale of products or services at wholesale and to purchasers in the Protected Territory through mail order and on the Internet, under the Proprietary Marks or as private-labeled items), so long as these sales are not made from a Lighthouse Business operated inside the Protected Territory.

1.4 *Limit on Sales*. Franchisee agrees to offer and sell landscape and outdoor lighting and related outdoor living-area products, and installation and services from the Lighthouse Business, and only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals, and only to end-user customers. In doing so, Franchisee agrees that it may not offer and sell products separately from the related services (*e.g.*, lighting design, installation and/or maintenance services) of its Lighthouse Business. Franchisee agrees to not sell products to wholesale customers or otherwise for resale. Franchisee agrees to not offer or sell services or products through any other means, including sales or mail order catalogs, temporary locations, the Internet, or through any other electronic media. In no way limiting the rights under Section 1.1.3 above, Franchisor has the right to use, directly or through affiliates, the Proprietary Marks and other marks in connection with offering and selling landscape and outdoor lighting design services to customers for landscape and outdoor lighting projects to be performed at any location, inside or outside of the Protected Territory, provided that the terms of Section 1.5 below will apply for project sites located within the Protected Territory.

1.5 *Subcontract Projects and Large Accounts*.

1.5.1 If Franchisor and its affiliates provide landscape and outdoor lighting design services ("**Design Consulting Services**") to customers that request landscape lighting installation and/or maintenance services at a location within the Protected Territory, Franchisor will provide Franchisee the option to undertake the installation and/or maintenance services (a "**Subcontract Project**"). Subject to 1.5.3 below, for any such Subcontract Project within the Protected Territory, Franchisor will notify Franchisee of the Subcontract Project, including the material terms for participation. Franchisee will have thirty (30) days after notice of the Subcontract Project to exercise this option by sending written notice to Franchisor, accepting the terms of the Subject Project.

1.5.2 Franchisor has the right to develop and administer one or more Large Accounts for the System. The term "**Large Account**" means a customer, or a group of customers, that has multiple locations for which it will purchase landscape and outdoor lighting installation and/or maintenance services. Franchisee understands that Franchisor's negotiation of Large Account agreements, including the rates, fees, and services to be performed, has the potential to enhance the potential value of the System and benefit Franchisee, Franchisor, and other Lighthouse Business franchisees. Franchisor will have the right to negotiate the terms and conditions of all services and Products to be sold to Large Accounts. Subject to 1.5.3 below, if Franchisor establishes a Large Account agreement involving a location within the Protected Territory, Franchisor will notify Franchisee of the Large Account opportunity, including the material terms for participation. Franchisee must either service the Large Accounts in the Protected Territory on Franchisor's behalf in accordance with the pricing and other terms that Franchisor negotiates with the Large Account customer, or opt out of participation in Large Accounts. If Franchisee participates, it may subsequently terminate its participation in the Large Account program at any time by giving Franchisor at least 30 days' prior notice. If Franchisee elects not to participate, or subsequently terminates its participation, Franchisor has no obligation to readmit Franchisee into the Large Account program. Franchisee may not enter into any relationship with a Large Account customer that Franchisor deems to conflict with the customer's Large Account arrangement with Franchisor.

1.5.3 The following terms will apply with respect to Subcontract Projects and Large Accounts: (a) to participate, Franchisee must be in full compliance with this Agreement, and during any periods that Franchisee is not in full compliance, Franchisor has no obligation to offer Subcontract Project or Large Account participation to Franchisee; (b) Franchisee must be able to satisfy the conditions and obligations of any Subcontract Project or Large Account agreement in order to participate; (c) Franchisee must submit the appropriate documentation to receive payment for services under a Subcontract Project or Large Account; and (d) if Franchisee fails to qualify for, or satisfy the conditions of, a Subcontract

Project or National Account agreement, or does not exercise its option to participate in a Subcontract Project or a National Account agreement (or subsequently terminates its participation), Franchisor has the right to service and/or authorize others to service the Subcontract Projects and Large Account customers within the Protected Territory without any compensation to Franchisee.

1.6 *Variation of Standards*. Franchisee agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor has the right to vary standards for any Lighthouse Business (based, among other things, upon Franchisor's right to determine that as to the circumstances applicable to any particular site, such as density of population, business potential, population of trade area, existing business practices, and/or any other condition that Franchisor deems to be of importance to the successful operation of any particular Lighthouse Business). Franchisee shall have no right to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder; further, nothing in connection with Franchisor's grant of a franchise, or the nature of the franchise relationship with any other franchisee, shall have an effect upon, or constitute a breach of, any obligations under this Agreement (however, this clause shall not supersede Franchisor's obligations with respect to the Protected Territory as specified in Section 1.2 above).

2 FRANCHISEE'S DEVELOPMENT OBLIGATION

2.1 *Minimum Development Obligation*. Franchisee agrees to equip, open and thereafter continue to operate the Lighthouse Business within the Protected Territory within ninety (90) days after signing this Agreement (the "**Development Period**") (this obligation is also referred to in this Agreement as the "**Minimum Development Obligation**").

2.2 *Minimum Performance Standards*. Beginning in the second Operating Year (as defined below), Franchisee's Lighthouse Business shall be required to generate a minimum level of Total Gross Revenue (as defined in Section 4.2.1 below) for each Operating Year, in the amounts set forth in Exhibit A (the "**Minimum Performance Standards**"). For the purposes of the Minimum Performance Standards, Franchisee's first "**Operating Year**" will begin on the earlier of (a) the date Franchisee begins operating or (b) the first day after the end of the Development Period, and will continue for the twelve-calendar months. Each subsequent Operating Year will be the immediately following twelve month period.

3 TERM AND RENEWAL

3.1 *Term*. The term of this Agreement (the "**Term**") starts on the Signature Date and, unless sooner terminated in accordance with the terms of this Agreement, shall expire on the five (5) year anniversary of the Signature Date.

3.2 *Renewal*. Franchisee may, at its option, renew the franchise rights to operate the Lighthouse Business for: (a) one (1) additional term of five (5) years (the "**Initial Renewal Term**"); and (b) as many additional five (5) year terms as are agreed upon by Franchisor and Franchisee, in writing; all of which are subject to Franchisee having met all of the following conditions before renewal:

3.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew the franchise rights to operate the Lighthouse Business for the Initial Renewal Term not less than ninety (90) days nor more than one hundred eighty (180) days before the end of the initial five (5) year term.

3.2.2 Franchisee is not in default of any provision of this Agreement, any amendment to this Agreement, any successor to this Agreement, or any other agreement between Franchisee and Franchisor or any of its subsidiaries or affiliates; and, in Franchisor's reasonable judgment, Franchisee must have timely and substantially complied with all the items and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the Term of this Agreement.

3.2.3 Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates, and to the Brand Fund and/or the Regional Fund (if established) and shall have timely met those obligations throughout the Term of this Agreement.

3.2.4 Franchisee shall execute, upon renewal, Franchisor's then-current form of franchise agreement (with appropriate modification to reflect the fact that the agreement relates to the grant of a renewal franchise), which agreement will supersede this Agreement in all respects, and the terms, conditions, obligations and provisions of which may differ from the terms, conditions, obligations and provisions of this Agreement in all respects (including, without limitation: a higher Monthly Operations Fee (as defined in Section 4.2 below), percentage Royalty Fee, Technology Fee (as defined in Section 4.4 below), Advertising Commitment; and/or a different Protected Territory); provided, however, Franchisee shall not be required to pay the then-current initial franchise fee or its equivalent. ("Then-current," as used in this Agreement means the form then currently provided to prospective franchisees, or if not then being so provided, then such form selected by the Franchisor in its sole discretion which previously has been delivered to and executed by a franchisee of Franchisor). Franchisor agrees, however, that any changes will not alter any of the basic relationships of this Agreement nor the fundamental relationship between Franchisor and Franchisee.

3.2.5 Franchisee and its principals shall execute a general release, in a reasonable form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, shareholders, members, managers, agents, and employees.

3.2.6 Franchisee shall comply with Franchisor's then-current qualification and training requirements.

3.2.7 Before the expiration of the initial five (5) year term, Franchisee has brought the Lighthouse Business into full compliance with the specifications and standards then applicable for new or renewing Lighthouse Businesses.

3.2.8 Franchisee shall be current with respect to its obligations to the vendors with whom it does business, including but not limited to its lessor, banks, and any others with whom it does business.

3.2.9 Franchisee shall pay Franchisor, instead of an initial franchise fee, a renewal fee in an amount equal to one-third of Franchisor's then-current initial franchise fee for new franchises with a territory of comparable size as the Protected Territory.

4 PAYMENTS BY FRANCHISEE

4.1 *Franchise Fee*. Franchisee agrees to pay Franchisor an initial franchise fee in the amount specified in Exhibit A (the "**Franchise Fee**") upon execution of this Agreement, which amount Franchisee agrees to pay in cash, by certified check, or electronic fund transfer. The Franchise Fee is non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.2 *Monthly Fees*. During the Term of this Agreement, Franchisee shall pay to Franchisor the following fees on a continuing monthly basis, and in compliance with the following terms and conditions (together, the "**Monthly Ongoing Fees**"):

4.2.1 *Monthly Operations Support Fees*. Franchisee shall pay to Franchisor a monthly fee in the amount specified in Exhibit A (the "**Monthly Operations Fee**"). The Monthly Operations Fee begins with the first full month following the Signature Date, and applies to each of the following months (or partial month) for the remainder of the Term.

4.2.2 *Royalty Fees*. Franchisee shall pay to Franchisor a continuing royalty fee of seven percent (7%) of Total Gross Revenue (the "**Royalty Fee**") of the Lighthouse Business.

4.2.3 *Technology Fee*. Franchisee shall pay to Franchisor a continuing monthly fee in the amount specified in Exhibit A for the technology and related services that Franchisor will provide to Franchisee (the "**Technology Fee**"). The Monthly Operations Fee begins with the first full month following the Signature Date, and applies to each of the following months (or partial month) for the remainder of the Term.

4.2.4 *Payment Schedule*. Franchisee shall pay all of the Monthly Ongoing Fees on a monthly basis, within ten (10) days after the end of each calendar month during the Term or at such other time as Franchisor may determine, in its sole discretion (if the 10th day of the month is a holiday that prevents payment being made on that day, then payment may be made on the immediate following business day). Franchisee's obligation to pay the Monthly Ongoing Fees shall not be subordinated to any other obligation of Franchisee, whether under this Agreement or otherwise. Monthly Ongoing Fees shall be paid without any offset, credit or deduction.

4.2.5 *Total Gross Revenue*. As used in this Agreement, the term "**Total Gross Revenue**" means all revenue from the sale of all merchandise, products, and/or services, and all other income of every kind and nature related to, derived from, or originating from Franchisee's Lighthouse Business, including proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Total Gross Revenue" shall exclude any discounts given (so that Total Gross Revenues includes the amount actually charged once the discount is applied) and sales or other taxes collected from customers and remitted by Franchisee to the appropriate taxing authorities. Regardless of whether final payment has been received by Franchisee, Total Gross Revenue shall be deemed to be received by Franchisee at the time any service or product which give rise to the payment is delivered and shall be valued at the prices in effect at the time such products or services are received.

4.3 *Payment Method*. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under Section 4 and, if applicable, Section 12 of this Agreement or, at Franchisor's written request, by credit card arrangement. Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit E, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manual. (If electronic funds transfer is made impossible for any reason, Franchisee agrees that it shall comply with Franchisor's reasonable written directions for transmitting payment in a different manner.) Franchisee agrees that it will, at all times, maintain in its bank account as to which the electronic fund transfer authorization applies a balance that is sufficient to pay all then-due charges owed to Franchisor.

4.4 *Sales Reports*. During the Term of this Agreement, Franchisee shall submit to Franchisor, together with the Monthly Ongoing Fees, a report, run from the Lighthouse Business' software program required by Section 7 below, which reports Total Gross Revenue, in the form and as required by the Manual.

4.5 *Overdue Payments and Reports*. Any payment or report not actually received by Franchisor on or before such date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate which is two percentage points (200 basis points) above the Prime Rate as published in *The Wall Street Journal* on the date payment was due (but if there is a legal maximum rate that applies in Franchisee's jurisdiction, not more than that legal rate). In addition, Franchisee shall pay Franchisor a late administrative fee of Two Hundred Fifty Dollars ($250) (the "**Late Fee**") to partially reimburse Franchisor for the administrative and handling cost of any late payments. Entitlement to interest shall be in addition to any other remedies Franchisor may have. Nothing in this Agreement constitutes Franchisor's agreement to accept any payments after those payments are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Lighthouse Business. Additionally, failure by Franchisee to pay all amounts when due shall constitute a material default, and grounds for termination, of this Agreement.

4.6 *Allocation of Payments*. Franchisor has the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Monthly Ongoing Fees, Advertising Obligation, purchases from Franchisor and its affiliates, interest or any other indebtedness, despite any other allocation by Franchisee.

4.7 *Additional Payments*. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating materials, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.8 *No Withholding*. Franchisee agrees not to, for any reason, delay or withhold the payment of any amount due to Franchisor under this Agreement; put into escrow any payment due to Franchisor; set-off payments due to Franchisor against any claims or alleged claims that Franchisee may allege against Franchisor, the Brand Fund, the Regional Fund, Franchisor's affiliates, suppliers, or others.

4.9 *Obligations to Other Parties.* Franchisee shall pay when due all of its vendors and other trade creditors (however, nothing in this provision shall preclude Franchisee from a *bona fide* disagreement or dispute with a vendor over charges or fees, which Franchisee agrees it shall address and resolve promptly and professionally).

5 <u>TRAINING AND ASSISTANCE</u>

5.1 *Initial Training*. Franchisor shall make its training program available to Franchisee (or if Franchisee is an Entity (defined in Section 5.6.1 below), to Franchisee's "**Designated Principal**"), and the Franchised Business Manager (as defined below) if Franchisee will employ a Franchised Business Manager, or other operations manager of Franchisee (either of whom must be a person to whom Franchisor does not have at any time a reasonable objection to his or her service in that capacity), and other persons designated by Franchisee (each person who attend training is a "**Trainee**"). The Designated Principal and Franchised Business Manager (if Franchisee will employ a Franchised Business Manager as described in Section 5.6 below) must attend and successfully complete, to Franchisor's reasonable satisfaction, no later than thirty (30) days after the execution of this Agreement, a training and familiarization course to be conducted at Franchisor's headquarters or at such other place as Franchisor may reasonably designate. Franchisor shall be solely responsible for all expenses incurred by the Trainees in attending such programs, including travel costs, room and board expenses and employees' salaries.

Additionally, Franchisor will provide, through a third-party, an additional online sales training program for the Designated Principal (or, if applicable, approved alternative person) must successfully complete the sales training program before Franchisee begins operations of the Lighthouse Business. If Franchisee wishes for any additional persons to attend the sales training, Franchisee must pay to the training vendor any fees associated the additional person's participation.

5.2 *Installation Technicians.* Franchisee may not employ, or otherwise use the services of, any person to provide any product installation or other technical services as part of the Lighthouse Business (each an "**Installation Technician**") unless Franchisee has obtained Franchisor's prior written approval for her/his service in that capacity. As part of Franchisor's evaluation of each individual proposed to be an Installation Technician, each person much attend and successfully complete, to Franchisor's reasonable satisfaction, a training course to be conducted at Franchisor's headquarters or at such other place as Franchisor may reasonably designate. Franchisor will provide such training of Franchisee's requested Installation Technicians at no charge, but Franchisor shall be solely responsible for all expenses incurred by the trainees in attending such programs, including travel costs, room and board expenses and employees' salaries.

5.3 *Refresher Training*. Franchisor from time to time may provide, and if it does, it may require that previously trained Franchisees or their managers or employees attend and successfully complete, refresher training programs or seminars to be conducted at such location as may be designated by Franchisor. Franchisor reserves the right to charge its then-current training fee for any training refresher training that Franchisor may provide. Additionally, Franchisor shall be solely responsible for all expenses incurred by the trainees in attending such programs, including travel costs, room and board expenses and employees' salaries.

5.4 *Seminar/Conference*. Franchisee, its Designated Principal (as defined below) and its managers are strongly encouraged to attend any of Franchisor's seminars, conventions, and/or conferences. Notwithstanding the above, Franchisee and/or its Designated Principal must attend the annual conference held by Franchisor, if Franchisor decides to hold an annual conference.

5.5 *New or Additional Manager*. If Franchisee designates new or additional managers after the initial training program, Franchisor will provide training to such managers to the extent Franchisor can reasonably accommodate such managers in Franchisor's regularly scheduled training course. Franchisor will provide such training at no charge to Franchisee, except that Franchisee will be solely responsible for paying all employee salaries and travel and living expenses incurred by Franchisee's managers or employees in attending such training programs.

5.6 *Designated Principal and Management*.

5.6.1 If Franchisee is an Entity, then Franchisee must designate one of its Principals to serve as the "Designated Principal;" provided that the individual so chosen must be a person to whom Franchisor does not have at any time a reasonable objection to his or her service in that capacity. If Franchisee is an Entity, then Franchisee's Designated Principal must be one of the Trainees who successfully completed the training as set forth in Section 5.1 above. The term "Entity" is understood and agreed to mean a corporation, limited liability company, limited liability partnership, or any other form of juridical entity other than an individual acting in his or her personal capacity. The Designated Principal must at all times be fully responsible for the overall management of Lighthouse Business.

5.6.2 Franchisee must inform us in writing whether the Designated Principal will assume full-time responsibility for the daily supervision and operation of Franchisee's Lighthouse Business. If the Designated Principal will not supervise Franchisee's Lighthouse Business on a full-time and daily basis, Franchisee agrees to employ a full-time manager (the "**Franchised Business Manager**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of Franchisee's Lighthouse Business.

5.6.3 Franchisee's Lighthouse Business must be under the active full-time management of either Franchisee or the Designated Principal or Franchised Business Manager who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program.

5.7 *Additional Guidance or Assistance*. Franchisor may provide additional guidance or assistance relating to the Lighthouse Businesses as it determines appropriate, which may be various formats, including online training, written materials, and/or phone or video consultation. If Franchisee requests further assistance or training and if Franchisor (directly or through an affiliate) is able to do so, then Franchisee agrees to pay Franchisor's then-current charges and out-of-pocket expenses for the additional requested assistance.

5.8 *Phone Support*. Franchisor will provide phone support and assistance in an ongoing basis.

5.9 *Advertising Materials*. Franchisor may provide assistance and training to Franchisee for the development of advertising and promotional materials in the manner described in Section 12 of this Agreement. Franchisor has the right to approve or disapprove all marketing and promotional materials that Franchisee proposes to use, pursuant to Section 12 below.

5.10 *Purchase Assistance*. Franchisor may provide Franchisee with lists of products and materials available from certain approved vendors for ordering by Franchisee, at Franchisee's discretion. Franchisor will receive orders from Franchisee and place orders on behalf of Franchisee in the event Franchisee utilizes certain vendors made available by Franchisor. Except with respect to the Proprietary Products (which must be purchased only from us or vendors that Franchisor designates), Franchisee may choose to order from such approved vendors, or from other vendors approved by Franchisor pursuant to Section 6.10 of this Agreement.

6 DUTIES OF FRANCHISEE

6.1 *Full Efforts*. Franchisee accepts the obligation to develop the Lighthouse Business using the Lighthouse System and the officers, directors, or members, as the case may be, to devote their full time and attention to the Lighthouse Business and diligently promote the Lighthouse Business, and to refrain from engaging in any business or other activities that will conflict with its obligations under this Agreement. Franchisee agrees that at all times (and ensure that its employees at all times) treat all customers and vendors of Lighthouse Business, as well as Franchisor and other franchisees under the Lighthouse System, with the highest degree of care and respect

6.2 *System Standards*. Franchisee agrees to comply with all standards, specifications, processes, procedures, and requirements in effect, and as may be in effect at any time in the future, regarding the operation of the Lighthouse Business, including all requirements in the Manual as amended from time to time by Franchisor. In no way limiting the above, Franchisee agrees to offer customers only the services and products that Franchisor has expressly authorized Lighthouse Businesses to offer, which Franchisor will specify in the Manual or otherwise in writing. Franchisor has the right to designate specific services and products as optional or mandatory.

6.3 *No Harmful Practices*. Franchisee shall not engage in any trade practice or other activity or sell any product or literature which is harmful to the goodwill or reflects unfavorably on the reputation of the Franchisee, the Franchisor, the Lighthouse Business or the products or services sold by the Lighthouse Business, or constitute deceptive or unfair competition, or otherwise is a violation of any applicable law.

6.4 *Non-Competition Agreement*. Franchisee agrees to require all employees to execute the Non-Disclosure Agreement attached to this Agreement as Exhibit B-2 prior to the training of said employees, and deliver a copy of the executed Non-Disclosure Agreement to Franchisor.

6.5 *Use of Premises*. Franchisee shall use the Lighthouse Business solely for the operation of the Lighthouse Business; keep the business open and in normal operation for such minimum hours and days as Franchisor may from time to time specify in the Manual or as Franchisor may otherwise approve in writing (subject to local ordinances or other applicable restrictions, if any); and refrain from using or permitting the use of any Proprietary Marks for any other purpose or activity at any time without first obtaining the written consent of the Franchisor.

6.6 *Compliance with Laws; Permits*. Franchisee shall comply, at Franchisee's expense, with all applicable federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, sanitation permits, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or other instructions of Franchisor, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

6.7 *Taxes*. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement. Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Lighthouse Business or the equipment used therein.

6.8 *Supplies*. Franchisee shall maintain in sufficient supply, and use and/or sell at all times only such items, supplies, packaging, displays, boxes, bags, labels, forms, other paper products, and materials that conform to Franchisor's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any nonconforming items without Franchisor's specific prior written approval.

6.9 *Equipment*. Franchisee shall purchase and have in operation necessary equipment in order to operate the Lighthouse Business in accordance with the specifications and standards set by Franchisor, including but not limited to the Computer System and Required Software (as defined below in Section 7 of this Agreement), cellular phone that will be dedicated to use for the Lighthouse Business purposes, a vehicle available for business use (and such additional identification as may be required under Section 8.2 below.)

6.10 *Approved Products and Vendors*. Franchisor has the right to require that equipment, fixtures, furnishings, supplies, services (including information technology services), credit card processing services, and other products and materials required for use or sale in the operation of the Lighthouse Business be purchased solely from suppliers (as used in this Agreement, "suppliers" includes manufacturers, distributors, and other sources), who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and as to whom Franchisor has given its prior written approval (which has not later been withdrawn). Such items shall include, but are not limited to, light fixtures, components, and the wiring.

6.10.1. Franchisor has the right to designate only one supplier (which may be Franchisor and/or its affiliates) for any one or more items.

6.10.2. Franchisee agrees to sell only products that Franchisor has approved for sale by the Lighthouse Business.

6.10.3. Notwithstanding anything to the contrary in this Agreement, Franchisee agrees to buy all of its requirements for any Proprietary Products (as defined in Section 6.11) in accordance with Section 6.11 below. Franchisor has the right, but not the obligation, to introduce approved products in addition to the Proprietary Products.

6.10.4. If Franchisee wishes to purchase any items from an unapproved supplier (other than for Proprietary Products, as defined in Section 6.11 below, or similar core products), Franchisee must submit to Franchisor a written request for such approval, and have such supplier acknowledge in writing that Franchisee is an independent entity from Franchisor and that Franchisor is not liable for debts incurred by Franchisee. Franchisor has the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent, certified laboratory designated by Franchisor for such testing. Franchisor may require payment by Franchisee or the supplier to cover the reasonable costs of the inspections and the actual cost of any tests, which may vary based on the type of items and the scope of testing that Franchisor determines necessary to evaluate the proposed item. Franchisor will provide an estimate of the costs upon the request. Franchisor may also require that the supplier comply with such other reasonable requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs. Franchisor reserves the right, at its option, to reinspect the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. If, in providing services to Franchisee, any third party may obtain access to confidential information as provided in Section 9 below, Franchisor may require, as a condition of approval of such provider, the execution of covenants of non-disclosure, non-solicitation and non-competition in a form satisfactory to Franchisor.

6.10.5. Franchisee agrees that Franchisor has the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to Franchisee or to Franchisor (or its affiliates) based upon Franchisee's purchases of approved products and other goods and services. These Allowances include those based on purchases of Approved products, supplies, printed materials, and other items (such as packaging). Franchisee assigns to Franchisor (or Franchisor's designee) all of Franchisee's right, title and interest in and to any and all such Allowances and authorize Franchisor (or Franchisor's designee) to collect and retain any or all such Allowances without restriction.

6.11 *Proprietary Products*. Franchisee agrees that various lighting components and related products to be offered and sold by the Lighthouse Business are specially designed for use with the Lighthouse System and/or bear the Proprietary Marks and/or carry warranties offered by Franchisor or the supplier designated by Franchisor, and that these products are proprietary to Franchisor ("**Proprietary Products**"). In order to maintain the high standards of quality and uniformity associated with the lighting products and services, Franchisee agrees to purchase such Proprietary Products (and any other products Franchisor may now or in the future designate) only from Franchisor, Franchisor's affiliates, and/or the suppliers approved or designated by Franchisor, and not to offer or sell any other such products at or from the Lighthouse Business.

6.12 *Modification of the Lighthouse System*. Franchisee recognizes and agrees that from time to time hereafter Franchisor may change or modify the Lighthouse System presently identified by the Proprietary Marks, including, without limitation, the adoption and use of new, different or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment or new techniques. Upon direction of Franchisor, Franchisee shall immediately discontinue its use of any part of the Lighthouse System and accept, use and display for the purpose of this Agreement any additions to the Lighthouse System, as if they were part of this Agreement at the time of execution hereof. Franchisee shall make such expenditures as are reasonably required by such changes or modifications in the Lighthouse System. Franchisee shall not change, modify or alter the Lighthouse System in any way.

6.13 *Franchisee Entity*. If Franchisee is or becomes a corporation, limited liability company, limited liability partnership, general partnership, or other juridical entity (together, an "**Entity**"), then the Entity shall comply with the following requirements:

6.13.1 Subject to 6.7 above, Franchisee shall confine its activities to the establishment and operation of the Lighthouse Business.

6.13.2 Franchisee's partnership agreement, operating agreement, or Articles of Incorporation and Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to operation of the Lighthouse Business and that the issuance and transfer of voting stock, or other ownership interest therein, is restricted by the terms of this Agreement.

6.13.3 Franchisee shall furnish Franchisor promptly upon request copies of Franchisee's partnership agreement, operating agreement, or Articles of Incorporation, Bylaws, and other governing documents, and any other documents Franchisor may reasonably request, and any amendments thereto.

6.13.4 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any securities except in accordance with the provisions of Section 13 below. All securities issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

> "The transfer of these securities is subject to the terms and conditions of a Franchise Agreement with Franchisor dated ____________________. Reference is made to said Agreement and to the restrictive provisions of the Articles and Bylaws of this [Corporation]."

6.13.5 Franchisee shall maintain a current list of all general and limited partners, or members, or all owners of record and all beneficial owners of any class of voting stock of Franchisee (or other ownership interest) and shall furnish the list to Franchisor upon request.

6.14 *Guarantee*. Each individual who holds a five percent (5%) or greater ownership interest in Franchisee (including each individual holding a 5% or greater interest in any partnership, limited liability company or corporation having a controlling interest in Franchisee) shall enter into a continuing guarantee agreement under seal, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the obligations of Franchisee under this Agreement in the form attached hereto as Exhibit C.

6.15 *Subordination of Other Obligations*. All debts of Franchisee, including but not limited to bank loans, must be subordinated to any debts or other obligations owed by Franchisee to Franchisor whether under this Agreement or otherwise.

6.16 *Notice of Government Actions*. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance, against Franchisee, any of its principal or employees, or the Lighthouse Business, of any subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, or within five (5) days after occurrence of any accident or injury which may adversely affect the operation of the Lighthouse Business or the financial condition of Franchisee, or give rise to liability or a claim against Franchisee or Franchisor.

6.17 *Innovations*. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of Lighthouse Businesses (including but not limited to means any improvement, change, idea, innovation, suggestion or variation that may tend to enhance or improve the scope of materials, program offerings, efficiency or effectiveness of the System), whether or not constituting protectable intellectual property ("**Innovations**"). Franchisee agrees that such Innovations will be Franchisor's sole and exclusive property and hereby transfers and agrees to transfer all rights, including patent and copyright rights, in such Innovations to Franchisor. In addition, if Franchisee creates or has created any content, data, information, drawings, graphics, or images in connection with operating or promoting the Lighthouse Business ("**Creations**"), Franchisee agrees that such Creations will be Franchisor's sole and exclusive property and hereby transfer and agrees to transfer all rights, including copyright rights, in such Creations to Franchisor. If Franchisee is prevented for any reason from assigning rights in Innovations and Creations to Franchisor, Franchisee hereby grants to Franchisor (and agree to obtain any necessary rights from Franchisee's affiliates, owners, employees, and/or contractors to grant us) a perpetual, non-exclusive, fully transferable, and worldwide right to use any such Innovations and Creations in any businesses that Franchisor and/or its affiliates, franchisees and designees operate. Franchisee further agrees to sign any further assignment or other documents that Franchisor may request to evidence Franchisor's ownership in, or to assist Franchisor in securing, intellectual property rights in such Innovations and Creations. Franchisor will have the right to use those Innovations and Creations without making payment to Franchisee. Franchisee agrees not to use any such Innovation or Creation outside the System, and not to allow any other person or entity to use any such Innovation or Creation for any purpose, without obtaining Franchisor's prior written approval.

7 <u>TECHNOLOGY</u>

7.1 *Computer System and Required Software.* Franchisee agrees to install and use the Computer System and Required Software, as further described below.

7.1.1 Franchisor has the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Lighthouse Businesses, and in accordance with Franchisor's standards, including: (a) back office and sales and management systems, data, audio, video, telephone, voice messaging, retrieval, and transmission systems, customer relationship management systems and other information technology services and products for use in Lighthouse Businesses, and between and/or among Franchisor, Franchisee and Lighthouse Businesses and designees; (b) physical, electronic, and other security systems and measures; (c) printers and other peripheral devices; (d) archival back-up systems; (e) internet access mode (e.g., form of telecommunications connection) and speed; (f) technology used to enhance and evaluate the customer experience; and ((j) cloud-based back-end management systems and storage sites (collectively, all of the above are referred to as the "**Computer System**").

7.1.2 Franchisor has the right, but not the obligation, to develop or have developed for Franchisor, or to designate: (a) computer software programs and accounting system software that Franchisee must install and/or use in connection with the Computer System

("**Required Software**"); (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record data; and (d) the database file structure of the Computer System.

7.1.3 Franchisee agrees to enter into appropriate agreements with vendors of the Computer System and Required Software (which vendors may include Franchisor or its affiliates), and pay those vendors according to the terms of those arrangements.

7.1.4 Franchisee agrees to implement and periodically make upgrades and other changes to the Computer System and Required Software as Franchisor may reasonably request in writing.

7.1.5 Franchisee agrees to comply with all specifications Franchisor issues with respect to the Computer System and the Required Software, including any upgrades. Franchisee must also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software, in the manner, form, and at the times Franchisor requests.

7.1.6 Franchisee agrees that Franchisor will have the right to approve or disapprove Franchisee's use of any other technology solutions (including beacons and other tracking methodologies).

7.2 *Data*. All data provided by Franchisee, uploaded to Franchisor's system from the Franchisee's system, and/or downloaded from the Franchisee's system to Franchisor's system is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created, collected, or otherwise developed by Franchisee in connection with the System, and in connection with Franchisee's operation of the business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Franchisor has the right to download or gain access to Franchisee's computer system. Franchisee agrees to transfer to Franchisor all data that Franchisor does not automatically collect upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with operating the business franchised under this Agreement. Franchisee agrees that except for the right to use the data under this clause, Franchisee will not develop or have any ownership rights in or to the data. Upon termination, expiration, and/or transfer of this Agreement and/or the Lighthouse Business, Franchisee agrees to provide Franchisor with all data (in the digital machine-readable format that Franchisor specifies, and/or printed copies, and/or originals) promptly upon Franchisor's request. In this Agreement, references to "data" exclude consumers' credit card and/or other payment information.

7.3 *Data Requirements and Usage*. Franchisor may, from time-to-time, specify in the Manual or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System used in operating the Lighthouse Business, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Lighthouse Business (including data pertaining to or otherwise about Lighthouse Business customers) is and shall be the exclusive property of Franchisor, and Franchisor hereby grants a royalty-free non-exclusive license to Franchisee to use said data during the term of this Agreement.

7.3.1 Franchisee shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

7.3.2 Franchisee shall comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to

Privacy Laws and actual applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law.

7.3.3 Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

7.3.4 Franchisee agrees to implement at all times appropriate physical and electronic security as is necessary to secure Franchisee's Computer System, including complex passwords that Franchisee changes periodically, and to comply with any standards and policies that Franchisor may issue (without obligation to do so) in this regard.

7.4 *Digital sites*. Unless otherwise approved in writing by Franchisor, Franchisee shall not establish an Digital Site relating in any manner whatsoever to the Lighthouse Business or referring to the Proprietary Marks. Franchisor will have the right, but not the obligation, to provide one or more references or webpage(s), as Franchisor may periodically designate, within Franchisor's Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), the metaverse, and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if Franchisor gives its prior written consent for Franchisee to have a separate Digital Site (which Franchisor is neither obligated to provide nor is Franchisor obligated not to rescind, even if given), then each of the following provisions will apply:

7.4.1 Franchisee agrees that any Digital Site owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 12.2 below.

7.4.2 Franchisee shall not establish or use any Digital Site without Franchisor's prior written approval.

7.4.3 Before establishing any Digital Site, Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, without limitation, proposed screen shots, links, and other content), and non-visible content (including, without limitation, meta tags, cookies, and other electronic tags) in the form and manner Franchisor may reasonably require;

7.4.4 Franchisee shall not use or modify such Digital Site without Franchisor's prior written approval as to such proposed use or modification.

7.4.5 In addition to any other applicable requirements, Franchisee shall comply with the Standards and specifications for Digital Sites that Franchisor may periodically prescribe in the Manuals or otherwise in writing.

7.4.6 If required by Franchisor, Franchisee shall establish such hyperlinks to Franchisor's Digital Site and others as Franchisor may request in writing.

7.4.7 Franchisor may require Franchisee to make Franchisor the sole administrator (or co-administrator) of any social networking pages that Franchisee maintains or that are maintained on Franchisee's behalf, and Franchisor will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

7.5 *Online Use of Marks and E-mail Solicitations*. Franchisee agrees not to use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the Lighthouse System as part of any e mail address, domain name, social network and/or social network or social media name or address, and/or any other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with any laws pertaining to sending e-mails including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003") and the Federal Telephone Consumer Protection Act. (As used in this Agreement, the term "**electronic communication**" is agreed to include all methods for sending communication electronically, whether or not currently invented or used, including e mails, text messages, and faxes.)

7.6 *No Outsourcing without Prior Written Approval*. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor. The provisions of Franchisee also agrees not to implement, use, or otherwise engage with AI Sources without Franchisor's prior written consent. The term "AI Source" means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources. this Section 7.6 are in addition to and not instead of any other provision of this Agreement.

7.7 *Changes to Technology*. Franchisee and Franchisor agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor has the right to establish, in writing, reasonable new standards for the implementation of technology in the Lighthouse System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

7.8 *Electronic Communication – Including E-Mail, Fax and Texts*. Franchisee agrees that exchanging information with Franchisor by electronic media is an important way to enable quick, effective, and efficient communication, and that Franchisor is entitled to rely upon Franchisee's use of e-mail, faxes and texts for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, Franchisee authorizes the transmission of electronic communications by Franchisor and Franchisor's employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "**Official Senders**") to Franchisee during the term of this Agreement.

7.8.1 In order to implement the terms of this Section 7.8, Franchisee agrees that: (a) Official Senders are authorized to send electronic communication to those of Franchisee's employees as Franchisee may occasionally designate for the purpose of communicating with Franchisor; (b) Franchisee will cause its officers, directors, members, managers, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Franchisor may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the term of this Agreement.

7.8.2 The consent given in this Section 7.8 shall not apply to the provision of notices by either party under this Agreement using electronic communication unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

7.8.3 Franchisor may permit or require Franchisee to use a "Lighthouse" e-mail address (that is, one that will contain a Top Level Domain Name that Franchisor designates, such as jane.smith@lighthouse.com or "john.jones@lighthousefranchisee.com) (the "**Lighthouse e-mail address**") in connection with the operation of the Lighthouse Business. Franchisee may be required to sign Franchisor's then-current form of terms and conditions for use of Lighthouse e-mail addresses for this purpose. If Franchisor assigns Franchisee a Lighthouse e-mail address, then Franchisee agrees that Franchisee (and its employees) will use only that e-mail account for all official business associated with its Lighthouse Business.

8 <u>PROPRIETARY MARKS</u>

8.1 *Franchisee Acknowledgements*.

8.1.1 Franchisee agrees that Franchisor owns all right, title and interest, together with all the goodwill, of the Proprietary Marks. Franchisee further agrees that Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor from time to time during the term of the Franchise. Any unauthorized use of the Proprietary Marks by Franchisee shall constitute a breach of this Agreement and an infringement of Franchisor's rights in and to the Proprietary Marks.

8.1.2 Franchisee agrees that all usage of the Proprietary Marks by Franchisee and any goodwill established by Franchisee's use of the Proprietary Marks shall inure to the exclusive benefit of Franchisor and its affiliates and that this Agreement does not confer any goodwill or other interests in the Proprietary Marks upon Franchisee. Franchisee further agrees that it acquires no right, title or interest in any of the marks or any additional trademark that may be developed unless specifically granted such pursuant to the terms of a separate license agreement. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Proprietary Marks or assist any other person in contesting the validity or ownership of the Proprietary Marks.

8.2 *Use of the Proprietary Marks*. Franchisee shall not use the Proprietary Marks or any portion of any Proprietary Mark: (a) as part of its corporate or other legal name; (b) as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; and/or (c) in connection with any employment or H.R. documents (including but not limited to employment applications, paychecks, pay stubs, payment notices, employment agreements, and correspondence with Franchisee's r employees). Franchisee shall not use any Proprietary Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee agrees to properly attribute the ownership of the Proprietary Marks to Franchisor, or their respective affiliates, in such manner, and including such notices of trademark and service mark registrations, as Franchisor may periodically specify in writing. Franchisee shall obtain and maintain such fictitious or assumed name registrations as may be required under applicable law.

8.3 *Actions involving the Proprietary Marks*. Franchisee shall promptly notify Franchisor of any attempt that Franchisee knows of, or should know of, by any other person, firm, or corporation to use the Proprietary Marks or any colorable imitation thereof. Upon receipt of timely notice of such infringement, Franchisor shall have the sole right to determine whether or not any action shall be taken on account of any such infringements or imitations. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Proprietary Marks and shall exercise such right in their sole discretion. Franchisee shall not institute any suit or take any actions with regards to the Proprietary Marks. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the Lighthouse System undertaken by Franchisor, Franchisee shall cooperate with Franchisor, in the manner and to the extent requested, and shall execute any and all documents and take all actions as may be desirable or necessary in the opinion of counsel, to carry out such defense or prosecution. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out of pocket costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor shall bear the costs of any judgment or settlement. However, if such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, then Franchisee agrees that it shall reimburse Franchisor for all of its out of pocket costs in defending the case, including but not limited to reasonable legal fees and related costs (such as trial costs, expert witnesses, and the like), and that Franchisee shall also bear the costs of any judgment or settlement.

8.4 *Substitution of Proprietary Marks*. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Proprietary Mark, and/or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, Franchisee agrees to comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor, and Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Proprietary Mark, or the costs associated with changing signs and other indicia at or in connection with the Lighthouse Business.

8.5 *Right to Inspect Lighthouse Business*. In order to preserve the validity and integrity of the Proprietary Marks and copyrighted material licensed under this Agreement and to assure that Franchisee is properly employing the same in the operation of its Lighthouse Business, Franchisor or its agents has the right of entry and inspection of Franchisee's premises and operating procedures at all reasonable times. Franchisor has the right to observe the manner in which Franchisee is rendering its services and conducting its operations, to confer with Franchisee's employees and customers, to inspect service techniques and procedures, to inspect inventory mix, and to evaluate products, supplies, accessories, and other items to make certain that the services, products, materials and supplies are satisfactory and meet the quality control provisions and performance standards established by Franchisor.

9 MANUAL

9.1 *The Manual*. Franchisor shall provide to Franchisee, as described in Section 9.2 below, the "Lighthouse Landscape Lighting Operations Manual" (the "**Manual**"). As used in this Agreement, the term "Manual" includes the Landscape Lighthouse Lighting Operations Manual, other manuals, written directives, materials, and any other confidential communications provided or approved by Franchisor, whether or not such instructions are made part of the Operations Manual. Franchisor has the right to amend and modify the Manual periodically, as Franchisor deems appropriate, to reflect additions to, deletions from, and modifications to, the specifications of those services and products that comprise a part of the Lighthouse System. Franchisee expressly agrees that each new or changed standard and/or specifications shall be deemed effective upon receipt. The Manual shall delineate reasonable and mandatory specifications, standards, operating procedures, and rules prescribed periodically prescribed by Franchisor for Lighthouse Businesses, the products and services that Franchisor deems to comprise a part of the Lighthouse System, and other guidelines and recommendations with respect to operational procedures. Franchisor has the right to add to and otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for Lighthouse Businesses, provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Franchise Agreement.

9.2 *Furnishing the Manual to Franchisee*. Franchisor shall loan to Franchisee one (1) copy of the Manual for Franchisee's use only in connection with the Lighthouse Business during the term of this Agreement. Franchisor has the right to provide the Manual in any format it determines is appropriate, including paper format or by making the Manual available to Franchisee in electronic form (such as through an internet website). If Franchisor elects to provide the Manual electronically, Franchisee shall immediately return to Franchisor any and all physical copies of the Manual.

9.3 *Manual Remains Franchisor's Property*. The Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon the expiration or other termination of this Agreement.

9.4 *Manual is Proprietary and Confidential*. The Manual contains proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of the franchise and subsequent to the expiration and/or termination of the franchise. Franchisee shall at all times insure that its copy of the Manual be available at the Lighthouse Business premises in a current and up-to-date manner. Franchisee shall not make any unauthorized use, disclosure or duplication of any portion of the Manual. At all times that the Manual is not in use by authorized personnel, Franchisee shall maintain the Manual in a locked receptacle at the premises of the Lighthouse Business, and shall only grant authorized personnel, as defined in the Manual, access to the key or lock combination of such receptacle. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office will be controlling. Access to any electronic version of the Manuals shall also be subject to Franchisor's reasonable requirements with respect to security and other matters, as described in Section 7 above.

10 <u>CONFIDENTIAL INFORMATION</u>

10.1 *Agreement with respect to Confidentiality*. Franchisee acknowledges and agrees that its entire knowledge of the operation of a Lighthouse Business, including the Manual, the method of marketing, pricing, installing and servicing of related products, services, standards and Lighthouse Business operating procedures, customer names and addresses, is derived from information disclosed to Franchisee by Franchisor and that such information is proprietary, confidential and the trade secret of Franchisor. Franchisee agrees that it will maintain the absolute confidentiality of all such information during and after the term of the franchise and that it will not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor, whether during or after the term of this Agreement.

10.2 *Limits on Disclosing Confidential Information*. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate Lighthouse Business.

10.3 *What is Confidential*. Unless designated otherwise in writing by Franchisor, any and all information, knowledge and know-how, including, without limitation, drawings, materials, computer equipment, other equipment, specifications, techniques, Lighthouse Business systems, and other data, shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through non-wrongful publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through non-wrongful publication or communication by others.

10.4 *Remedies for Breach*. Due to the special and unique nature of the confidential information, Proprietary Marks, and Manual of Franchisor, Franchisee hereby agrees that Franchisor shall be entitled to seek immediate equitable remedies, including but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential, unique, and special information of Franchisor. Franchisee further agrees that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Sections 9 and 10 of this Agreement, and Franchisee agrees to pay, in addition to other damages, all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of Sections 9 and 10 of this Agreement. All employees of Franchisee having access to the confidential and proprietary information agreements or other proprietary information of Franchisor shall be required to execute confidential information agreements in the form acceptable to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

11 ACCOUNTING AND RECORDS

11.1 *Books and Records*. Franchisee shall maintain during the term of this Agreement, and shall preserve for the time-period specified in the Manual, full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall, retain during the term of this Agreement and thereafter, for a period of at least three (3) years from the date of their preparation, all books and records related to the Lighthouse Business, including sale checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals and general ledgers. Franchisee agrees to allow Franchisor access to review such records as specified below in Section 11.3.

11.2 *Franchisee's Reports to Franchisor*. In addition to the requirements of Section 4.5 above, Franchisee shall:

11.2.1 Provide to Franchisor monthly during the term of this Agreement, after the opening of the Lighthouse Business, a royalty report, in the form prescribed by Franchisor, accurately reflecting Total Gross Revenue during the preceding calendar month, and such other data or information as Franchisor may require.

11.2.2 Submit to Franchisor within ninety (90) days after the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("**GAAP**"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements, prepared in accordance with GAAP, audited by an independent certified public accountant approved by Franchisor. Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

11.2.3 Franchisee shall maintain its books and records using the templates and categories that Franchisor reasonably provides to Franchisee.

11.2.4 Franchisee shall also submit to Franchisor, for review or auditing, such other forms, reports, records, sales tax receipts, information, and data as Franchisor may reasonably designate, in the forms and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing (including the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means). Franchisee shall provide to Franchisor, or its designee, on Franchisor forms designated for such use by Franchisor, reports of daily receipts, vendor purchases, payroll payments, and such other forms, reports, records, and information as Franchisor may request from time to time. Franchisee shall also report all discounts, allowances and premiums received from vendors.

11.3 *Franchisor's Right to Inspect and Audit*. Franchisor or its designated agents has the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and sales and income tax returns of Franchisee. Franchisee agrees to execute at Franchisor's request a power of attorney, I.R.S. Form 4506 or similar document, to authorize Franchisor to obtain copies of Franchisee's previous years' tax filings for the entity controlling the Lighthouse Business. Franchisor shall also have the right, at any time, to have an independent audit made of the books of the Lighthouse Business. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest on such amount from the date such amount was due until paid, at the rate which is two percent (2%) above the Prime Rate published in the Wall Street Journal on the date payment was due, or the maximum rate permitted by law, whichever is less, calculated on a daily basis. If an inspection discloses an understatement in any payment of three percent (3%) or more, Franchisee shall, in addition to the payments due under the immediately preceding sentence, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs). Franchisor has the right to terminate this Agreement upon discovery of two (2) such discrepancies in a single calendar year. If an inspection discloses an understatement in any payment of ten percent (10%) or more, it shall constitute grounds for immediate termination of this Agreement, as set forth in Section 14 of this Agreement. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12 ADVERTISING

12.1 *Standards for Advertising*. Franchisee agrees that all of its advertising, marketing, and promotional plans must be: (a) in the media, and of the type and format, as Franchisor may approve under Section 12.2 below; (b) be conducted in a dignified manner; and (c) conform to such standards and requirements as Franchisor may specify. Franchisee agrees not to use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 12.2 below.

12.2 *Franchisor's Approval of all Proposed Advertising Plans and Materials*. For all proposed advertising, marketing, and promotional plans, Franchisee agrees to submit samples of such plans and materials to Franchisor (by means described in Section 22 below), for Franchisor's review and prior written approval (except with respect to prices to be charged by Franchisee). If Franchisee does not receive Franchisor's written approval within ten (10) days of when Franchisor received all of the sample materials, then the parties agree that Franchisor shall be deemed to have disapproved the proposed advertising, marketing, and/or promotional plans. Any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

12.3 *Advertising Materials*. Franchisor shall make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion. In addition, Franchisor may develop advertising programs for the promotion of Proprietary Marks or merchandise offered by Lighthouse Business.

12.4 *Grand Opening Advertising Program*. Franchisee agrees that it will develop and submit to Franchisor, for Franchisor's prior written approval, a grand opening marketing plan; and Franchisee also agrees that if Franchisor does not approve Franchisee's proposed plan, or if Franchisee does not submit a plan, Franchisor has the right (but not the obligation) to prepare a grand opening marketing plan for Franchisee (either way, the "**Opening Plan**"). Franchisee agrees to spend at least Five Thousand Dollars ($5,000) for grand opening advertising and promotional programs in conjunction with the Lighthouse Business' initial grand opening, in accordance with the Opening Plan (the "**Grand Opening Advertising Program**"). Franchisee shall execute and complete the Grand Opening Advertising Program within the first ninety (90) days after the signing of this Agreement, and subject to Section 12.2 above.

12.5 *Franchisee's Ongoing Marketing Contributions and Expenditures*. For each month during the term of this Agreement, Franchisee agree to contribute or spend an amount equal to five percent (5%) (unless Franchisor designates a lower amount for some period) of Total Gross Revenue during the preceding month (the "**Marketing Obligation**"), allocated as provided in Section 12.5.1 below. The Marketing Obligation is in addition to the Grand Opening Advertising Program required under Section 12.4 above.

12.5.1 Franchisor will have the right to allocate the Marketing Obligation in the proportion that Franchisor designates among the following: (a) a marketing and promotional fund for the U.S. (the "**Brand Fund**"), which Franchisor has the right (but not the obligation) to establish as provided in Section 12.6 below; (b) a Regional Fund, which Franchisor has the right (but not the obligation) to establish for Franchisee's area, as provided in Section 12.7 below and (c) amounts to be spent by Franchisee on local marketing and promotion conducted as provided in Section 12.8 below.

12.5.2 Franchisor currently allocates the Marketing Obligation as follows: 5.0% of Total Gross Revenue to be spent by Franchisee on local marketing and promotion, as specified in Section 12.8 below. During any period when Franchisee is required to contribute to a Brand Fund and/or to a Regional Fund, such contributions must be paid, at the same time and in the same manner as the Royalty.

12.5.3 Franchisor has the right to periodically make changes to the allocation of the Marketing Obligation by giving Franchisee at least thirty (30) days prior written notice of the change, and those changes will take effect as stated in the notice.

12.5.4 No part of the Marketing Obligation shall be subject to refund or repayment under any circumstances.

12.6 *Brand Fund*. Franchisor has the right (but not the obligation) to establish, maintain, and administer the Brand Fund. All of the following provisions apply to the Brand Fund:

12.6.1 Franchisor (or its designee) has the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the Lighthouse System; and that Franchisor and its designee are not obligated, in administering the Brand Fund, to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund.

12.6.2 The Brand Fund, all contributions to that fund, and any of that fund's earnings, are used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that Franchisor believes will enhance the image of the Lighthouse System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures ,and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Lighthouse Businesses and their competitors; paying association dues, establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Lighthouse Businesses operated under the System).

12.6.3 Franchisee agrees to contribute the portion of the Marketing Contribution allocated to the Brand Fund in the manner and at the times that are specified above in Section 12.5. The Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements Franchisor deems, in its sole discretion, will promote general public awareness and favorable support for the Lighthouse System. All sums Franchisee pay to the Brand Fund will be maintained in an account separate from Franchisor's other monies and will not be used to defray any of Franchisor's expenses, except for such reasonable costs and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Brand Fund and marketing programs that benefit both franchisees and the Lighthouse brand as a whole. The Brand Fund and its earnings will not otherwise inure to benefit. Franchisor or its designee will maintain separate bookkeeping accounts for the Brand Fund.

12.6.4 The Brand Fund is not and will not be Franchisor's asset. Franchisor will prepare and make available to Franchisee upon reasonable request an annual statement of the operations of the Brand Fund as shown on Franchisor's books.

12.6.5 Although once established the Brand Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Brand Fund. The Brand Fund will not be terminated, however, until all monies in the Brand Fund have been expended for marketing purposes.

12.6.6 Franchisor will not use the Brand Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.

12.7 *Regional Fund*. Franchisor has the right, in its sole discretion, to establish a regional advertising fund for Lighthouse Businesses for the area that includes Franchisee's Lighthouse Business ("**Regional Fund**"). If a Regional Fund is established for a geographical area that includes Franchisee's area, Franchisee must contribute to that Regional Fund the portion of the Marketing Obligation that Franchisor allocates to the Regional Fund as provided in Section 12.5 above. If established, Franchisor or its designees will administer the Regional Fund and will direct all advertising, marketing, and public relations programs and activities financed by the Regional Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. Franchisee agrees that the Regional Fund may be used for the same purposes as described in Section 12.6 above regarding the Brand Fund as such relate to the activities and expenses of a Regional Fund. Franchisee agrees to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Regional Fund.

12.8 *Local Advertising and Promotion*. Franchisee must spend such amounts on local marketing and promotion as Franchisor specifies in Sections 12.5 above on a continuous basis (monthly if not otherwise as agreed with us in writing). As used in this Agreement, the term "**local advertising and promotion**" shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in its local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that local advertising and promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

12.8.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

12.8.2 Charitable, political, or other contributions or donations;

12.8.3 The value of discounts provided to consumers; and

12.8.4 The cost of products.

12.9 *Yellow Page Listings*. Franchisee agrees to maintain a business phone and advertise continuously in the classified, White, and Yellow Pages of the local telephone directory under listings deemed appropriate by Franchisor using mats of the type and size approved in advance by Franchisor. When more than one (1) Lighthouse Business serves a metropolitan area, classified advertisements shall list all Lighthouse Businesses operating in compliance with their franchise agreements (as of the date the advertisement is placed) within the reasonably anticipated distribution area of such classified directories, and Franchisee shall contribute its equal share in the cost of such advertisement. The requirements of this Section shall be in addition to the requirements with respect to the Advertising Commitment.

12.10 *Maintain Records*. Franchisee agrees to keep a file copy of all media advertising and to make these files available to Franchisor upon request.

13 TRANSFERABILITY

13.1 *Transfer by Franchisor*. Franchisor has the right to transfer this Agreement, and/or any or all of its rights and privileges hereunder to any other person or legal entity without Franchisee's prior consent; provided that, with respect to any assignment resulting in the subsequent performance by the transferee of the functions of Franchisor, the transferee shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

13.2 *No Subfranchising by Franchisee*. This Agreement does not give Franchisee the right to grant subfranchises or licenses to any party. Franchisee agrees not to offer, sell, or negotiate the sale of Lighthouse Business franchises to any party.

13.3 *Principals of Franchisee*. If Franchisee is a corporation or partnership, each principal of Franchisee (“**Principal**”), and the interest of each Principal in Franchisee, is identified in Exhibit D to this Agreement. Any person or entity which owns a direct or indirect interest in Franchisee may be designated as a Principal by Franchisor in its sole discretion, and Exhibit D shall be so amended automatically upon notice thereof to Franchisee. Franchisor shall have a continuing right to designate as a Principal any person or entity which owns a direct or indirect interest in Franchisee.

13.4 *No Transfers Without Franchisor’s Prior Written Approval*. Franchisee understands and agrees that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee’s or Franchisee’s Principals’ business skill, financial capacity, and personal character. Accordingly:

13.4.1 Franchisee agrees that without Franchisor's prior written consent, Franchisee will not Transfer: (a) Franchisee's rights and/or obligations under this Agreement; or (b) any of Franchisee's material assets used in the Lighthouse Business.

13.4.2 Franchisee agrees that without Franchisor's prior written consent, no party that owns any interest (whether direct or indirect, or beneficial) in Franchisee may Transfer that interest.

13.4.3 As used in his Agreement the term "**Transfer**" means any sale, gift, pledge, encumbrance, and/or any other direct or indirect assignment.

13.4.4 If Franchisee is an Entity, then Franchisee shall not issue (without Franchisor's prior written consent) any voting interest (including but not limited to stock, a security document, interests that can be converted into voting securities, an LLC interest, and/or a partnership interest). Any party that owns such an interest in Franchisee shall be a "Principal" under this Agreement. A Principal shall not, without Franchisor's prior written consent, Transfer his/her/its interest in Franchisee.

13.5 *Conditions on Transfers*. Franchisor shall not unreasonably withhold any consent required by Section 13.4 above; provided, if Franchisee proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Franchisee, Franchisor has the right to require any or all of the following as conditions of its approval:

13.5.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, members, managers, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Franchisee and Franchisor or its affiliates, and federal, state, and local laws and rules;

13.5.2 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if the obligations of Franchisee were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

13.5.3 After the transfer, the Principals of the Franchisee shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Lighthouse Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Lighthouse Business;

13.5.4 If a proposed transfer would result in a change in control of Franchisee, then Franchisor has the right to require that Franchisee execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement then being offered to new Lighthouse System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher Monthly Operations Fee, Royalty Fee, Technology Fee, and/or marketing and advertising fees;

13.5.5 If so requested by Franchisor, Franchisee, at its expense, shall upgrade the Lighthouse Business to conform to the then-current standards and specifications of new Lighthouse Businesses then-being established in the Lighthouse System, and shall complete the upgrading and other requirements within the time specified by Franchisor;

13.5.6 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Lighthouse Business that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

13.5.7 The transferee shall operate the Lighthouse Business only in accordance with the terms and conditions of this Agreement (or, if required under Section 13.5.4, a new franchise agreement);

13.5.8 At Franchisee's expense, one Principal designated by Franchisor shall successfully complete all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require;

13.5.9 Transferee shall pay a transfer fee in the amount of Five Thousand Dollars ($5,000);

13.5.10 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Sections 16.3 and 16.4 below.

13.6 *Right of First Refusal*.

13.6.1 If Franchisee or any Principal desires to accept any bona fide offer from a third party to purchase Franchisee, any material assets of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor of such offer and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor has the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor.

13.6.2 Any material change in the terms of the offer prior to closing, or lapse of more than ninety (90) days without such transfer, shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer.

13.6.3 If Franchisor does not exercise the option afforded by this Section 13.6, that does not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13 with respect to a proposed transfer.

13.6.4 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash (as just one example, this would include situations where the buyer proposes to pay with a unique item such as a parcel of real estate instead of cash). If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then an independent appraiser shall be promptly designated by

Franchisor and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third (3rd) appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Franchisee. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 13.6, Franchisor has the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

13.7 *Principal's Death*. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within six (6) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within six (6) months after the deceased's death.

13.8 *Controlling Principal's Permanent Disability*. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 13 within six (6) months after notice to Franchisee. "Permanent Disability" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of Permanent Disability is unlikely. Permanent Disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 13.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

13.9 *Operation in the Event of Permanent Disability or Death*. In order to prevent any interruption of the Lighthouse Business which would cause harm to the Lighthouse Business and thereby depreciate the value thereof to Franchisee, if Franchisee is absent or incapacitated by reason of Permanent Disability or death, Franchisee authorizes Franchisor to operate the Lighthouse Business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement; provided, however, that Franchisor has the right not to undertake these activities and shall not be obligated to operate the franchise. If Franchisor does so, then all monies from the operation of the business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the Lighthouse Business, including reasonable compensation and expenses for Franchisor's representative, shall be charged to said account. If, as provided in this Section 13.9, Franchisor temporarily operates the Lighthouse Business, Franchisee shall indemnify and hold harmless Franchisor and any representatives of Franchisor who may act hereunder, from any and all claims arising from the operation of the Lighthouse Business, including, without limitation, the acts and omissions of Franchisor and its representatives.

13.10 *No Waiver*. Franchisor's consent to a transfer which is the subject of this Section 13 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

13.11 *Bankruptcy*. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of Franchisee, Franchisee's obligations and/or rights hereunder, any material assets of Franchisee, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 13, including the terms of Sections 13.3, 13.4, and 13.5.

13.12 *Securities Offerings*. All materials for an offering of stock or partnership interests in Franchisee (or any affiliate of Franchisee if it would affect ownership or control of Franchisee) which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee or any affiliate of Franchisee shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee's affiliates. Franchisor shall have the right to review the offering materials, and Franchisor's review of any offering will be for the limited purpose of evaluating the information regarding the relationship between Franchisor and Franchisee (and any subsidiaries and affiliates, if applicable) and LL System, and will not be to advise Franchisee regarding the offering. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the Principals, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee of Seven Thousand Five Hundred Dollars ($7,500) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 13.11 commences. Any such offering shall be subject to all of the other provisions of this Section 13, including the terms set forth in Sections 13.3, 13.4, and 13.5; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

13.13 *Changes Merely for the Convenience of Ownership*. If Franchisee proposes to reincorporate its business or change the Entity in which the rights under this Agreement and the assets of the Lighthouse Business are owned, solely for the convenience of the Principals and not for any other purpose, and there is to be no change in the composition of the Principals or any other aspects of the owner of Franchisee, then in connection with such a proposed transfer: (a) Franchisor shall not withhold its approval; and (b) Franchisee shall not be required to comply with the provisions of Sections 13.4.4, 13.4.8, 13.4.9, and 13.5 above.

14 TERMINATION

14.1 *Termination Without Opportunity to Cure*. Franchisee shall be deemed to be in default and Franchisor has the right to terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Franchisor, upon the occurrence of any of the following events:

14.1.1 Any attempt by Franchisee or any Principal to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required pursuant to this Agreement;

14.1.2 Franchisee's failure to meet the Minimum Development Obligation within the Development Period;

14.1.3 Franchisee failure to meet the Minimum Performance Standard as specified in Section 2.2 above;

14.1.4 If Franchisee at any time ceases to operate for thirty (30) days or more consecutive business days, or otherwise abandons the Lighthouse Business, or otherwise forfeits the right to do or transact business in the jurisdiction where the Lighthouse Business is located;

14.1.5 If Franchisee or any Principal is convicted of a felony, fraud, a crime involving moral turpitude, or any other crime, offense, or activity that Franchisor believes is reasonably likely to have an adverse effect on the Lighthouse System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

14.1.6 If a threat or danger to public health or safety results from the maintenance or operation of the Lighthouse Business which is not immediately corrected by Franchisee;

14.1.7 If Franchisee and/or Franchisee's designated individual fails to attend and complete, to Franchisor's satisfaction, the initial training program required by Franchisor, as described in Section 6 of this Agreement;

14.1.8 If Franchisee fails to comply with the covenants set forth in Section 16 below, or fails to obtain execution of the covenants required under Section 16.9 below;

14.1.9 If, contrary to the terms of Sections 8 or 9 of this Agreement, Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

14.1.10 If an approved transfer is not effected within a reasonable time, as required by Section 13 below;

14.1.11 If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor; or any inspection of Franchisee's records discloses an understatement of payments due Franchisor of ten percent (10%) or more;

14.1.12 If Franchisee, after curing a default pursuant to Section 14.3 below, commits the same act of default again within a twelve (12) month period;

14.1.13 If Franchisee incurs a Late Fee under Section 4.5 above three (3) or more times within a twelve (12) month period; or

14.1.14 If Franchisee repeatedly fails to pay on a timely basis its taxes or other governmental charges, or payments to suppliers, contractors, or trade creditors.

14.1.15 Any breach with respect to Anti-Terrorism Laws as set forth in Section 24.5 below.

14.2 *Automatic Termination*. Franchisee shall be deemed to be in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or against Franchisee and not opposed to by Franchisee; or if Franchisee is adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if the real or personal property of Franchisee's Lighthouse Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

14.3 *Termination After Notice*. Except as otherwise provided in Sections 14.1 and 14.2 above, upon any other default under this Agreement by Franchisee, Franchisor may terminate this Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days before the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty-day period (if the default is of such a nature that it cannot reasonably be cured within thirty days, and if Franchisee has initiated and is diligently pursuing a cure, and has given written notice thereof to Franchisor within the original thirty-day period, then Franchisee shall be entitled to an additional thirty days within which to complete the cure). If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. The parties agree that a default "of such a nature that it cannot reasonably be cured within thirty days" does not include failure to pay monies when due and in the amount due. Among other things, Franchisee shall be in default hereunder for any failure to comply with any of the requirements imposed by this Agreement or any other Agreement between Franchisor (or an affiliate of Franchisor) and Franchisee (or an affiliate of Franchisee), as it may from time to time reasonably be supplemented, or to carry out the terms of this Agreement in good faith.

15 <u>OBLIGATIONS UPON TERMINATION OR EXPIRATION</u>

Upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate immediately, and:

15.1 *Cease Operation*. Franchisee shall immediately cease to operate the Lighthouse Business under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

15.2 *Stop Using the Proprietary Marks*. Upon the expiration and/or termination of this Agreement, for any reason, Franchisee's right, license and privilege to use the Proprietary Marks shall immediately and forever terminate. Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures and techniques associated with the Lighthouse System; the Proprietary Marks; and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the Lighthouse System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles which display the Proprietary Marks; provided, however, that this Section 15.2 shall not apply to the operation by Franchisee of any other franchise under the Lighthouse System which may be granted by Franchisor to Franchisee pursuant to a separate agreement relating to such franchise.

15.3 *Cancel Assumed Name*. Franchisee shall take such action as may be necessary to cancel or assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name or equivalent registration filed with state, city, or county authorities which contains the marks "Lighthouse Landscape Lighting," "Lighthouse Outdoor Living", "Lighthouse Outdoor Lighting" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with confirmation that this obligation has been fulfilled within thirty (30) days after termination or expiration of this Agreement.

15.4 *No Use of the Proprietary Marks in Other Businesses*. Franchisee agrees, if it continues to operate (or subsequently begins to operate) any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents a past, present, or other association or connection with Franchisor, the Proprietary Marks, the Lighthouse System, the products or services sold under the Proprietary Marks, or otherwise.

15.5 *Pay All Amounts Due*. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates, including sums due for Monthly Ongoing Fees, amounts due for purchases made from Franchisor or its affiliates, amounts due (if any) under Section 15.12 below, and all other amounts to Franchisor or its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses (including reasonable attorney's fees) incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee at the time of default. In addition, all debts, including bank loans, must be subordinate to any debts owed by Franchisee to Franchisor.

15.6 *Pay Damages*. Franchisee shall pay to Franchisor all damages, costs, and expenses (including reasonable attorney's fees) that Franchisor incurs in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including this Section 15 and/or Section 14 above); and/or (b) successfully defending a claim that Franchisor defrauded Franchisee into signing this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement do not govern the parties' relationship.

15.7 *Return Materials to Franchisor*. Franchisee shall immediately deliver to Franchisor (and Franchisee shall not retain or provide any other party with a copy of) all written materials and manuals, including the Manual, records, customer lists, files, instructions, brochures, agreements, disclosure documents, correspondence, and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Lighthouse Business, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any applicable law.

15.8 *Return Signage*. Franchisee agrees that between it and Franchisor, Franchisor owns all of the right, title and interest to any sign or sign faces bearing the Proprietary Marks. Franchisee agrees that Franchisor's right to access the premises of the Lighthouse Business should Franchisor elect to take possession of any such sign or sign faces bearing the Proprietary Marks.

15.9 *Telephone Numbers*. Franchisor has the right to require Franchisee to use one or more designated telephone vendors for the phone service to Franchisee's Lighthouse Business, and may provide and/or designate the telephone numbers for Franchisee's Lighthouse Business. Franchisee agrees to conduct business on, and to direct customers to, such designated telephone number. Franchisee agrees to sign the power of attorney with respect to Franchisee's telephone service and telephone numbers that is attached as Exhibit F. Franchisee further agrees that all telephone numbers, e-mail addresses, domain names (if and as permitted), and other means of communication used in connection with operation of the Lighthouse Business (collectively, the "**Contact Numbers**") constitute assets of the Lighthouse Business; and upon termination or expiration of this Agreement, Franchisee shall assign (to the extent not already assigned) to Franchisor or its designee, all Franchisee's right, title, and interest in and to the Contact Numbers and shall notify the telephone company, all listing agencies, and any other party with which a Contact Number is registered of the termination or expiration of Franchisee's right to use any Contact Number, and shall cooperate and take such actions as may be necessary to complete a transfer of the Contact Numbers to, or upon written direction of, Franchisor.

15.10 *Purchase Of Certain Assets*. Within fifteen (15) days from the date of termination, Franchisee and Franchisor shall arrange for an inventory to be made, at Franchisor's cost, of all of the assets of the Lighthouse Business, including resaleable merchandise, materials, supplies, inventory, equipment, signs, advertising materials, and other items related to the operation of the Lighthouse Business, and/or bearing the Proprietary Marks (the "**Business Assets**"). Franchisor will have the option, to be exercised in writing within thirty (30) days after termination or expiration, to purchase from Franchisee any or all such Business Assets at a purchase price which will be to the lesser of Franchisee's cost or fair market value, and free of any liens, encumbrances, and/or other interests that may apply to any such assets. The parties agree that "cost" will be determined based upon a five (5) year straight line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value will be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it has the right to set off all amounts due from Franchisee under this Agreement. The purchase price will be paid in cash at the closing of the purchase, which shall take place no later than ninety (90) days after receipt by Franchisee of Franchisor's notice of exercise of this option to purchase the assets, at which time Franchisee must deliver instruments transferring to Franchisor or its nominee: (1) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by Franchisee; and (2) all licenses and permits which may be assigned or transferred. In the event that Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale will be accomplished through an escrow arrangement. Further, Franchisee and Franchisor agree that, prior to closing, they will comply with, as may be applicable, the Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Lighthouse Business is located. If Franchisor exercises this option to purchase the assets, pending the closing of such purchase above, Franchisor has the right to appoint a manager to maintain the operation of the Lighthouse Business, in accordance with the relevant provisions of Section 13. Alternatively, Franchisor may require Franchisee to close the Lighthouse Business during such time period without removing therefrom any assets. Franchisee must maintain in force all insurance policies required by Section 19 hereof until the date of closing.

15.11 *Comply with Covenants*. Franchisee agrees to comply with the covenants contained in Section 16 of this Agreement.

15.12 *Fee for Termination in First Year of New Business*. If this Agreement is for a new Lighthouse Business (and is not granted in connection with a renewal or transfer of an existing Lighthouse Business) and is terminated for any reason during the first full twelve (12) months following the Signature Date, then in addition to any other obligations of Franchisee under this Section 15 and Section 16 below, Franchisee agrees to pay Franchisor a lump-sum payment in an amount equal to: the total of Franchisee's Monthly Operations Fee for a twelve-month period less the amounts that Franchisee has actually paid to Franchisor as Monthly Operations Fee(s) during the period of time between the Signature Date and the date this Agreement is terminated. Franchisee agrees that this fee is not a penalty but is payable to Franchisor in consideration of the resources and expenses that Franchisor will incur in connection with granting a new franchise and with Franchisee's initial training and initial phase of operations. Nothing in this provision will be a waiver of any of Franchisor's rights regarding the early termination of this Agreement.

16 <u>COVENANTS</u>

16.1 *Coverage*. Unless otherwise specified, the term "Franchisee" as used in this Section 17 shall include, collectively and individually, all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; and the general partners and any limited partner (including any corporation and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of securities, of a corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership. The restrictions of Section 16.4.2, however, will not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

16.2 *Full Time, Energy, and Best Efforts*. Franchisee agrees that throughout the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (if Franchisee is an individual), a shareholder of a beneficial interest of ten percent (10%) or more of the securities of Franchisee (if Franchisee is a corporation), a general partner of Franchisee (if Franchisee is a partnership), or Franchisee's approved manager shall devote full time, energy, and best efforts, to the management and operation of the Lighthouse Business. Notwithstanding the above, the Franchisor agrees that Franchisee may operate other non-competing businesses outside of the Lighthouse Business so long as it does not adversely impact the sales of the Lighthouse Business and it is not operated within the same business entity.

16.3 *Understandings.* Franchisee specifically agrees that: (a) pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the Lighthouse System; (b) in developing the Lighthouse System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (c) Franchisor would be unable to adequately protect the Lighthouse System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in the Lighthouse System if franchisees were permitted to engage in Competitive Activities (as defined below); and (e) restrictions on Franchisee's right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder its activities. As used in this Section 16, the term "**Competitive Activity(ies)**" is agreed to mean installing and/or servicing landscape and outdoor lighting products and merchandise, and offering and selling, through any channel of distribution whatsoever, landscape and outdoor lighting products and merchandise, and/or other products and services that are the same as or similar to those provided or sold through the Lighthouse System, as Franchisor may authorize from time to time.

16.4 *Covenant Not to Compete or Engage in Injurious Conduct*. Accordingly, Franchisee covenants that, during the term of this Agreement and the Post-Term Period (as defined below), except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, in any manner whatsoever, do any of the following:

16.4.1 Divert, solicit, or attempt to divert or solicit any business or customer of any Lighthouse Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the Lighthouse System.

16.4.2 Directly or indirectly engage in any Competitive Activity or own, maintain, engage in, consult with, give advice to, franchise or license, make loans to, lease real or personal property to, and/or have any interest in, any business that engages in any Competitive Activities.

The "**Post-Term Period**" means a continuous period of two (2) years following (a) a transfer permitted under Section 13, (b) expiration or earlier termination of this Agreement (regardless of the cause for termination), or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appears have been exhausted).

16.5 *Where Restrictions Apply*. During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 16.4 above. During the Post-Term Period, the restrictions of Section 16.4 above will apply within the Protected Territory, within an area extending ten (10) miles beyond the perimeter of the Protected Territory, and within ten (10) miles of any other Lighthouse Businesses in existence or planned at the time the Post-Term Period begins. These restrictions will not apply to any Lighthouse Business that Franchisee (or its affiliates) operate under a valid franchise agreement with Franchisor.

16.6 *Agreement to be Abide by Less Restrictive Provisions*.

16.6.1 The parties agree that each of the covenants in this Section 16 shall be interpreted and understood to be independent of any other covenant or provision of this Agreement. If a court or agency that has proper jurisdiction (in an unappealed final decision to which Franchisor is a party) determines that the entire covenant or any part of a covenant in this Section 16 is unreasonable or unenforceable, then Franchisee expressly agrees to be bound instead by any less restrictive covenant that is included within the terms of the maximum covenant, just as if the resulting covenant were separately spelled out and made a part of this Section 16.

16.6.2 Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 16, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 21.7 below.

16.7 *No Claims Constitute a Defense*. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 16. Franchisee agrees to pay all costs and expenses (including reasonable attorney's fees) incurred by Franchisor in connection with the enforcement of this Section 16.

16.8 *Injury Resulting from Violations*. Franchisee acknowledges that Franchisee's violation of the terms of this Section 16 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 16.

16.9 *Personal Covenants*. At Franchisor’s request, Franchisee shall require and obtain execution of covenants similar to those set forth in this Section 16 (including covenants applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (a) all principals of Franchisee (if Franchisee is a corporation, partnership or limited liability company); (b) all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; and (c) the general partners, any limited partners or members (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner or members), if Franchisee is a partnership or limited liability company. Every covenant required by this Section 16.9 shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of a covenant required by this Section 16.9 shall constitute a default under Section 14.1.8 hereof.

17 APPLICABLE LAW AND DISPUTE RESOLUTION

17.1 *Governing Law*. This Agreement shall be interpreted and construed exclusively under the laws of the Commonwealth of Pennsylvania, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Pennsylvania choice-of-law rules); provided, however, that if the covenants in Section 16 of this Agreement would not be enforceable under the laws of Pennsylvania, and the Lighthouse Business is located outside of Pennsylvania, then such covenants shall be interpreted and construed under the laws of the state in which the Lighthouse Business is located. Nothing in this Section 17.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the Commonwealth of Pennsylvania to which the parties would not otherwise be subject.

17.2 *Choice of Venue*. Subject to Section 17.3 below, the parties agree that any action that Franchisee brings against Franchisor, in any court, whether federal or state, must be brought only within such state and in the judicial district in which Franchisor has its principal place of business. Any action brought by Franchisor against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor maintains its principal place of business.

17.2.1 The parties agree that this Section 17.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above.

17.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

17.2.3 Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

17.3 *Mediation*. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 17.5 below). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes of Judicial Arbitration and Mediation Services, Inc. (JAMS) at its location nearest to Franchisor's principal place of business. Notwithstanding anything to the contrary, this Section 17.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

17.4 *No Rights Exclusive of Other Rights*. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

17.5 *Injunctive Relief*. Nothing in this Agreement contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

17.6 *WAIVER OF 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 OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

17.7 *WAIVER OF PUNITIVE DAMAGES*. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES THAT IT HAS SUSTAINED.

17.8 *CLAIMS MUST BE BROUGHT WITHIN ONE YEAR*. ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR, OR FRANCHISEE'S OPERATION OF THE LIGHTHOUSE BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE

COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED; PROVIDED, HOWEVER, THAT THE PARTIES AGREE THAT THIS SECTION 17.8 SHALL NOT APPLY TO A CLAIM BY EITHER PARTY SEEKING INDEMNIFICATION UNDER THIS AGREEMENT.

17.9 *NO CLASS OR CONSOLIDATED ACTIONS*. ANY LITIGATION BETWEEN THE PARTIES SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION.

17.10 *Payment of Legal Fees*. Franchisee agrees to pay Franchisor all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that Franchisor incurs after the termination or expiration of the franchise granted under this Agreement in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 8, 14 and 15 above); and/or (b) successfully defending a claim from Franchisee that Franchisor misrepresented the terms of this Agreement, fraudulently induced Franchisee to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

18 INDEPENDENT CONTRACTOR

18.1 *No Fiduciary Relationship*. The parties agree that:

18.1.1 this Agreement does not create a fiduciary relationship between them;

18.1.2 that Franchisee shall be an independent contractor;

18.1.3 Franchisee is the only party that is in day-to-day control of Franchisee's franchised business, even though Franchisor will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, processes, or requirements under which Franchisee operates alter that basic fact;

18.1.4 nothing in this Agreement is intended to make either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

18.1.5 neither this Agreement nor the course of conduct between the parties is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed, to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractors, nor vice versa.

18.2 *Public Notice*. During the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, prominently display a notice of that fact in a conspicuous place in the franchised premises, the content and form of which Franchisor reserves the right to specify.

18.3 *No Authority to Bind Franchisor*. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Lighthouse Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4 *Relationship of Franchisee to Franchisor*. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Franchisee agrees that he will not hold himself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

19 INSURANCE

19.1 *Insurance*. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times during the Term of this Agreement, at Franchisee's expense, an insurance policy or policies insuring Franchisee and Franchisor, and their respective officers, directors, shareholders, partners, members, and employees, against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Lighthouse Business, as Franchisor may reasonably require for their own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

19.2 *Coverage*. Such policy or policies shall be written by an insurance company rated A or better by Best Insurance Ratings Service and satisfactory to Franchisor in accordance with standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time in the Manual or otherwise in writing), the following initial minimum coverage:

19.2.1 Worker's Compensation Insurance in amounts prescribed by law;

19.2.2 Comprehensive General Liability Insurance and product liability insurance, to include bodily injury and property damage:

a. For each occurrence -- Not less than $1,000,000

b. General aggregate -- Not less than $2,000,000; and

19.2.3 Fire and lighting, extended coverage, theft, vandalism and malicious mischief, flood and sprinkler leakage insurance on all fixtures, equipment, supplies and other property used in the Lighthouse Business, and on the Lighthouse Business for at least 80% of the cash value of all of the above; provided, however, appropriate deductible clause as approved by Franchisor shall be permitted.

19.2.4 Automobile liability insurance, and property damages liability, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least $1,000,000.

19.2.5 Business interruption insurance for actual losses sustained.

19.2.6 Such insurance and such types (and amounts) of coverage as may be required by the terms of any lease for the Lighthouse Business or as Franchisor may periodically specify by written notice to Franchisee.

19.3 *Not Affected by Franchisor's Coverage or Indemnity Provision*. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 20 of this Agreement.

19.4 *Certificates of Insurance*. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that not less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to, or cancellation of, the coverages evidenced by such certificates.

19.5 *Franchisor's Right to Obtain Insurance for Franchisee*. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manual or otherwise in writing, Franchisor has the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

19.6 *Coverages are Minimums*. Franchisee agrees that the specifications and coverage requirements in this Section 19 are minimums, and that Franchisor recommends that Franchisee review these with Franchisee's own insurance advisors to determine whether additional coverage is warranted in the operation of Franchisee's business.

20 INDEMNIFICATION

20.1 *Losses and Expenses*. As used in this Section, the phrase "**losses and expenses**" means all losses, expenses, damages, and liabilities, including all compensatory, exemplary, consequential, incidental, or punitive damages, fines, charges, costs, lost profits, attorneys' fees (including any incurred for any Indemnitee's defense or for enforcement of the Indemnitee's indemnification rights), accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

20.2 *Obligation to Indemnify*. Franchisee agrees that it shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor, its corporate affiliates, successors and assigns and their respective directors, officers, shareholders, members, managers, employees, agents and representatives of each (collectively, the "**Indemnitees**") from all losses and expenses arising directly or indirectly in connection with any Asserted Claim (as defined below) as well as from Franchisee's breach of this Agreement. "**Asserted Claim**" means any allegation, claim, demand, complaint, action, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) that is the result of, or in connection with, Franchisee's exercise of its rights and/or carrying out of its obligations under this Agreement (including, but not limited to, any claim associated with Franchisee's operation of the Lighthouse Business or otherwise), or any default by Franchisee under this Agreement, notwithstanding any claim that any Indemnitee was or may have been negligent.

20.3 *Notice*. Franchisee shall promptly notify Franchisor of any Asserted Claim as described in Section 20.2. If Franchisor is or may be named as a party in any such action, Franchisor may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof. No such undertaking by Franchisor shall, in any manner or form, diminish Franchisee's obligation to indemnify Franchisor and to hold it harmless.

20.4 *Actions by Franchisor*. With respect to any Asserted Claim, Franchisor may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of Franchisor or others, order, consent or agree to any settlement or take any remedial or corrective action as Franchisor deems expedient or, if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

20.4.1 any of the acts or circumstances enumerated in Section 20.2 have occurred; or

20.4.2 any act, error, or omission of Franchisee may result directly in or indirectly in damage, injury, or harm to any person or any property.

20.5 *Obligation Not Affected by the Subsequent Outcome*. All losses and expenses incurred under this Section 20 shall be chargeable to and paid by Franchisee pursuant to its obligations of indemnity hereunder, regardless of any actions, activity, or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

20.6 *Third Party Recovery Not Required*. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from Franchisee.

20.7 *No Liability for Indemnitees*. The Indemnitees assume no liability whatsoever for any acts, errors, or omissions of any persons with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnitees and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom Franchisee may contract.

20.8 *Survival of Obligations*. For the avoidance of doubt, the provisions of this Section 20 shall survive the expiration or termination of this Agreement and be fully binding and enforceable as though such expiration or termination had not occurred.

21 GENERAL PROVISIONS

21.1 *Non-Waiver*. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder or in any other agreement between Franchisor or Franchisee (whether entered into before, after or contemporaneously with the execution of this Agreement, and whether or not related to the Lighthouse Business), and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor’s right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor’s right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor’s rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

21.2 *Survival of Covenants*. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

21.3 *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained in this Agreement

21.4 *Joint and Several Liability*. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

21.5 *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

21.6 *Submission of Agreement*. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. This Agreement shall not be binding on Franchisor unless and until it has been executed by Franchisor.

21.7 *Notices*. Notices related to this Agreement must be in writing and personally delivered, sent by certified U.S. mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, will be deemed to have been given at the earliest to occur of: (a) the date and time of receipt or rejected delivery; provided that for notices that cannot be delivered to Franchisee at Franchisee's official address (e.g., if Franchisee moved and did not notify Franchisor of Franchisee's new address), delivery will be deemed to have been given two (2) days after the attempted delivery; (b) two (2) days after being delivered by the sender, pre-paid, to a reputable overnight delivery service (such as FedEx, UPS, or the USPS); and (c) three (3) days after being delivered, postage pre-paid, to the US Postal Service. Notices to the respective parties must be sent to the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Either party has the right to change its notice address by sending a written notice of the change to the other party at least seven (7) days before the change in address takes effect. (The Manual, any changes that Franchisor may make to the Manual, and/or any other written instructions that Franchisor provides relating to operational matters are not considered to be "notices" for the purpose of the delivery requirements in this Section 21.7.)

22 SEVERABILITY AND CONSTRUCTION

22.1 *Severable Parts*. Each Section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement, Franchisor may, at its option, terminate this Agreement.

22.2 *No Rights on Any Party other than Franchisor and Franchisee*. Anything to the contrary in this Agreement notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

22.3 *Scope of Promises*. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

22.4 *Captions Only for Convenience*. All captions in this Agreement are meant only for the convenience of the parties, and no caption shall be deemed in any manner whatsoever to affect the meaning or construction of any provision of this Agreement. The singular usage includes the plural, where appropriate in the context, and the masculine and neuter usages include the other and the feminine.

22.5 *Costs*. Unless otherwise agreed in writing, each party shall bear all of its own costs with respect to meeting its obligations under the terms of this Agreement.

22.6 *Recitals*. The recitals set forth in this Agreement are specifically incorporated into the terms of this Agreement and hereby constitute a part thereof.

22.7 *Entire Agreement*. This Agreement, any exhibit attached hereto, and the documents referred to in this Agreement, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. The parties conform that: (a) they were not induced by (nor did they rely upon) any other representation other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement, and (b) they relied only on the words printed in this Agreement and any exhibits to this Agreement in reaching the decision of whether to enter into this Agreement. (However, nothing in this or any related Agreement is intended as, nor shall it be interpreted to be, a disclaimer by Franchisor of any, representation made in its Franchise Disclosure Document ("**FDD**"), including the exhibits and any amendments to the FDD.)

22.8 *Amendments*. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

22.9 *Gender*. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

22.10 *Including*. The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "including but not limited to" and "including without limitation."

23 FORCE MAJEURE

23.1 *Instances of Force Majeure*. Neither party shall be responsible to the other for nonperformance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of God; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, boycotts (other than by Franchisee's action or inaction); (d) fires and other casualties; and/or (e) the inability of Franchisor or its affiliates to purchase, deliver, and/or manufacture any products for which it is the sole source under this Agreement. Franchisee agree to abide by any brand standards that Franchisor may establish in connection with continuing to operate, reopening, and other matters relating to operations that are impacted by a Force Majeure event.

23.2 *Inability to Remit Funds*. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of Section 25.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that Franchisee shall remain obligated to promptly pay all fees owing and due to Franchisor hereunder, without any such delay or extension.

23.3 *No Extension of the Agreement*. Nothing in this Section 23 shall be construed to result in an extension of the term of this Agreement.

24 ACKNOWLEDGMENT

24.1 *No Waivers*. Nothing in this Agreement is meant as, or may be construed, or otherwise interpreted: (a) as a waiver of any state law that may apply to Franchisee; nor (b) as a disclaimer of any statement or representation that Franchisor has made in its FDD.

24.2 *Franchisee's Investigation*. Franchisor recommended that Franchisee conduct an independent investigation of the business franchised under this Agreement.

24.3 *Franchisee's Advisors*. Franchisor recommended that Franchisee seek advice from advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

24.4 *No Conflicting Obligations*. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

24.5 *Franchisee's Responsibility for Operation of Lighthouse Business*. Although Franchisor retains the right to establish and periodically modify Lighthouse System standards, which Franchisee has agreed to maintain in the operation of Lighthouse Businesses, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Lighthouse Business and the implementation and maintenance of system standards at the Lighthouse Business.

24.6 *Different Franchise Offerings to Others*. Franchisee agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

24.7 *Franchisor's Advice*. Franchisor's advice is just that; Franchisor's advice is not a guarantee of success, and Franchisee must reach and implement Franchisee's own decisions about how to operate Franchisee's business on a day-to-day basis under the System.

24.8 *Franchisee's Independence*. Franchisee agrees that:

20.4.3 Franchisee is the only party that employs its employees (even though Franchisor may provide Franchisee with advice, guidance, and training);

20.4.4 Franchisor is not the employer of any of Franchisee's employees, and Franchisor will not play any role in decisions regarding their employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

20.4.5 the guidance that Franchisor provides and requirements under which Franchisee will operate are intended to promote and protect the value of the brand and the Proprietary Marks;

20.4.6 when forming and in operating Franchisee's business, Franchisee had to adopt standards to operate that business, and that instead of developing and implementing its own standards (or those of another party), Franchisee chose to adopt and implement Franchisor's standards for Franchisee's business (including but not limited to the Lighthouse System and the requirements under this Agreement); and

20.4.7 Franchisee has made and (will remain responsible at all times) all of the organizational and basic decisions about establishing and forming Franchisee's entity, operating he business (including but not limited to adopting Franchisor's standards as Franchisee's standards), and hiring employees and employment matters employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal) engaging professional advisors, and all other facets of Franchisee's operation.

24.9 *Success Depends on Franchisee.* The success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

24.10 *No Guarantees*. Franchisor does not make (and Franchisor does not permit anyone speaking Franchisor's behalf) to make any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

24.11 *General Release*. If this Agreement is not the first contract between Franchisee (and Franchisee's affiliates) and Franchisor (and Franchisor's affiliates), then Franchisee agrees to the following:

Franchisee *(on behalf of* Franchisee *and its parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of Franchisee's obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) Franchisor, its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Lighthouse Businesses and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. Franchisee understands as well that Franchisee may later learn of new or different facts, but still, it is Franchisee's intention to fully, finally, and forever release all of the claims that are released above. This includes Franchisee's waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). Franchisee agrees that fair consideration has been given by Franchisor for this General Release and Franchisee fully understands that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in Franchisor's Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement (including but not limited to the provisions of Section 17 above) to be executed as of the first date set forth above.

Lighthouse Franchise Systems, LLC

By:____________________________________

Printed Name:____________________________

Title:___________________________________

______________________________________,
Franchisee

By:____________________________________

Printed Name:____________________________

Title:___________________________________

Address for Notices to Franchisor:

Lighthouse Franchise Systems, LLC
211 North Walnut Street
1st Floor
West Chester, PA 19380
Attn: Ronny Tang

With Copy to:
PO Box 451, Exton, PA 19341
Attn: Ronny Tang

Address for Notices to Franchisee:

____
____
____
____
Attn: _________________________________

EXHIBIT A

PROTECTED TERRITORY, INITIAL FRANCHISE FEE, MONTHLY FEES

1.2	The Protected Territory under this Agreement is:____ ____ ____ Population of Territory (according to the U.S. Census data most recently-issued before Signature Date): _______________. The Protected Territory is (check the applicable): ☐ Tier 1. A "Tier 1" Protected Territory has a population of less than 750,000. ☐ Tier 2. A "Tier 2" Protected Territory has a population of between 750,000 and 1,449,999. ☐ Tier 3. A "Tier 3" Protected Territory has a population of 1,500,000 up to 3,000,000.
2.1	Minimum Performance Standards (see Section 2.1) will be: ☐ Tier 1 Protected Territory: $225,000 in Total Gross Revenue for the second Operating Year, and $375,000 in Total Gross Revenue in each subsequent Operating Year. ☐ Tier 2 Protected Territory: $350,000 in Total Gross Revenue for the second Operating Year, and $525,000 in Total Gross Revenue in each subsequent Operating Year. ☐ Tier 3 Protected Territory: $455,000 in Total Gross Revenue for the second Operating Year, and $600,000 in Total Gross Revenue in each subsequent Operating Year.
4.1	The Initial Franchise Fee is: $_________, based on the following (check the applicable category): ☐ $29,350 for a Tier 1 Protected Territory ☐ $48,250 for a Tier 2 Protected Territory ☐ $69,150 for a Tier 3 Protected Territory
4.2.1	The Monthly Operations Fee is: $______, based on the following (check the applicable category): ☐ $600 for a Tier 1 Protected Territory ☐ $925 for a Tier 2 Protected Territory ☐ $1,250 for a Tier 3 Protected Territory
4.2.2	The monthly Royalty Fee is 7% of your Total Gross Revenue for the applicable month.
4.2.3	The monthly Technology Fee is: $_____, based on the following (check the applicable category): ☐ $600 for a Tier 1 Protected Territory ☐ $600 for a Tier 2 Protected Territory ☐ $600 for a Tier 3 Protected Territory

Initials	
____________________	____________________
Franchisor	Franchisee

EXHIBIT B -1

SAMPLE FORM OF
NON-COMPETITION AND NON-DISCLOSURE AGREEMENT
(TO BE SIGNED BETWEEN FRANCHISEE AND ITS OWNERS AND OFFICERS)

This NON-COMPETITION AND NON-DISCLOSURE AGREEMENT (this "**Agreement**") is entered into this ____ day of ________, 202___, between the _______________ ("**Franchisee**") and ___________________________ ("**Principal**").

WHEREAS, Franchisee and Lighthouse Franchise Systems, LLC ("**Franchisor**") are parties to a Franchise Agreement dated _____________, 202___ (the "**Franchise Agreement**") pursuant to which Franchisor granted to Franchisee the right to build and operate a business under the names "Lighthouse Outdoor Living," "Lighthouse Landscape Lighting" and "Lighthouse Outdoor Lighting (the "**Lighthouse Business**").

WHEREAS, in connection with the operation of the Lighthouse Business, Franchisee has been granted a license to use certain proprietary and other property rights and interests in and to the "Lighthouse Outdoor Living," "Lighthouse Landscape Lighting" and "Lighthouse Outdoor Lighting names and such other trademarks, trade names, service marks, logotypes, insignias, trade dress, designs, installation techniques and methods, sales methods, advertising techniques, and other information ("**Lighthouse System Information**") as Franchisor may develop. Franchisee is contractually obligated to Franchisor to protect the confidentiality of the Lighthouse System Information and enter into this Agreement with Franchisee's owners, members and employees.

In consideration of Employee's position as an owner, member or employee of Franchisee, the parties agree as follows:

1. Employee acknowledges that during his/her employment or association with the Franchisee, he/she will have access to and acquire confidential and proprietary information regarding the Franchisee's business, including Lighthouse System Information, which is not available to the general public ("**Confidential and Proprietary Information**").

2. Employee understands and agrees that the Confidential and Proprietary Information is the exclusive property of the Franchisor, and it may not be directly or indirectly disclosed to third parties, misappropriated, or used for any purpose except authorized Lighthouse Businesses. It is essential to the protection of the Franchisor's good will and to the maintenance of the Franchisor's competitive position that any Confidential and Proprietary Information be kept secret. Employee agrees that during and after his/her employment or association with the Franchisee, Employee will not disclose any Confidential and Proprietary Information to others or use such information to Employee's own advantage or the advantage of others. Employee further agrees that, upon termination of Employee's position with Franchisee, Employee will promptly return all of the Franchisor's property, including Confidential and Proprietary Information and not make or retain any copies of documents or other materials containing or constituting the Confidential and Proprietary Information.

3. Any products, materials, methods, processes or services (collectively referred to as "methods"), developed by, or disclosed to Employee during his/her position with the Franchisee are the exclusive property of the Franchisor, regardless of whether they were made, developed or invented during ordinary business hours, and become part of Franchisor's Confidential and Proprietary Information.

4. The success of the Franchisee's business depends upon its ability to develop, maintain and foster personal relationships between and among its employees, customers and prospective customers. Employee agrees that during his/her employment or association with Franchisee and for a period of two years following the voluntary or involuntary termination of his/her employment or association

for any reason (these periods are referred to collectively as the "**Restricted Period**"), Employee will not, without the Franchisee's written permission:

a. directly or indirectly engage in any Competitive Activity (as defined below), or own, maintain, engage in, be employed by, consult with, give advice to, franchise or license, make loans to, lease real or personal property to, and/or have any interest in, any business that engages in any Competitive Activities ("**Competitive Activity**" is agreed to mean installing and/or servicing landscape and outdoor lighting products and merchandise, and offering and selling, through any channel of distribution whatsoever, landscape and outdoor lighting products and merchandise, and/or other products and services that are the same as or similar to those provided or sold through the Lighthouse Businesses, as Franchisor may authorize from time to time); and

b. divert, solicit, or attempt to divert or solicit any business or customer of any Lighthouse Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor and the Lighthouse System Information; and

During Employee's position with Franchisee, there is no geographical limitation on the restrictions described above in this Section 5. During the Restricted Period, these restrictions will apply within ____ *[description to be completed prior to signature*] ("**Franchisee's Territory**"), within an area extending ten (10) miles beyond the perimeter of the Franchisee's Territory, and within ten (10) miles of any other Lighthouse Businesses in existence or planned at the time the Restricted Period begins. The Restricted Period will not include any period of time during which Employee is in violation of this Agreement or any period of time required to enforce this Agreement.

5. The parties agree that the breach or prospective breach of this Agreement will cause irreparable harm to Franchisor for which monetary damages may not be adequate. The parties therefore agree that in addition to any other remedies available to the Franchisor, which shall include the recovery of all damages incurred, as well as reasonable attorneys' fees and other costs, the Franchisor shall be entitled to injunctive or other equitable relief if Employee should breach or threaten to breach this Agreement.

6. The Franchisor's rights specified in this Agreement are in addition to and not in lieu of any rights available under applicable law and regulations, including those governing trade secrets and other proprietary information.

7. The parties intend that the covenants and agreements contained herein shall have the widest possible application. If any covenant or agreement herein contained is found by a court to be unreasonable in duration, scope or character, the covenant or agreement shall not be rendered unenforceable thereby, but rather the duration, scope or character of such covenant or agreement shall be deemed reduced or modified with retroactive effect to render such covenant or agreement reasonable and, as so modified, such covenant or agreement shall be in force.

8. Each party agrees that any judicial proceeding arising out of or relating to this Agreement (including any declaratory judgments) shall be filed only within such state and in the judicial district in which Franchisor has its principal place of business at that time (which is currently in Pennsylvania). Each party also hereby consents to, and will submit to, the personal and subject matter jurisdiction of such courts in any proceeding to enforce any of its obligations under this Agreement.

9. It is further understood and agreed that no failure or delay by a party hereto in exercising any right, power, or privilege thereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

10. This Agreement is not intended and does not in any way amend, modify, supplement or supersede the terms and conditions of the Franchise Agreement.

11. Employee understands and agrees that Franchisor is a third party beneficiary to this agreement as explained in the recitals, which are incorporated by reference herein. Employee understands and agrees that Franchisor has the right to enforce the provisions of this Agreement.

12. This Agreement shall be deemed to be made in and it shall be governed by and enforceable in accordance with the laws of the Commonwealth of Pennsylvania, notwithstanding conflict of laws rules.

13. This Agreement shall inure to the benefit of the parties' legal successors in interest.

14. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and shall supersede all previous communications, representations, understandings, and agreements, either oral or written between the parties or any officials or representatives thereof. This Agreement may not be changed or modified except by a writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties here to have duly executed this Agreement on the day and year first above written.

______________________________	______________________________
Franchisee	Employee
By:____________________________	By:____________________________
Printed Name:___________________	Printed Name:___________________
Title:__________________________	Title:__________________________

EXHIBIT B -2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
(TO BE SIGNED BETWEEN FRANCHISEE AND ITS EMPLOYEES)

This NON-DISCLOSURE AGREEMENT (this "**Agreement**") is entered into this ____ day of ________, 202___, between the _______________ ("**Franchisee**") and ___________________________ ("**Employee**").

Background:

A. Lighthouse Franchise Systems, LLC ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of businesses that sell and service landscape and outdoor lighting products and related outdoor living-area products (including related installation and other services) under Franchisor's Proprietary Marks (a defined below) (each, a "**Lighthouse Business**").

B. Franchisor identifies Lighthouse Businesses by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example "Lighthouse Outdoor Living," "Lighthouse Landscape Lighting" and "Lighthouse Outdoor Lighting) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Lighthouse Business (the "**Franchised Business**") and to offer and sell products and services approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:.

1. Confidential Information and Ownership of Proprietary Information. Employee agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Member's employment by Franchisee. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement. Additionally, Employee agrees that any products, materials, methods, processes or services (collectively referred to as "methods"), developed by, or disclosed to Employee during his/her position with the Franchisee are the exclusive property of the Franchisor, regardless of whether they were made, developed or invented during ordinary business hours, and become part of Franchisor's Confidential and Proprietary Information.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related

expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

6. Employer. Employee hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Employee, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Employee's employment relationship to Franchisee.

IN WITNESS WHEREOF, the parties here to have duly executed this Agreement on the day and year first above written.

______________________________	______________________________
Franchisee	Employee
By:______________________________	By:______________________________
Printed Name:______________________	Printed Name:______________________
Title:____________________________	Title:____________________________

EXHIBIT C

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Lighthouse Franchise Systems, LLC ("**Franchisor**") to execute the Lighthouse Franchise Systems, LLC Franchise Agreement between Franchisor and ____ ("**Franchisee**") dated ______________, 202___ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned will immediately make each payment required of Franchisee under the Agreement (including but not limited to payments Franchisee is required to make to Franchisor and its affiliates). The undersigned hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agree to defend, indemnify and hold harmless to the fullest extent permitted by law Franchisor its corporate affiliates, successors and assigns and their respective directors, officers, shareholders, members, managers, employees, agents and representatives of each (collectively, the "**Indemnitees**") against any and all losses and expenses arising directly or indirectly in connection with any Asserted Claim (as defined below) as well as any other failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein. "**Asserted Claim**" means any allegation, claim, demand, complaint, action, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) that is the result of, or in connection with, Franchisee's exercise of its rights and/or carrying out of its obligations under the Agreement (including, but not limited to, any claim associated with Franchisee's operation of the Lighthouse Business or otherwise), or any default by Franchisee under the Agreement, notwithstanding any claim that any Indemnitee was or may have been negligent.

The undersigned hereby acknowledge and agree to be individually bound by all of the promises contained in the following Sections of the Agreement: Section **8** (with respect to trademarks); Section **10** (with respect to confidentiality); Section **13** (with respect to transfers of interests in Franchisee); Section **15** (with respect to obligations after termination of the Agreement); and Section **16** (with respect to covenants against competition).

The undersigned acknowledge and agree that: (a) this Guarantee does not grant the undersigned any right to use any of Franchisor's marks (including but not limited to the "Lighthouse Landscape Lighting," "Lighthouse Outdoor Living" marks) or the system licensed to Franchisee under the Agreement; (b) that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and (c) that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section **22** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). This Guarantee shall be interpreted and construed exclusively under the laws of the Commonwealth of Pennsylvania. In the event of any conflict of law, the laws of the Commonwealth of Pennsylvania shall prevail (without regard to, and without giving effect to, the application of Pennsylvania conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed:________________________________
(In his/her individual capacity)

Printed Name:___________________________

Home Address:__________________________

(Seal)

Signed:________________________________
(In his/her individual capacity)

Printed Name:___________________________

Home Address:__________________________

(Seal)

Signed:________________________________
(In his/her individual capacity)

Printed Name:___________________________

Home Address:__________________________

EXHIBIT D

List of Principals in Franchisee

Name of Principal	Home Address	Interest (%)

Initials

____
Franchisor

____
Franchisee

EXHIBIT E

Authorization Agreement For Prearranged Payments (Direct Debit)

____ (Name of Person or Legal Entity)

____(ID Number)

The undersigned depositor ("**Depositor**") ("**Franchisee**") hereby authorizes Lighthouse Franchise Systems, LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**") ("**Bank**") to debit or credit such account(s) pursuant to Franchisor's instructions.

Depository	Branch
City	State Zip Code
Bank Transit/ABA Number	Account Number

This authorization is to remain in full and force and effect until sixty days after Franchisor has received written notification from Franchisee of its termination.

____
Depositor

By:______________________________

Name:______________________________

Title:______________________________

Date:______________________________

EXHIBIT F

Conditional Assignment And Power Of Attorney
Telephone Numbers And Listings

This Assignment and Power of Attorney ("**Assignment**") is made ____ day of ________, 202___, by and between Lighthouse Franchise Systems, LLC ("**Franchisee**") and ________________________ ____ ("**Franchisee**").

FOR VALUE RECEIVED, and pursuant to Franchisee's obligations under the Lighthouse Franchise Systems, LLC Franchise Agreement dated _______________, 202__ by and between Franchisor and Franchisee (the "**Franchise Agreement**"), Franchisee hereby assigns to Franchisor all of Franchisee's right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Telephone Numbers and Listings**") used from time to time in connection with Franchisee's operations under the Franchise Agreement.

Assignment.

- Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the right (and Franchisor is hereby empowered) to implement this Assignment of the Telephone Numbers and Listings, and, in such event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings but will remain liable to the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as the "**Telephone Company**") for all past due fees owing to the Telephone Company on or before the effective date of this Assignment.

- Franchisee acknowledges and agrees that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the sole right to and interest in the Telephone Numbers and Listings.

Power of Attorney.

- Franchisee appoints Franchisor as Franchisee's true and lawful attorney in fact to direct the Telephone Company to assign same to Franchisor (or to the party Franchisor designates) and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee). If Franchisee fails to promptly direct the Telephone Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee), Franchisor may direct the Telephone Company to effectuate the assignment contemplated hereunder to Franchisor (or Franchisor's designee).

- The parties agree that the Telephone Company may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings upon such termination or expiration (without renewal or extension) and that such assignment will be made automatically and immediately effective upon Telephone Company's receipt of such notice from Franchisor or Franchisee.

- The parties further agree that if the Telephone Company requires that the parties execute the Telephone Company's assignment forms or other documentation at the time of termination or expiration (without renewal or extension) of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee will be sufficient to document that Franchisee has given its consent and agreement to the assignment.

- The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration (without renewal or extension) of the Franchise Agreement.

This Assignment will inure to the benefit of Franchisor and will be binding upon Franchisee and its successors and assigns.

IN WITNESS WHEREOF, the parties to this Assignment have executed and delivered this Assignment effective as of this this ____ day of ________, 202__.

Lighthouse Franchise Systems, LLC Franchisor	________________________________, Franchisee
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
	By: ______________________________
	Name: ____________________________
	Title: _____________________________

EXHIBIT B
LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	**NEW YORK** New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8222
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Securities Division Department of Financial Institutions PO Box 41200 Olympia, Washington 98504-1200 (360) 902-8760

MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT C
AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	**NEW YORK** New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol, Fourteenth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Securities Division Department of Financial Institutions 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760

MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT D
LIST OF FRANCHISEES, COMPANY-OWNED BUSINESSES AND FORMER FRANCHISEES

As of December 31, 2023

Current Franchisees

Alabama
Lighthouse Landscape Lighting Birmingham AL 534 Countryside Place Madison, MS 39110 (877) 212-1293 Owner: Bradley Martin
Colorado
Lighthouse Landscape Lighting Denver CO 9940E Costilla Avenue, Suite J Centennial, CO 80112 (970) 368-0242 Owner: Nick Wojdak
Lighthouse Landscape Lighting Northern CO 9940E Costilla Avenue, Suite J Centennial, CO 80112 (970) 368-0242 Owner: Nick Wojdak
Lighthouse Landscape Lighting Vail CO 225 Main Street #305 Edwards, CO 81632 (970) 977-9021 Owner: Mark Nall
Delaware
Lighthouse Landscape Lighting Claymont DE 1900 Philadelphia Pike Claymont, DE 19703 (302) 379-2248 Owner: Ben Merritt/Steven Grubb
Iowa
Lighthouse Landscape Lighting of Des Moines IA 225 Main Street #305 Edwards, CO 81632 (970) 977-9021 Owner: Mark Nall

<u>**Kentucky**</u>
Lighthouse Landscape Lighting OH 5830 Students Street Dayton, OH 45459 (614) 439-1479 Owner: Joe Austin *(A portion of this franchisee's territory is in Kentucky and the remainder is in Ohio.)*
<u>**Mississippi**</u>
Lighthouse Landscape Lighting of Madison MS 534 Countryside Place Madison, MS 39110 (877) 212-1293 Owner: Bradley Martin
<u>**Missouri**</u>
Lighthouse Landscape Lighting of Jefferson City MO 3013 Rte. M Jefferson City, MO 65101 (573) 619-5868 Owner: Ted VanLoo
<u>**New Jersey**</u>
Lighthouse Landscape Lighting Morristown NJ 345 Passaic Ave F Fairfield, NJ 07004 (973) 418-3252 Owner: Jason Sponzilli
<u>**Maryland / Virginia**</u>
Lighthouse Landscape Lighting Sterling VA **19605 Northampton Lane** **Leesburg, VA 20175** **(571) 999-3825** **Owner: Tony Davis**
<u>**Massachusetts**</u>
Lighthouse Landscape Lighting Shirley MA **128 Groton Road** **Shirley, MA 01464** **(802) 238-8584** **Owner: Joey Whitehouse**

Ohio	
Lighthouse Landscape Lighting Columbus OH 5830 Students Street Dayton, OH 45459 (614) 439-1479 Owner: Joe Austin	**Lighthouse Landscape Lighting Cincinnati OH** 5830 Students Street Dayton, OH 45459 (614) 439-1479 Owner: Joe Austin
Lighthouse Landscape Lighting Dayton OH 5830 Students Street Dayton, OH 45459 (614) 439-1479 Owner: Joe Austin	
Pennsylvania	
Lighthouse Landscape Lighting West Chester PA 77 North Bacton Hill Rd Malvern, PA 19355 (610) 636-1863 Owner: Ray Moran	
Tennessee	
Lighthouse Landscape Lighting of Knoxville 2425 Antioch Church Rd W Lenoir City, Tennessee 37772 (865) 368-4741 Owner: Heath Myrick	
Texas	
Lighthouse Landscape Lighting Houston TX 807 Kingsford Drive Houston, TX 77094 (281) 850-9621 Owner: Trey Laird (This franchisee operates 3 franchises)	

Company-Owned Lighthouse Businesses*	
Indiana	
Lighthouse Landscape Lighting Indianapolis 545 Christy Drive Unit 7206 Greenwood, Indiana 46250	
North Carolina	
Lighthouse Landscape Lighting Charlotte and Raleigh 835 Lincoln Ave Unit 14 West Chester PA 19380	
Tennessee	
Lighthouse Landscape Lighting of Nashville 9836 Sam Donald Road Nolensville, Tennessee 37135	

* As described in Item 1, these Lighthouse Businesses are operated by our affiliates.

Former - Closed or Terminated Franchisees, and Franchisees with No Recent Contact

The following is a list of our former franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily closed to do business under a franchise agreement during our most-recently concluded fiscal year (which ended December 31, 2024), or who have not communicated with us within 10 weeks of the date we issued this Franchise Disclosure Document.

Terminated:

None

Not renewed or otherwise left the System:

Lighthouse Landscape Lighting of Greensboro NC
Owner: Timothy Adcock
(336) 988-1577

Transfers:

None

Franchisees with no Communications:

*The following franchises were sold by our predecessor, and we have not had communications with these persons within 10 weeks of this Disclosure Document and do not consider them to be existing Lighthouse Landscape Lighting franchisees:

None

EXHIBIT E
FINANCIAL STATEMENTS

Lighthouse Franchise Systems, LLC
Financial Statements
December 31, 2024 and 2023

Lighthouse Franchise Systems, LLC
Financial Statements
December 31, 2024 and 2023

Table of Contents

ARENA SNYDER & DUNLAP LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 21, 2025

Independent Auditor's Report

To the Member
Lighthouse Franchise Systems, LLC
Exton, Pennsylvania

Opinion

We have audited the accompanying financial statements of Lighthouse Franchise Systems, LLC (a Pennsylvania Limited Liability Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Franchise Systems, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

722 Springdale Drive, Exton, Pennsylvania 19341 •www.arenacpa.com
tele 610•524•0110 fax 610•524•1393

Independent Auditor's Report
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Avana Snyder & Ang LLP

Lighthouse Franchise Systems, LLC
Balance Sheets

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 22,141	$ 1,158
Accounts receivable, trade	57,479	71,289
	79,620	72,447
Due from related entities	2,980,087	2,473,806
Total assets	$ 3,059,707	$ 2,546,253
Liabilities and Member's Equity		
Current liabilities:		
Unearned revenue	$ -	$ 13,800
Total liabilities	-	13,800
Member's equity	3,059,707	2,532,453
Total liabilities and member's equity	$ 3,059,707	$ 2,546,253

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

Lighthouse Franchise Systems, LLC
Statements of Income

	For the Years Ended December 31, 2024	2023
Royalty revenues	$ 363,163	$ 331,190
Franchise fees	189,600	192,400
	552,763	523,590
Cost of sales	-	-
	552,763	523,590
Selling, general, and administrative expenses	25,509	80,486
Net income	$ 527,254	$ 443,104

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

Lighthouse Franchise Systems, LLC
Statements of Member's Equity

	For the Years Ended December 31, 2024	2023
Member's equity at beginning of year	$ 2,532,453	$ 2,089,349
Net income	527,254	443,104
Member's equity at end of year	$ 3,059,707	$ 2,532,453

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

Lighthouse Franchise Systems, LLC
Statements of Cash Flows

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Operating activities		
Net income	$ 527,254	$ 443,104
Adjustments to reconcile net income to cash provided by operating activities:		
Decrease/(increase) in operating assets:		
Accounts receivable, trade	13,810	56,694
Increase/(decrease) in operating liabilities:		
Accounts payable	-	(2,749)
Unearned revenue	(13,800)	13,800
Net cash provided by operating activities	527,264	510,849
Financing activities		
Advances paid to related entities	(506,281)	(547,144)
Net cash used in financing activities	(506,281)	(547,144)
Increase/(decrease) in cash	20,983	(36,295)
Cash at beginning of year	1,158	37,453
Cash at end of year	$ 22,141	$ 1,158

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

Lighthouse Franchise Systems, LLC
Notes to the Financial Statements
December 31, 2024 and 2023

Note 1 - Organization and summary of significant accounting policies

Lighthouse Franchise Systems, LLC ("the Company") is a Pennsylvania limited liability company formed in 2014 and which commenced operations in June 2014. The Company is a franchisor of outdoor lighting systems, which are manufactured by a sister company, to franchisees located in the lower 48 states. The Company is a wholly owned subsidiary of Corelight Holdings, LLC.

The accounting policies which affect the more significant elements of the financial statements are summarized below:

Basis of accounting
The Company applies accounting principles generally accepted in the United States of America as the primary basis of accounting. The financial statements are denominated in United States dollars.

Revenue and cost recognition
The Company accounts for revenues and costs on an accrual basis. Revenue is earned when the franchisee sells the sister company's products, and royalties become due to the Company. Each franchisor/franchisee is governed by specific contract. See also ASC 606 Revenue Recognition below.

Since the Company is a Franchisor and not the manufacturer of the outdoor lighting products, virtually all costs incurred by the Company are period costs and are thus recorded in the accompanying financial statements as incurred.

Cash and cash equivalents
For the purpose of the statement of cash flows, money market accounts and all highly liquid investments purchased with original maturities of three months or less, if any, are considered to be cash equivalents.

Accounts receivable/estimate for credit losses
In June 2016, the FASB issued guidance (FASB ASC 326) with an implementation date of January 1, 2023 which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 are trade accounts receivable.

Under the expected credit loss model, the Company has adopted a loss rate method, utilizing historical loss rates based on the average annual receivables, adjusted to reflect current economic conditions and forecasts of future economic conditions.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements taken as a whole and, accordingly, no credit loss reserve has been recorded in the accompanying financial statements at December 31, 2024 and 2023.

Franchise agreements specify the terms of payment of royalties. Royalties are due the next month after the franchisee has sold the sister company's products.

Lighthouse Franchise Systems, LLC
Notes to the Financial Statements
December 31, 2024 and 2023

Note 1 - Organization and summary of significant accounting policies (continued)

Intangible assets
Intangible assets are recorded at cost, less accumulated amortization. Amortization is computed on a straight-line basis over the five-year estimated useful life of the assets.

Income taxes
The Company is a limited liability company and has elected to be taxed as a partnership, which is treated as a pass-through entity for federal and state income tax purposes. In lieu of Company income taxes, the members of a limited liability company are taxed on their allocated portion of the Company's taxable income. Accordingly, no provision or liability for federal and state income taxes has been made in the accompanying financial statements.

Some states have enacted taxes that are payable by the limited liability company rather than its members. In those cases, income taxes are recorded in accordance with the corresponding state regulations.

The U.S. federal statute of limitations for tax audits remains open for three years after the date the Company's partnership tax return has been filed. State jurisdictions also have statutes of limitations generally ranging from three to four years.

Use of estimates in the preparation of the financial statements
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations
The Company maintains its cash in bank accounts at quality financial institutions located within the same geographical region. The balances, at times, may exceed federally insured limits.

Advertising
Advertising costs, which are included in selling, general, and administrative expenses, are expensed as incurred. The advertising costs incurred during the years ended December 31, 2024 and 2023 were $4,462 and $23,123, respectively.

ASC 606, *Revenue Recognition*
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), to clarify the principles of recognizing revenue and to create common revenue recognition guidance between U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This model involves a five-step process for achieving that core principle, along with comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Note 1 - Organization and summary of significant accounting policies (continued)

ASC 606, *Revenue Recognition* (continued)
In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to defer the effective date of the new revenue standard for one year and permit early adoption as of the original effective date in ASU 2014-09. In June 2020, the FASB issued ASU 2020-05 which permitted nonpublic entities to further defer the effective date of the new revenue standard until annual reporting periods beginning after December 15, 2019. The Company implemented the pronouncement effective January 1, 2020 and there has not been any material impact on its financial statements.

Note 2 - Due from related entities

The Company pays expenses on behalf of certain of its sister companies and records corresponding receivables. The outstanding balances of these receivable amounts were $2,980,087 and $2,473,806 at December 31, 2024 and 2023, respectively. The outstanding balance is reported as "Due from related entities" in the accompanying financial statements.

Note 3 - Major customers

During the year ended December 31, 2024, approximately 72% of revenue was derived from eight customers. The combined accounts receivable balances of these eight customers constituted 52% of the Company's total accounts receivable at December 31, 2024. One of the customers is a related entity wholly owned by the sole member of the Company, whose revenue and accounts receivable balances constituted 10% and 12% of the Company's total revenue and accounts receivable, respectively.

During the year ended December 31, 2023, approximately 81% of revenue was derived from ten customers. The combined accounts receivable balances of these ten customers constituted 57% of the Company's total accounts receivable at December 31, 2023. One of the customers is a related entity wholly owned by the sole member of the Company, whose revenue and accounts receivable balances constituted 11% and 7% of the Company's total revenue and accounts receivable, respectively.

Note 4 - Subsequent events

Management has evaluated the events from December 31, 2024 through February 21, 2025, the date at which the financial statements were first available to be issued, and has determined that there are no additional items that should be disclosed therein.

Lighthouse Franchise Systems, LLC
Financial Statements
December 31, 2023 and 2022

Lighthouse Franchise Systems, LLC
Financial Statements
December 31, 2023 and 2022

Table of Contents

ARENA SNYDER & DUNLAP LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 12, 2024

Independent Auditor's Report

To the Member
Lighthouse Franchise Systems, LLC
Exton, Pennsylvania

Opinion

We have audited the accompanying financial statements of Lighthouse Franchise Systems, LLC (a Pennsylvania Limited Liability Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Franchise Systems, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

722 Springdale Drive, Exton, Pennsylvania 19341 •www.arenacpa.com
tele 610•524•0110 fax 610•524•1393

Independent Auditor's Report
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Lighthouse Franchise Systems, LLC
Balance Sheets

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,158	$ 37,453
Accounts receivable, trade	71,289	127,983
	72,447	165,436
Due from related entities	2,473,806	1,926,662
Total assets	$ 2,546,253	$ 2,092,098
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable	$ -	$ 2,749
Unearned revenue	13,800	-
Total liabilities	13,800	2,749
Member's equity	2,532,453	2,089,349
Total liabilities and member's equity	$ 2,546,253	$ 2,092,098

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

Lighthouse Franchise Systems, LLC
Statements of Income

	For the Years Ended December 31, 2023	2022
Royalty revenues	$ 331,190	$ 350,047
Franchise fees	192,400	235,350
	523,590	585,397
Cost of sales	-	69
	523,590	585,328
Selling, general, and administrative expenses	80,486	58,390
	443,104	526,938
Other income	-	162
Net income	$ 443,104	$ 527,100

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

Lighthouse Franchise Systems, LLC
Statements of Member's Equity

	For the Years Ended December 31,	
	2023	2022
Member's equity at beginning of year	$ 2,089,349	$ 1,548,783
Net income	443,104	527,100
Additional capital	-	13,466
Member's equity at end of year	$ 2,532,453	$ 2,089,349

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

Lighthouse Franchise Systems, LLC
Statements of Cash Flows

	For the Years Ended December 31, 2023	2022
Operating activities		
Net income	$ 443,104	$ 527,100
Adjustments to reconcile net income to cash provided by operating activities:		
Decrease/(increase) in operating assets:		
Accounts receivable, trade	56,694	35,493
Increase/(decrease) in operating liabilities:		
Accounts payable	(2,749)	2,749
Accrued expenses	-	(73,466)
Unearned revenue	13,800	-
Net cash provided by operating activities	510,849	491,876
Financing activities		
Capital contribution	-	13,466
Advances paid to related entities	(547,144)	(484,875)
Net cash used in financing activities	(547,144)	(471,409)
(Decrease)/increase in cash	(36,295)	20,467
Cash at beginning of year	37,453	16,986
Cash at end of year	$ 1,158	$ 37,453

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

Lighthouse Franchise Systems, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and summary of significant accounting policies

Lighthouse Franchise Systems, LLC ("the Company") is a Pennsylvania limited liability company formed in 2014 and which commenced operations in June 2014. The Company is a franchisor of outdoor lighting systems, which are manufactured by a sister company, to franchisees located in the lower 48 states. The Company is a wholly owned subsidiary of Corelight Holdings, LLC.

The accounting policies which affect the more significant elements of the financial statements are summarized below:

Basis of accounting
The Company applies accounting principles generally accepted in the United States of America as the primary basis of accounting. The financial statements are denominated in United States dollars.

Revenue and cost recognition
The Company accounts for revenues and costs on an accrual basis. Revenue is earned when the franchisee sells the sister company's products, and royalties become due to the Company. Each franchisor/franchisee is governed by specific contract. See also ASC 606 Revenue Recognition below.

Since the Company is a Franchisor and not the manufacturer of the outdoor lighting products, virtually all costs incurred by the Company are period costs and are thus recorded in the accompanying financial statements as incurred.

Cash and cash equivalents
For the purpose of the statement of cash flows, money market accounts and all highly liquid investments purchased with original maturities of three months or less, if any, are considered to be cash equivalents.

Accounts receivable/estimate for credit losses
In June 2016, the FASB issued guidance (FASB ASC 326) with an implementation date of January 1, 2023 which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 are trade accounts receivable.

Under the expected credit loss model, the Company has adopted a loss rate method, utilizing historical loss rates based on the average annual receivables, adjusted to reflect current economic conditions and forecasts of future economic conditions.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements taken as a whole and, accordingly, no credit loss reserve has been recorded in the accompanying financial statements.

Franchise agreements specify the terms of payment of royalties. Royalties are due the next month after the franchisee has sold the sister company's products.

Lighthouse Franchise Systems, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and summary of significant accounting policies (continued)

Intangible assets
Intangible assets are recorded at cost, less accumulated amortization. Amortization is computed on a straight-line basis over the five-year estimated useful life of the assets.

Income taxes
The Company is a limited liability company and has elected to be taxed as a partnership, which is treated as a pass-through entity for federal and state income tax purposes. In lieu of Company income taxes, the members of a limited liability company are taxed on their allocated portion of the Company's taxable income. Accordingly, no provision or liability for federal and state income taxes has been made in the accompanying financial statements.

Some states have enacted taxes that are payable by the limited liability company rather than its members. In those cases, income taxes are recorded in accordance with the corresponding state regulations.

The U.S. federal statute of limitations for tax audits remains open for three years after the date the Company's partnership tax return has been filed. State jurisdictions also have statutes of limitations generally ranging from three to four years.

Use of estimates in the preparation of the financial statements
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations
The Company maintains its cash in bank accounts at quality financial institutions located within the same geographical region. The balances, at times, may exceed federally insured limits.

Advertising
Advertising costs, which are included in selling, general, and administrative expenses, are expensed as incurred. The advertising costs incurred during the years ended December 31, 2023 and 2022 were $23,123 and $4,728, respectively.

ASC 606, *Revenue Recognition*
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), to clarify the principles of recognizing revenue and to create common revenue recognition guidance between U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This model involves a five-step process for achieving that core principle, along with comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Lighthouse Franchise Systems, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and summary of significant accounting policies (continued)

ASC 606, *Revenue Recognition* (continued)
In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to defer the effective date of the new revenue standard for one year and permit early adoption as of the original effective date in ASU 2014-09. In June 2020, the FASB issued ASU 2020-05 which permitted nonpublic entities to further defer the effective date of the new revenue standard until annual reporting periods beginning after December 15, 2019. The Company implemented the pronouncement effective January 1, 2020 and there has not been any material impact on its financial statements.

Note 2 - Due from related entities

The Company pays expenses on behalf of certain of its sister companies and records corresponding receivables. The outstanding balances of these receivable amounts were $2,473,806 and $1,926,662 at December 31, 2023 and 2022, respectively. The outstanding balance is reported as "Due from related entities" in the accompanying financial statements.

Note 3 - Major customers

During the year ended December 31, 2023, approximately 81% of revenue was derived from ten customers. The combined accounts receivable balances of these ten customers constituted 57% of the Company's total accounts receivable at December 31, 2023. One of the customers is a related entity wholly owned by the sole member of the Company, whose revenue and accounts receivable balances constituted 11% and 7% of the Company's total revenue and accounts receivable, respectively.

During the year ended December 31, 2022, approximately 72% of revenue was derived from eight customers. The combined accounts receivable balances of these eight customers constituted 18% of the Company's total accounts receivable at December 31, 2022. Two of the customers are related entities wholly owned by the sole member of the Company, whose combined revenue and accounts receivable balances constituted 18% and 5% of the Company's total revenue and accounts receivable, respectively.

Note 4 - Subsequent events

Management has evaluated the events from December 31, 2023 through March 12, 2024, the date at which the financial statements were first available to be issued, and has determined that there are no additional items that should be disclosed therein.

EXHIBIT F
TABLE OF CONTENTS FOR MANUALS

Lighthouse Landscape Lighting Operations Manual
Table of Contents

EXHIBIT G
STATE-SPECIFIC DISCLOSURES

1. Maryland
2. Virginia

ADDENDUM FOR THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg., §§ 14-201 through 14-233 the Franchise Disclosure Document for Lighthouse Franchise Systems, LLC for use in the State of Maryland is amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following language:

> The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.
>
> Pursuant to the Interpretive Opinion "Adopting NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments" dated January 23, 2023, issued by the State of Maryland Office of the Attorney General Securities Division (the "Division"), the Division requires franchisors selling franchises that are subject to the Maryland Franchise Registration and Disclosure Law to provide the following legend: "No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

2. Exhibit I, "Franchisee Questionnaire," is deleted and will not apply to any franchises for Maryland.

3. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply independently, without reference to this addendum.

ADDENDUM FOR THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise Disclosure Document of Lighthouse Franchise Systems, LLC is amended as follows:

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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.

2. The following language is added to Item 22:

The Franchisee Questionnaire, which is included as Exhibit I of this disclosure document, is deleted. The Franchisee Questionnaire is not for use and will not apply in the state of Virginia.

EXHIBIT H
STATE-SPECIFIC AGREEMENT AMENDMENTS

1. Maryland

MARYLAND AMENDMENT TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Lighthouse Franchise Systems, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 3.2.5 of the Agreement, under the heading "Term and Renewal," is amended by the addition of the following:

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

2. Section 13.5.1 of the Agreement, under the heading "Transferability," is amended by the addition of the following:

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

3. Section 17.1 of the Agreement, under the heading "Governing Law," and Section 17.2 of the Agreement, under the heading "Choice of Venue," are amended by the addition of the following:

   You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 17.8 of the Agreement, under the heading "Applicable Law and Dispute Resolution," is amended by the addition of the following:

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

5. Section 24 of the Agreement, under the heading "Acknowledgments," is supplemented by the following:

   All acknowledgments or representations requiring prospective Franchisees to assent to a release, estoppel or waiver of liability 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.

6. The Franchise Agreement is amended to include the following:

   Pursuant to the Interpretive Opinion "Adopting NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments" dated January 23, 2023 (the "Interpretive Opinion"), issued by the State of Maryland Office of the Attorney General Securities Division (the "Division"), the Division requires franchisors selling franchises that are subject to the Maryland Franchise Registration and Disclosure Law to include the following statement in their franchise agreements: "No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

Accordingly, any statement, questionnaire, or acknowledgment in this Agreement that is not permitted under the Interpretive Opinion is deleted in its entirety and shall have no force or effect.

7. Each provision of this amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Lighthouse Franchise Systems, LLC

By:______________________________

Printed Name:________________________

Title:_____________________________

__________________________________,
Franchisee

By:______________________________

Printed Name:________________________

Title:_____________________________

EXHIBIT I
FRANCHISEE QUESTIONNAIRE

LIGHTHOUSE FRANCHISE SYSTEMS, LLC
FRANCHISEE QUESTIONNAIRE*

As you know, Lighthouse Franchise Systems, LLC (the **"Franchisor"**) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a Lighthouse Business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.
** Franchisees for the State of California, Illinois, Maryland, Minnesota, Virginia and Washington will not complete this Questionnaire.*

1. The following dates and information are true and correct:

a.	______________,20___ Initials _____________	The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a Lighthouse Landscape Lighting franchised business.
b.	______________,20___ Initials _____________	The date on which I received Franchisor's Franchise Disclosure Document ("**FDD**").
c.	______________,20__ Initials _____________	The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
d.	______________,20___ Initials _____________	The date on which I signed the Franchise Agreement.

2. Did you receive and personally review the Franchise Agreement and each Addendum and related agreement attached to them?

Yes _____ No _____

3. Do you understand the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)
____
____
____
____

4. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Did you receive and personally review the FDD that was provided to you?

Yes _____ No _____

6. Do you understand the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

____
____

7. Did you discuss with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a Lighthouse Business as a franchised business?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Lighthouse Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

9. Has anyone speaking on our behalf made any statement or promise to you concerning the revenues, profits or operating costs of a Lighthouse Business operated by us or by our franchisees that is different from the information contained in the FDD?

Yes _____ No _____

10. Has anyone speaking on our behalf made any statement or promise to you about how much amount of money you may earn in operating the franchised business that is different from the information contained in the FDD?

Yes _____ No _____

11. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your Lighthouse Business will generate that is different from the information contained in the FDD?

Yes _____ No _____

12. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your Lighthouse Business that is different from the information contained in the FDD?

    Yes _____ No _____

13. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Lighthouse Business?

    Yes _____ No _____

14. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

    Yes _____ No _____

15. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

    Yes _____ No _____

16. Has any employee or other person speaking for the Franchisor made or suggested any "side deals" with you?

    Yes _____ No _____

17. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "no" to each of questions 10-17, then please leave the following lines blank.

    ____
    ____
    ____
    ____
    ____
    ____
    ____
    ____
    ____
    ____
    ____
    ____

18. I spoke with the following persons from the Franchisor, its affiliates, and independent brokers about buying a Lighthouse Business franchise:

    ____
    ____
    ____
    ____

19. I signed the Franchise Agreement and Addenda (if any) on ____________, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

This Questionnaire is only meant to confirm whether certain facts are true. Nothing in this Questionnaire is meant to be a waiver of any rights that you have under any law. None of the questions and none of your answers disclaim or negate any of any information that we have provided in its Disclosure Document.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

____
Signed

____
Printed Name

______________________________ , 20___
Date

** Franchisees for the State of California, Illinois, Maryland, Minnesota, Virginia and Washington will not complete this Questionnaire.*

EXHIBIT J
GENERAL RELEASE

GENERAL RELEASE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

*****

This is a General Release ("Release") between Lighthouse Franchise Systems, LLC, (the "Company"), and ____________________ (the "Franchisee"), collectively referred to herein as the "Parties."

WHEREAS, the Parties are parties to that certain Franchise Agreement dated ____________ (the "Franchise Agreement"), which has terminated, and the Parties wish to enter into this Release.

1. The Parties agree that the franchise relationship established by the Franchise Agreement has terminated.

2. Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group"), hereby forever release and discharge, and forever hold harmless the Company, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of a Lighthouse Landscape Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Lighthouse Landscape Business. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

3. Franchisee Group agrees not to sue the Franchisor Group or to join in any lawsuit against Franchisor Group concerning any matter which arose on or before the date of execution of this Release.

4. The Parties agree that this Release will be binding upon and inure to the benefit of the assigns, heirs, executors, and administrators of Franchisee and the officers, directors, employees, shareholders, members, managers, agents, parents, subsidiaries, affiliates, predecessors, successors, purchasers, assigns, and representatives of the Company, that this Release contains the entire agreement and understanding of the Parties, that there are no

additional promises or terms among the Parties other than those contained herein, and that this Release shall not be modified except in writing signed by each of the Parties.

5. This Release will in all respects be interpreted, enforced, and governed under the laws of the State of Pennsylvania.

6. This Release may be executed in any number of counterparts, all of which taken together constitute one complete document.

[For Maryland franchisees, add this paragraph]: 7. The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in Maryland, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release will be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

[For California franchisees, add this paragraph]: 8. Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Lighthouse Franchise Systems, LLC

____
Date

By: ________________________
Name: ______________________
Title: _______________________

FRANCHISEE

____

____
Date

By: ________________________
Name: ______________________
Title: _______________________

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATES	EFFECTIVE DATE
Indiana	
Michigan	

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

EXHIBIT K
RECEIPTS

ITEM 23 • RECEIPTS
(To be retained by Franchisee)

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 Lighthouse Franchise Systems, LLC offers you a franchise, it must provide this Disclosure Document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Lighthouse Franchise Systems, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit B.

The franchise seller is Ronny Tang, Operating Manager of Lighthouse Franchise Systems, LLC at 211 North Walnut Street, 1st Floor, West Chester, PA 19380, telephone (610) 213-3016. Any additional individual franchise sellers involved in offering the franchise are:________________________________
____
____

The issuance date of this Franchise Disclosure Document is May 15, 2025.

Lighthouse Franchise Systems, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated May 15, 2025, and with effective dates of state registration as listed on the State Effective Dates page. This Disclosure Document included the following exhibits:

A	Franchise Agreement	G	State-Specific Disclosures
B	List of State Administrators	H	State-Specific Agreement Amendments
C	Agents for Service of Process	I	Franchisee Questionnaire
D	List of Franchisees	J	General Release
E	Financial Statements	K	Receipt (2 copies)
F	Table of Contents for Manuals		

____
Date Received

____
Prospective Franchisee

____
Name (please print)

Address:__________________________
____
____

ITEM 23 • RECEIPTS
(To be signed, dated, and sent to Franchisor)

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 Lighthouse Franchise Systems, LLC offers you a franchise, it must provide this Disclosure Document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Lighthouse Franchise Systems, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit B.

The franchise seller is Ronny Tang, Operating Manager of Lighthouse Franchise Systems, LLC at 211 North Walnut Street, 1st Floor, West Chester, PA 19380, telephone (610) 213-3016. Any additional individual franchise sellers involved in offering the franchise are:________________________________

____
____

The issuance date of this Franchise Disclosure Document is May 15, 2025

Lighthouse Franchise Systems, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated May 15, 2025, and with <u>effective dates of state registration as listed on the State Effective Dates page</u>. This Disclosure Document included the following exhibits:

A Franchise Agreement
B List of State Administrators
C Agents for Service of Process
D List of Franchisees
E Financial Statements
F Table of Contents for Manuals
G State-Specific Disclosures
H State-Specific Agreement Amendments
I Franchisee Questionnaire
J General Release
K Receipt (2 copies)

____
Date Received

____
Prospective Franchisee

____
Name (please print)

Address:__________________________
____
____