

and in all broadcast advertising thirty seconds or less in duration, the following statement may be used, in lieu of the statement required in subdivision (d) of this paragraph:

This offering is made by prospectus only.

(g) Sales literature, as to franchisors registered in this State, but making offers of their franchises from places other than this State, shall not include such literature contained in a bona fide newspaper or other publication of general, regular and paid circulation whose circulation area does not include this State.

200.10 Exemptions from Registration

(1) A sale to an existing franchisee form shall be filed with the Department of Law along with appropriate fee as fixed by 200.10 (3) pursuant to, General Business section 684.3 (d).

(2) Any offer or sale of a franchise, if the franchise involves the adding of a new product or service line to the existing business of a prospective franchisee, is exempt from registration provided all of the following are met:

(a) For at least twenty-four months prior to the date of sale of the franchise, the prospective franchisee, or if the prospective franchisee is not a natural person, an existing officer, director, or managing agent of the prospective franchisee who has held that position with the prospective franchisee for at least the last twenty-four months, has been engaged in a business offering products or services substantially similar or related to those to be offered by the franchised business.

(b) The new product or service is substantially similar or related to the product or service being offered by the prospective franchisee's existing business.

(c) The franchise business is to be operated from the same business location as the prospective franchisee's existing business.

(d) The parties anticipated, in good faith, at the time the agreement establishing the franchise relationship was reached, that sales resulting from the franchise business will not represent more than twenty percent of the total sales in dollar volume of the franchisee on an annual basis.

(e) The prospective franchisee is not controlled by the franchisor.

(f) The franchisor notifies in writing the New York State Department of Law of specific circumstances surrounding the fractional franchise exemption and pays the statutory fee for an amendment as prescribed in section 694.1 (b) of the General Business Law.

(3) The Department of Law shall charge and collect a fee equivalent to that of filing an amendment under General Business Law section 694.1 (b) for any exemption granted pursuant to General Business Law section 684.1 and 2.

200.11 Registration of Franchise Sales Agents

(a) In compliance with section 683.13 of the General Business Law, all persons acting as franchise sales agents as defined in General Business Law section 681.8 in the offer for sale or sale of a franchise shall file a Sales Agent Disclosure Form (UFRA-E) with the New York State Department of Law. The Department shall issue an order of registration upon the receipt of a properly executed application and no offer for sale or sale of a franchise shall be made by a franchise sales agent until said registration order has been issued.

(b) In compliance with section 683.13 of the General Business Law, every person acting as a franchise sales agent who shall have filed a franchise Sales Agent Disclosure Form (UFRA-E) with the Department of Law shall file an updated Sales Agent Disclosure Form (UFRA-E) whenever any of the following changes have taken place, to indicate the change of information originally filed:

(1) Name. The change in name of the registrant (in the event the registrant incorporates, an entirely new registration statement must be filed.)

(2) Address. Change of business address and address of new branch offices in New York.

(3) Management. Changes in the officers, directors, general partners or other principals of the registrant, giving the new names and addresses involved in such changes.

(4) Litigation. Upon each occasion when the registrant becomes the subject of any criminal action, or is convicted of any misdemeanor or felony, is the subject of any injunction or cease and desist order relating to the offer or sale of securities or franchises or is the subject of a money judgment or injunction in a civil action involving fraud, embezzlement, fraudulent conversion of misappropriation or property.

200.12 Exemption From Filing Requirements of Franchise Advertising on the Internet

(a) Any communication about a franchise offering posted on a website on the Internet is exempt from the registration requirements for filing advertising with the New York State Department of Law and paying a fee, if:

(1) The franchisor discloses to the New York State Department of Law the Uniform Resource Locator (“URL”) address or similar address or device identifying the location of

the Internet Advertising: (1) on the cover page of a franchise offering circular included with an application for registration that is effective in New York State; (2) on the cover page of a franchise offering circular included with an application for exemption from registration that is on file with the New York State Department of Law; or (3) on a notice filed with the New York State Department of Law; and

(2) The Internet Advertising is not directed to any person in the State of New York by or on behalf of the franchisor or anyone acting with the franchisor's knowledge.

(b) Nothing in this regulation shall be construed to affect the Department of Law's ability to bring an action against any person for violating any antifraud provision of the State of New York's Franchise Law.

200.13 Unregistered Franchise Offers Over The Internet

Any communication made through the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, of an offer to sell a franchise that is not registered in New York, ("Internet Offer") is exempt from registration provisions, if:

- 1. The Internet Offer indicates, directly or indirectly, that the franchise is not being offered to residents of this state;**
- 2. The Internet Offer is not otherwise directed to any person in this State by or on behalf of the franchisor or anyone acting with the franchisor's knowledge; and**
- 3. No franchise is sold in this State by or on behalf of the franchisor until the offering has been registered and declared effective and the Uniform Franchise Offering Circular has been delivered to the offeree before the sale in compliance with Article 33 of the General Business Law, the New York Franchise Act.**

PART 201.--Procedural Regulations Governing Hearings Held Under the New York Franchise Sales Act.

[¶ 5320.51] Scope of Part

201.1. This part shall govern the conduct of hearings held by the Bureau of Investor Protection and Securities of the Department of Law pursuant to Chapter 730, Laws of 1980, the New York Franchise Sales Act, and as amended from time to time.

[¶ 5320.52] Opportunity to Be Heard

201.2.(a) The Attorney General shall not refuse to register an offering prospectus pursuant to G.B.L. section 683.(7) without giving the applicant an opportunity to be heard in any case required by law.

(b) In any case in which the Bureau of Investor Protection and Securities determines that an offering prospectus should be denied registration and in which the applicant would be entitled to a hearing as required by law, it shall notify the applicant that the registration is denied. The notice shall include the statutory authority for the denial and a statement that the applicant, is entitled to a hearing. The applicant, within five days of such notice, may then demand a hearing and the Bureau shall thereafter commence an adjudicatory proceeding pursuant to the provisions of the State Administrative Procedure Act within the time limited for the issuing of a registration or deficiency letter pursuant to General Business Law section 683.7. The commencement of such a proceeding tolls the time within which an application and prospectus is required to be accepted for filing and registered, or refused registration and filing.

[5320.53] Notice of Hearing

201.3. The notice of hearing shall be in writing and shall state:

- (a) the date, time, place and nature of the hearing.**
- (b) the particular law or laws and rule or rules involved.**
- (c) a statement of the legal authority and jurisdiction under which the hearing is to be held.**
- (d) a short and plain statement of the matter asserted.**

[¶ 5320.54] Service of Notice of Hearing. Orders and Other Communications

201.4.

(a) The notice of hearing from the Attorney General shall be duly served if enclosed in a properly postpaid wrapper addressed to the applicant at the address last given in the franchise prospectus registration application facing page filed by him with the Attorney General as ordinary mail or if such notice addressed to such person is delivered to such address by an employee or agent of the Attorney General. An affidavit by an employee or agent of the Department of Law that such notice has in the regular course of business of the Department of Law been duly dispatched or delivered, in a manner authorized by this section, shall be presumptive evidence of proper service. For the purpose of calculating time of notice, service shall be deemed effective upon the date of delivery to such address. The notice of hearing shall be served upon the registrant at least 10 days prior to the date of the hearing.

(b) Notices, orders and communications from the Attorney General other than the notice of hearing shall be duly served if enclosed in a properly postpaid wrapper addressed to the applicant to be notified or communicated with at the address last given in the franchise prospectus registration application facing page filed with the Attorney General and deposited, as ordinary mail, in a post office, post office box or mail chute maintained by the United States Government or if delivered as provided in subdivision (a) of this section. An affidavit by an employee or agent of the Department of Law that such notice, order or communication has in the regular course of the business of the Department of Law been duly dispatched or delivered, in a manner authorized by this section, shall be presumptive evidence of proper service. For the purpose of calculating the time of notice, service shall be considered effected upon the date of delivery to such address; provided that, where service is by ordinary mail, service shall be considered effective three days after mailing.

[¶ 5320.55] Personal Appearance; Representation by Attorney

201.5 (a) Any applicant who intends to avail himself of the opportunity to be heard shall personally appear on the date set forth in the notice of hearing or any adjourned date and shall be prepared to proceed. Any applicant may be represented at the hearing by an attorney. Such attorney shall notify the Attorney General in writing of his appearance on behalf of the applicant. Thereafter, all further notices, orders and communications from the Department of Law may be served upon such attorney and such service shall be deemed to be service upon the applicant.

(b) Should the applicant fail to appear at the hearing or, having appeared, fail to make his defense, the hearing officer shall hear the evidence given by the Attorney General and shall make his findings and recommendations on the basis of the aforesaid evidence

[¶ 5320.56] Hearing Officers, Assignment of Hearing

201.6 The hearing shall be conducted by a hearing officer appointed by the Attorney General or his designee. Hearings shall be assigned to a particular hearing

officer by the Attorney General or his designee. The hearing officer shall be an attorney who has not worked on or otherwise become familiar with the facts of the matter in issue, and shall exercise his or her judgment independently and impartially.

[¶ 5320.57] Hearings to Be Public; Stenographic Record of Hearings

201.7. Unless otherwise ordered by the Attorney General, in the public interest, hearings held by the Attorney General to refuse registration shall be open to the public. Stenographic records of hearings shall be made and transcripts thereof may be furnished to any party upon payment to the stenographer of the reasonable cost thereof, as established by the Department of Law.

[¶ 5320.58] Application for Adjournment

201.8. An application for an adjournment shall be made to the hearing officer and shall set forth in detail the grounds therefor. Adjournments may be granted in the discretion of the hearing officer where good cause exists.

[¶ 5320.59] Amendment of Notice of Hearing

201.9. The notice of hearing may be amended upon application by the trial examiner to the hearing officer at any time prior to the conclusion of the hearing. If such application is granted, the hearing officer may, in his discretion, grant additional time to the applicant for further preparation.

[¶ 5320.60] Conduct of Hearing Powers of Hearing Officer

201.10. The hearing officer shall not be bound by common law or statutory rules of evidence or by technical or formal rules of procedure in the conduct of hearings. He shall have authority to administer oaths, issue subpoenas, rule upon offers of evidence and otherwise so regulate the course of the hearings as to preserve fundamental concepts of fairness and to effectuate the purposes and provisions of the Act.

[¶ 5320.61] Opportunity to Testify and Cross-Examine; Issuance of Subpoenas

201.11. An applicant shall be afforded reasonable opportunity to present testimony under oath or other evidence relevant and material to the subject matter of the hearing and to cross-examine any witnesses who testify at such hearing. At reasonable request of an applicant, the hearing officer shall issue subpoenas to compel the attendance of witnesses and the giving of testimony or production of other evidence. The applicant shall effect his own service.

[¶ 5320.62] Interrogatories

201.12.(a) Where it has been determined that a witness who is outside the State of New York will voluntarily answer interrogatories, the trial examiner may prepare interrogatories to be answered by such witness and the applicant shall have the opportunity to prepare cross-interrogatories as prescribed in this section.

(b) The interrogatories and cross-interrogatories shall be settled and forwarded by the hearing officer to be answered in writing and subscribed to under oath by such witness. Upon application to the Attorney General, the Attorney General may make an order providing for the taking of such witness's oral testimony pursuant to the settled interrogatories by a person designated by the Attorney General. The expenses of taking such testimony shall be borne by the applicant therefor unless the Attorney General provides otherwise.

[¶5320.63] Oral Argument; Briefs

201.13. Oral argument shall be made only before the hearing officer and shall be included in the record of the hearing. Such oral argument may, in the discretion of the hearing officer, be curtailed provided that a party shall be given an opportunity to submit his argument in writing. Briefs as to fact or law shall be received and may be requested to be submitted. The hearing officer may fix the time within which briefs shall be filed. Briefs received subsequent to such time need not be considered.

[¶ 5320.64] Hearing Officer's Report; Exceptions to Report

201.14. Upon the conclusion of a hearing the hearing officer shall, by written memorandum set forth his findings and orders.

[¶ 5320.65] Petition to Reopen Hearing

201.15. After the conclusion of a hearing but prior to the making of an order a hearing may, upon petition and in the discretion of the hearing officer, be reopened for the presentation of new evidence. Such petition to reopen the hearing shall state in detail the nature of the new evidence, together with the reasons for the failure to submit such evidence prior to the conclusion of the hearing. The hearing officer may upon his or her own motion and upon reasonable notice to the parties reopen a hearing for the presentation of additional evidence.

[¶ 5320.66] Orders of the Attorney General

201.16. All orders of the hearing officer shall be in writing and shall be filed with the Department of Law, which shall cause certified copies thereof to be served upon the applicant.

Sample

Franchise Disclosure Document

For Educational Purposes Only

NOT TO BE USED FOR A REAL BUSINESS

Franchise Disclosure Document

Franchisor, Inc.
123 20th Avenue
Small Town, New Jersey 12345
201-555-1234
www.Franchisor.com

[Franchisor Trademark Here]

The Franchisor is Franchisor Inc. (“Franchisor,” “we” or “us”). We develop, operate and franchise retail businesses to promote the use of an innovative and effective method of selling light bulbs.

The total investment necessary to begin operation of a Franchisor franchise ranges from \$81,500 to \$449,500. This includes a range of \$25,000 to \$300,000 that must be paid to us. This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact us at 123 20th Avenue, Small Town, New Jersey 12345; 201-555-1234.

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 accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information of franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources on franchising. There may also be laws on franchising in your state. Ask you state agencies about them.

Issuance Date:

STATE COVER PAGE

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

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

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

Please consider the following risk factors before you buy this franchise:

THE FRANCHISE AGREEMENT STATES THAT New Jersey LAW GOVERNS THE AGREEMENT.

ALL LITIGATION MUST TAKE PLACE IN New Jersey (UNLESS PROHIBITED BY LAW).

New Jersey LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW OR LOCAL LAW MAY APPLY REGARDLESS OF THIS STATEMENT.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: In all States that do not require registration, the effective date of this Franchise Disclosure Document is May 11, 2011.

The following States require that the Franchise Disclosure Document be registered or filed with the State or be exempt from registration: California, Connecticut, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New Jersey, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin. The Franchise Disclosure Document is registered, on file or exempt from registration in the following States, when the effective date is listed on the next page.

CALIFORNIA
CONNECTICUT
GEORGIA
HAWAII
ILLINOIS
INDIANA
MARYLAND
MICHIGAN
MINNESOTA
NEBRASKA
NEW YORK
NORTH CAROLINA
NORTH DAKOTA
RHODE ISLAND
SOUTH CAROLINA
SOUTH DAKOTA
TEXAS
UTAH
VIRGINIA
WASHINGTON
WISCONSIN

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- Exhibit A- Directory of Administrative Agencies
- Exhibit B- List of Registered Agents
- Exhibit C- Preliminary Application
- Exhibit D- Franchise Agreement
- Exhibit E- Guaranty and Assumption of Obligations

ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS and AFFILIATES

To simplify the language, this disclosure document uses “we,” “Franchisor,” “FRAN” or “us” to mean Franchisor, Inc. (“FRAN”), the franchisor. “You” means the individual, corporation or other entity that buys a FRAN franchise.

Franchisor, Parent and Affiliates

We conduct business under the name of Franchisor Inc. Our principal business address is 123 20th Avenue, Small Town, New Jersey 12345. We are a New Jersey corporation that was incorporated on May 11, 2011. There are no parents or affiliates. We do not conduct business under any other name. We operate the same type of business that we franchise. We have no other activities. The general market is protection from hurricanes that is developing. The good and equipment will be sold to any qualified franchisee. Sales are not seasonal. There are other companies that offer protection against the effects of hurricanes by providing covering for homes and businesses. We do not have any prior experience as to this or any other business. We have not previously offered franchises.

The Business We Offer

The sale of light bulbs of every type and description.

You must honor the Obligations of the Franchisee in our franchise agreement and Franchise Disclosure Document. You must offer the consumer the option to purchase the warranty policy, when we offer it, so that in the rare event that our anchoring system should fail, the consumer may suffer the least financial difficulty as possible by way of an insurance policy that will cover damages related to the failure of the system.

You must maintain a business liability policy active at all times to protect You, the franchisee and ultimately Us, the franchisor.

Your competitors include other sellers of light bulbs. Your competition also includes any other FRAN franchisees since no territory is exclusive for the FRAN franchisees.

Applicable Regulations

You must comply with federal, state and local health, environmental and construction/ building code safety regulations concerning the proper handling and disposal of required/specified materials for FRAN installations, quality assurance testing and other products used in the business. You should investigate the application of these laws further as to avoid any civil or criminal liability that could attach for ignoring the law.

ITEM 2: BUSINESS EXPERIENCE

[In this section you:]

List by name and position the directors, trustees and/or general partners, the principal officers and other executives or subfranchisors who will have management responsibility relating to the franchises offered by

this offering circular. List all franchise brokers. State each person's principal occupations and employers during the past five years.

ITEM 3: LITIGATION

[In this section you:]

A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, include pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations. If so, disclose the names of the parties, the forum, nature, and current status of the pending action. Franchisor may include a summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion is included as part of this offering circular.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations. If so, disclose the names of the parties, the forum and date of conviction or date judgment was entered; penalty or damages assessed and/or terms of settlement.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. If so, disclose the name of the person; the public agency, association, or exchange; the court or other forum; a summary of the allegations or facts found by the agency, association, exchange or court; and the date, nature, terms and conditions of the order or decree.

ITEM 4: BANKRUPTCY

State whether the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular; (a) filed as debtor had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code

during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership. If so, disclose the name of the person and/or company that was the debtor under the Bankruptcy Code, the date of the action and the material facts.

ITEM 5: INITIAL FEES

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee	\$25,000 to \$300,000	Lump sum	On signing of Franchise Agreement	Us

All Franchisor franchisees pay a lump sum non-refundable franchise fee as specified in the Table of Fees in the Franchise Agreement when we have fulfilled our initial obligations to you. The price of the franchise will be according to the following schedule: The franchisee will be able to purchase the non-exclusive rights (this means that other franchisees may also operate their franchises in the same geographical area of your franchise territory) to the use of our business methods and trademarks for the following prices:

A. The price of the franchise will be according to the following schedule: you will have a non-exclusive license for the use of our business methods and trademarks for the following prices:

1. For the operation of the franchise in a group of adjacent Zip Codes, you shall pay a price of \$1,000.00 per zip code; however, the minimum number of zip codes that you shall buy is 25 zip codes for a total minimum price of \$25,000.00.
2. You can purchase up to 10 additional adjacent Zip Codes at a price of \$750.00 per zip code.
3. You can further purchase additional adjacent Zip Codes at a price of \$500.00 per zip code.
4. If the aggregate of zip codes selected by you within a single County or Parish exceeds \$50,000, then you may obtain the franchise for the entire County or Parish for \$50,000, even if the County has more zip codes the addition of which would cause to exceed that amount.
5. If you wish to purchase the operation of the Franchise for an entire State of the United States of America, then the price would be the amount in the following schedule:

- TIER 1: California \$95,000.00.
- TIER 2: Texas and New Jersey \$85,000 each.
- TIER 3: Illinois, Virginia, Georgia, South Carolina, North Carolina, Pennsylvania, Michigan, Louisiana, South California [South of a Fresno-Salinas line with these two cities included in the Northern territory] \$75,000 each.
- TIER 4: Colorado, Ohio, Missouri, Maryland, Wisconsin, Minnesota, Colorado, Alabama, South Carolina, Louisiana, Kentucky, North California [North of a Fresno-Salinas line with these two cities included in the Northern territory] \$65,000 each.
- TIER 5: Washington, Puerto Rico, Nevada, Small Town, New Jersey, Oregon, Oklahoma, Connecticut, Iowa, Mississippi, Arkansas, Kansas, Utah, Nevada, New Mexico, West Virginia, Nebraska, New Mexico, Rhode Island, Hawaii, Montana, Delaware, South Dakota, Alaska, North Dakota, Vermont, District of Columbia, Wyoming, Guam, US Virgin Islands, Northern Mariana Islands, American Samoa \$50,000 each.

- TIER 6: All of the United States of America \$300,000.00.

Franchisor Inc. may allow you to pay for the Purchase Price of the Franchise in an installment payment plan. Franchisor will determine the terms and conditions for any such plan, taking in consideration the credit record of the applicant, the conditions of the market and any other factor that Franchisor may find just and proper. Failure to make payments in due time under the terms of the installment payment agreement will cause the default of the Franchise contract at the discretion of Franchisor.

B. Upon payment of the franchise fee, Franchisor Inc. agrees:

(i) To provide you the Operations Manual whose contents include, but are not limited to: (a) Franchise Operation procedures and methodology (b) an Installation Manual that sets forth the manner of selling light bulbs and specifications for the products and/or services used in the operation of the Franchise. (c) all the documents that support the legal structure of Franchisor, including but not limited to the licensing agreement, the trademark application, etc. Franchisor reserves the right, but is not under any obligation, to change the Operations Manual from time to time. You will be responsible to use the most current version that may be transmitted to you by paper or electronic means. You agree to pay \$100 for each new manual that is sent to you. Franchisor Inc. may change the price of any of its Manuals from time to time.

(ii) Franchisor will train you in the business of establishing and operating a Franchisor franchise as set forth in the Operations Manual.

All expenses incurred by you, including, but not limited to, travel costs and hotel expenses, etc. shall be paid by you. Franchisor shall conduct the training program at the locations specified by Franchisor. You are required to stay at the hotel specified by Franchisor.

C. You must use the name “Franchisor” as the name under which you promote your services to the public. However, you do *not* have the right to use the name “Franchisor” or the Trademark “Franchisor” as part of your corporate name.

ITEM 6: OTHER FEES AND EXPENSES

TABLE OF FEES AND EXPENSES

FEE NAME	AMOUNT	DUE DATE	REMARKS
Royalty	10% of weekly Gross Revenue	Each Tuesday on Gross Revenue of preceding week	Franchisor can require payment by electronic funds transfer initiated by Franchisor from your designated bank account
Advertising	3% of Gross sales	Each Tuesday on Gross Revenue of preceding week	Franchisor can require payment by electronic funds transfer initiated by the Company from your designated bank account

Interest	Prime Rate plus 3% or highest legal rate	On demand	Payable on past due amounts
Late Fee	\$15 per day per 1,000.00 after due date	On demand	Payable on past due on amounts
Transfer Fee	\$2,500 if transfer of a controlling interest	Prior to any transfer of franchise	“Transfer” defined in Section 11.2 of Franchise Agreement
Renewal	An amount equal to the sum initially paid or the going rates at the time of renewal	At least 30 days prior to expiration of franchise	Payable if you elect to renew the franchise
Audits	All costs of inspection & audit	Immediately upon notice	You must reimburse costs if audit reveals royalty underpayment of more than 2% of amount you originally reported due

Royalty: (See Note 1 below) 10% of total gross sales. Payable only to us weekly on each Friday before noon payable via automatic bank wire transfer.

Gross sales: This term means all sales and all revenue from the franchise location for the sale of products that include the use of franchise products, the use of the Trademarks of the Franchisor. The term Gross sales shall only exclude sales tax or use tax.

Advertising: (See Note 1 below) 2.5% of total gross sales. Same as royalty fee

Cooperative Advertising: (See Note 1 below) Maximum - 2% of total gross sales. This is a fund established by franchisees that wish to take advantage of the lower costs of advertising jointly with other franchisees. Franchisees may form an advertising cooperative and establish local advertising fees. Company-owned stores have no vote in these cooperatives.

Additional Training (See Note 1 below) \$1,000 per person Two weeks prior to beginning of training Franchisor trains two persons free. See Item 11.

Additional Assistance (See Note 1 below) \$500 per day due thirty days after billing. Franchisor provides free assistance only for the opening of the Franchise. See Item 11.

Transfers (See Note 1 below). Fee is \$2,500.00 that has to be cancel before the transfer. Payable when you sell your franchise. No charge if franchise transferred to a corporation that you control.

Audit (See Note 1 below) Cost of audit plus 10% interest on underpayment (See Note 2 below). Due Thirty days after billing. Payable only if audit shows an understatement of at least 2% of gross sales for any month.

Renewal Fee (See Note 1 below) An amount equal to the sum initially paid or the going rates at the time of renewal to be paid thirty days before renewal.

Note 1: All fees are imposed by and are paid to Franchisor Inc. All fees are non-refundable.

Note 2: Interest begins from the date of the underpayment.

ITEM 7. YOUR ESTIMATED INITIAL INVESTMENT AND EXPENSES

DESCRIPTION	AMOUNT	PAYMENT METHOD	WHEN DUE	PAYMENT IS MADE TO
Initial Franchise Fee	\$25,000 minimum for 25 zip codes to \$300,000 for all the states in the USA	Lump sum	On signing of Franchise Agreement	Us
Initial Lease Payments	\$3,000 to 10,000 or Price of Lease	Lump sum	Lease inception	Landlord
Leasehold Improvements	\$5,000 to 25,000 or price agreed with Contractor.	Lump sum or as otherwise agreed	Per contractor terms	Contractors
Office Supplies and Equipment	\$3,500 to 5,500 or price agreed with supplier	Lump sum, financed, or suppliers' terms	COD or per Suppliers' terms	Supplier
Installation Equipment and Materials	\$3,500 to \$5,000	Lump sum	COD or per Suppliers' terms	Suppliers
Sales Tools, Marketing Items and Samples	\$3,000 to \$10,000	Lump sum	COD or per Suppliers' terms	Suppliers

Utility Deposits and permits	\$5,000 to \$7,000	Lump sum	At time obtained	Utilities, agencies
Insurance	\$2,500 to \$4,500	Lump sum	Per provider	Insurance carrier
Professional Fees	\$2,500 to \$3,500	Lump sum	Per provider	Architects, accountants and attorneys
Opening Inventory, Advertising & Promotional Costs "	\$15,000 to 50,000	Lump Sum or as otherwise agreed	Per supplier	Suppliers
Additional Funds Working Capital (first three months)	\$12,000 to \$24,000	Lump sum or as otherwise agreed	Per various suppliers	Suppliers, employees and others
Travel and living expenses while training	\$1,500 to \$5,000	During training	During training	Airlines, hotels, and restaurants
TOTAL	\$81,500 to \$449,500			

All of the above fees and expenses are non-refundable fees and expenses that you must set aside or make reserves for, in order to operate your Franchise.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchisor shall have the right to approve all vendors that you wish to do business with. This includes, but is not limited to: equipment suppliers, financial services providers, regional and national product and service supply distributors and independent product and service product manufacturers. Such approval and revocation of approval is based upon the supplier's quality and price structure. Other approval factors include product availability and delivery as well as the ability of the vendor to fulfill projected operation obligations. Vendor approval is at the sole discretion of Franchisor, and vendors may be approved or revoked at any time. Approval will be decided within one month of receiving the information and products required for Franchisor to make its decision.

You are required to obtain from Franchisor or its designated distributor or affiliates, and from no other source, all of the products sold in your Franchisor operation and any trademarked products of Franchisor prepared for and sold to customers at a Franchisor operation. You may be required to purchase items as directed by Franchisor. Franchisor Operations Manual provides you with a detailed list of approved vendors and you will be promptly noticed on of any new vendors or products that may come in as approved vendors of ours.

The price of the products that you will sell which are covered by the scope of the franchise and our other trademarked products are to be marketed and sold at a customary gross profit of between 5% and 300%. However, all products and services will have fluctuating prices, some priced above and below the target gross margin. We will make price recommendations based on our extensive experience, but the final selling price of the products and services will be at the sole discretion of you.

The required initial purchases from Franchisor are not provided by us and are not included in the initial package fee. Your purchases from approved vendors will depend on your volume of work.

In order to ensure that the items sold at your franchises are of uniform quality, the other products to be sold must be purchased only from approved sources. Franchisor reserves the right from time to time to change the items which are to be sold in your franchises.

Franchisor may enter into national purchasing contracts with suppliers for products to be used in Franchisor system on favorable terms. From time to time, certain suppliers offer promotional allowance programs to promote products sold in Franchisor system. As the contracting party, Franchisor coordinates and administers such programs on behalf of Franchisor system. You are required to purchase from such approved suppliers and Franchisor may receive compensation for coordinating and administering the program.

Many of the items used in the day to day operation of a Franchisor operation are purchased in bulk by the Franchisor, which insures uniform quality and control. Such items include, but are not limited to, computer forms, printing supplies, shopping supplies, retail merchandising supplies, DVDs, CDs, Videotape and other electronic media. These items may be purchased directly from Franchisor. All shipping costs are to be paid by the Franchisee.

Products and services are to be purchased only from approved sources. Although Franchisor will provide specific buying standards for each product and service purchased, the final choice of which individual product and service to be purchased will be up to the individual franchisee.

There are no purchasing or distribution cooperatives other than those listed in this prospectus.

At this time there are no purchase arrangements with suppliers and therefore Franchisor has not received any compensation from suppliers.

At this time Franchisor (there are no affiliates) will not derive any income based upon the required purchases or leases made in accordance with its specifications.

Franchisor has not disclosed its specifications and standards to its franchisees or approved suppliers. Based upon the continuing changing requirements of technology these standards will be updated to be kept current and are not available to franchisees.

Required purchases

You must purchase all of the material that the Installation Manual requires you to purchase from Franchisor.

Required and approved suppliers

You must purchase supplies from our list of approved vendors in the Operations Manual (to prevent buying damaged or substandard materials) or obtain approval from Franchisor to buy from a vendor not on the list.

The vendor list would list all the reputable retail and wholesale vendors such as Everglades Lumber, Home Depot, Ace Hardware, Lowes, etc.

Approval of alternative suppliers

We may approve other suppliers of any material needed to implement the Franchisor system on a structure as long as these meet the specifications set forth in the operations manual and are approved by us for purchase. If you would like to purchase these items from another supplier, you must request our “Non-Listed Supplier Approval Form.”

If there is any process or testing required for us to approve the requested vendor who is not in the Vendors List, we may charge a fee of \$300 or more depending on how complex the decision process may be. An average decision may be reached within 60 days.

Approval of alternative suppliers may be revoked if our engineering authority determines that the materials provided by the requested vendor fail to satisfy the specifications set forth in the operations manual, as it may periodically be updated.

Optional purchases affecting Franchisor will require approval from us prior to making these purchases.

Revenue from franchisee purchases

At this time, we do not have any revenue from franchisees purchases. There are no data to refer to or history that can be relied on.

Cooperatives

We do not have any purchasing or distribution cooperatives.

ITEM 9: FRANCHISEE’S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section in Agreement	Disclosure Document Item
a) Site Selection & Acquisition/Lease	I & XVIII	5 & 11
b) Pre-opening purchases/lease	XIII	8, 9 & 11
c) Site development & other pre-opening requirements	VIII & XXIV	5 & 11
d) Initial & ongoing training	II, IV, XII, XIX & XX	11
e) Opening	II, XIII & XXXIII	1 & 11
f) Fees	IV, XIV, XVII, XIX, XXII, XXVIII, XXXI	5, 6, 7 & 17

	& XXXIV	
g) Compliance with standards & policies/operating manual	IV, VI, VIII, XXII, XXIV & XXVIII	17
h) Trademarks & proprietary information	I, III, VI, VIII & IX	13
i) Restrictions on products/services offered	IX	16
j) Warranty & customer service requirements	No obligation	None
k) Territorial development and sales quotas	II	12
l) Ongoing product/service purchases	II	8
m) Maintenance, appearance & remodeling requirements	III & VIII	17
n) Insurance	XVII	6
o) Advertising	XIII, XIV, XXV & XXXI	6
p) Indemnification	XXVII & XXIII	None
q) Owners participation/ management/staffing	VII & XII	15
r) Records/reports	XIV & XX	6
s) Inspections/audits	VIII & XIV	6
t) Transfer	XXII	17
u) Renewal	VII & XIX	17
v) Post-Termination obligations	VII, XXI & XXXI	17
w) Non-competition covenants	VII	17
x) Dispute resolution	XXVIII & XXXI	17

ITEM 10: FINANCING

Franchisor does not provide any financing.

ITEM 11: FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.

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

As of the date this Disclosure Document was prepared, the following summarizes the Franchisor initial training program for a single-brand Store:

***TRAINING PROGRAM FOR FRANCHISEES**

Subject	Hours of Web-Based Training*	Hours of On-The-Job Training	Location
Introduction to the Franchisor Franchise Training (to the four parts/manuals that make up the Operations Manual and about the	3 hours		At the office of Franchisor or at some other location specified by

image, brand and concept of Franchisor			Franchisor
General Business Practices Guide and Employee Training (study contents of the General Business Practices manual and Employee Manual)	40 hours		At the office of Franchisor or at some other location specified by Franchisor
Installation Training (study contents of the Installation Manual)		24 hours. This may include a physical workshop training.	At the office of Franchisor or at some other location specified by Franchisor
TOTAL	43	24	

***Note:**

This training schedule may change as deemed necessary by Franchisor to accommodate needs and resources of franchisees as well as those of the Franchisor.

Trainings may include administering tests in order to gauge level of comprehension of trainees. Trainees that fail those tests must repeat the training for a second time, free of charge. However, if the trainee fails the said tests for the second time, the franchisee will have to provide other persons for the training. Franchisor reserves the right to refuse to train any particular person at its discretion for any reason. If the franchisees needs to give training to any particular person that has failed twice in the tests, franchisees will negotiate with Franchisor the costs and possibilities for such training. The same will be at the option of the Franchisor.

At our discretion, trainees may, or may not, include the franchisees(s), their management, employees, contractors and subcontractors including installers and inspectors. Training is mandatory for the franchisees(s) and their employees that will be in charge of directing the installation of the products of the Franchisor in any project. Failure to comply with the training may be found by Franchisor as a default of the obligations of the franchisees.

Franchisor will decide the maximum number of trainees who may participate in each training session. We will decide which individuals should attend what training or what portion of it. Web-based training may include video conferencing or audio in lieu of classroom training.

Operations Manuals

We will provide to you a copy of the operations manual for each System that you are franchised to operate. Each Operations Manual contains mandatory and suggested standards, operating procedures and rules prescribed by us for that System. The Operations Manuals are copyrighted and are not to be reproduced or distributed to anyone without our prior approval. We can change the terms of the operations manuals whenever we believe it is appropriate. A copy of the table of contents of each operations manual as of the date of this Disclosure Document is as follows:

OPERATIONS MANUAL TABLE OF CONTENTS

The Operations Manual consists of the four parts listed herein which may be individually updated separately as deemed necessary by the Franchisor:

- GENERAL BUSINESS PRACTICES GUIDE
- EMPLOYEE MANUAL
- INSTALLATION MANUAL
- REFERENCE & SAMPLES GUIDE

Pre-Opening Assistance

Before you open your business, Franchisor may assist you by doing any of the following:

- (1) Designate your non-exclusive territory (Franchise Agreement, Paragraph 2).
- (2) Assist you in selecting a business site, if you did not have one or if you need assistance in doing so. (Franchise Agreement, Paragraph 3). You select your business site within your area subject to our approval.

The factors that will be considered by Franchisor in the approval of a particular location are, among others, the following general location and neighborhood, traffic patterns, parking size, physical characteristics of the buildings and lease terms or any other reason that Franchisor may find against its Corporate Interest. Franchisor will not own or lease realty in which you will do business. It will be up to you to find and obtain the premises from which you will operate the Franchise. If the franchisee is not able to provide Franchisor with a suitable location within 180 days from the inception of his or her franchise, then at the option of Franchisor you may be found in default. Franchisor may extend at its sole discretion my extend your time for this and any other matter.

Your site must be at least 1,500 square feet, must have parking spaces and must have an average of 200 cars per hour driving by. Although not required by the Franchise Agreement to do so, Franchisor may assist in site selection by telling you the number of new car registrations, population density, traffic patterns and the proximity of the proposed site to other Franchisor Stores or Offices. Franchisor must approve or disapprove your site within 20 days after we receive notice of the proposed location. (Franchise Agreement, Paragraph 6.) Franchisor will not assist you in hiring your employees; however, we reserve the right to approve of such hiring. For the hiring and training of your employees, please refer to the Operations Manual.

Franchisees typically open their shops within four to seven months after they sign a franchise agreement if they are new to the business. Most franchisees that are in the industry or business will have their own installations already in operation. The factors that affect opening time are the ability to obtain a lease, financing, or building permits, zoning and local ordinances. Other factors include weather conditions, shortages and delays in installation of equipment, fixtures and signs.

The pre-opening assistance will include guidance to the franchisees to obtain uniforms and any branding to identify Franchisor workers and completed projects. The Training Manual loaned to the franchisees will give franchisees the elements and knowledge needed in order to sell light bulbs to allow the franchisees to follow the criteria in it to build our System.

(3) Within 30 days of your signing the Franchise Agreement, Franchisor may assist you in finding and negotiating the lease or purchase of a location for your shop. However, Franchisor is not obligated to do this or to in any way guarantee that you will find such a location. (Franchise Agreement, Paragraph 4.) You will purchase or lease your store location from independent third parties. Franchisor is not a party to your lease or purchase of the premises you will use for your Store or Office.

(4) Within 60 days of your signing the Franchise Agreement, you will provide Franchisor with the written specifications for your Store or Office construction or remodeling and for all required and replacement equipment, inventory and supplies. (Franchise Agreement, Paragraph 4.) See Item 8 of this disclosure document.

Post-Opening Assistance

During the operation of the franchised business, Franchisor will:

(1) Develop new products and methods and provide you with information about these developments so that you may use them or decline their use. (Franchise Agreement, Paragraph 8.)

(2) Telephone you each week for the first 90 days after you open your shop to discuss any operational problems. (Franchise Agreement, Paragraph 9.)

(3) Hold annual conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. There is no conference fee, but you must pay all your travel and living expenses. These elective conferences are held at our Miami, New Jersey headquarters. (Franchise Agreement, Paragraph 9.)

(4) The ongoing assistance that Franchisor may provide to the franchisees may include advertising, internet lead referrals, legal, ongoing training, process metal sheets orders in a timely fashion, staff support and follow up, compliance audits to ensure they are operating properly, to the extent stated in the Franchise agreement. Franchisor will help the franchisees (at their expense) with any operational and/or compliance issues.

Advertising

Franchisor will provide its advertising materials to you through a national advertising fund (the "National Fund"). Materials provided by the National Fund to all franchisees include video and audio tapes, mats, posters, banners and miscellaneous point-of-sale items. You will receive samples or literature of each at no charge. If you want additional copies, you must pay duplication costs. (Franchise Agreement, Paragraph 10).

You may develop advertising materials for your own use, at your own cost. Franchisor must approve those advertising materials in advance and in writing. However, all Internet advertisements must be prepared and posted by Franchisor only. (Franchise Agreement, Paragraph 10). Franchisor may occasionally provide for placement of advertising on behalf of the entire Franchisor system, including franchisees. However, most placements will be done on a local basis, typically by local advertising agencies hired by individual franchisees or advertising cooperatives that may be created. Franchisor reserves the right to use advertising fees from the Franchisor system to place advertising in national media (including broadcast, print, Internet and other media) in the future.

Franchisor has used an outside advertising agency to create and place advertising. Neither Franchisor nor its affiliates receive payment from the National Fund. Advertising funds are used to promote the products sold by franchisees and are not used to sell additional franchises. (Franchise Agreement, Paragraph 11.)

Computer Requirements

Franchisor requires you to have a computer system and Internet access. Franchisor will specify specific computer hardware, software and/or Internet supplier. However, you must have Microsoft Word, Access, Power Point, Outlook and Excel programs and any other software that Franchisor may design for the operation of the Franchise. Your computer(s) must be in working condition at all times, with sufficient memory to carry out ordinary business functions, as provided in the Operations Manual. You also must buy an electronic cash register from a Franchisor approved supplier. Your computer(s) must be backed up, maintained and upgraded as required by Franchisor in the Operations Manual. See Items 7 and 8 of this Disclosure Document. Franchisor will have independent access to the electronic cash register or computer system and reserves the right to conduct periodic audits of any accounting records contained in such hardware.

Operations Manual

Franchisor will loan you a copy of our Operations Manual that contains mandatory and suggested specifications, standards and procedures under which you will operate your Franchise. This manual is confidential and remains our property. Franchisor will modify this manual, but the modification will not alter your status and rights under the Franchise Agreement (Franchise Agreement, Paragraph 9.) The table of contents is attached as Exhibit F.

TRAINING PROGRAM

Franchisor will conduct the Training Program for franchisees and their employees, agents or contractors in a manner that will give us the assurance that these people have the information that is required to sell light bulbs.

Franchisor conducts training programs for both you and some of your employees. The training program will include four segments, which are conducted as needed. Franchisor does not charge for this training or service, but you must pay the travel and living expenses for you and your employees. All training occurs at Franchisor Headquarters in New Jersey City, on one weekend of each month.

Franchisor's Administration Training

This provides you with business training and store management training. The program introduces you to the human resources, compensation, marketing, legal, credit, security and pricing aspects of the business. Unless it is otherwise announced, Administration Training will begin within the first 15 to 90 days before the opening of your initial store. You (or if your business is a corporation or partnership, a principal of the business) must attend and complete, to Franchisor's satisfaction, the Franchisor's Administration Training. The Training may be postponed or even cancelled if Franchisor sees that the franchisees is not in need of the same.

Franchisor's Operations Training

Operations Training for your initial manager focuses primarily on store management and its purpose is to train qualified individuals to manage a franchise store and most importantly, to be able to understand and

train others in how to build and supervise the selling of light bulbs. Your managers must complete, to Franchisor's satisfaction the Franchisor's store management training program portion of Operations Training before your Office or Store opens. Franchisor has reserved the right to terminate anyone hired, contracted or subcontracted by the franchisees if that person or corporation fails to meet the policies and rules established by Franchisor in Operations Manual. Such breach can be basis for the termination of the Franchise Agreement and cancelation of the franchise relationship. At any time, we may set forth new trainings for the franchisees as we see fit. Thirty-day notice will be given to franchisees before the new trainings may be mandatory. Franchisees will inform Franchisor of any prospective employees or subcontracted corporations or individual that it may want to retain. Franchisor will approve or deny the hiring and any necessary training.

ITEM 12: TERRITORY

You will receive a non-exclusive operational territory with a minimum territory size of fifteen zip codes, a County or Counties or Parishes, States or the entire U.S. depending of the size of the Territory you purchase in accordance with Item 5. You will operate from one or more locations within the said territory that have to be approved by us and must receive our permission before relocating. We will not authorize such relocation or the establishment of additional franchised outlets if we find in our discretion that such relocation is against our interest. We can operate stores or grant franchises for a similar or competitive business within the territory of your Franchise. You are restricted from selling Franchisor products and services to customers whose properties on which you will install our products that are located outside your territory. 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.

Except when advertising cooperatively with appropriate franchisees, you are restricted from advertising outside your territory without our prior written consent. You may not engage in any mail order solicitations, catalog sales, telemarketing, Internet or television solicitation programs or use any other advertising media outside of your territory without prior written approval.

We retain the right, in our sole discretion; to offer goods and services identified by brands we control through channels of distribution other than through Franchisor to locations and customers located anywhere, including those residing in your territory. We also reserve the right to sell goods though mail order, catalog sales, telemarketing, Internet, television newspaper and any other advertising media to consumers located anywhere, including within your territory.

We will have no restrictions from soliciting or accepting orders from consumers inside the territory that is assigned as your territory and we reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the territory in which your Franchise is located, using our principal trademarks.

We will not pay any compensation to you for soliciting or accepting orders from inside your franchised territory.

You are absolutely restricted from soliciting or accepting orders from consumers outside of your territory.

You do not receive the right to acquire additional franchises within your territory. You do not have options, rights of first refusal or similar rights to acquire additional franchises. There is no minimum sales quota.

ITEM 13: TRADEMARKS

We grant you the right to operate your shop offering the FRAN system to your customers and prospective customers. You also have the right to use our Trademark. If FRAN should require parts, uniforms, branding or signage to have our trademark imprinted, you may not use the same items from vendors who do not provide them with our trademark imprinted or are not approved by FRAN.

By “trademark,” we mean trade names, trademarks, service marks and logos used to identify your shop in conjunction with our FRAN system.

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

You must follow our rules when you use these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols, except for those that we license to you. You may not use FRAN’s registered name in connection with the sale of any unauthorized product or service or in a manner that we have not authorized in writing. No agreements limit our right to use or license the use of FRAN’s trademarks.

You must notify us immediately when you learn about an infringement of or challenge to, your use of our trademark. We will take the action we think appropriate. While we are not required to defend you against a claim against your use of our trademark, we will reimburse you for your liability and reasonable costs in connection with defending our trademark. To receive reimbursement you must have notified us immediately when you learned about the alleged infringement or challenge.

You must modify or discontinue the use of a trademark if we modify or discontinue using it. If this happens, we will reimburse you for your tangible costs of compliance (for example, changing signs). You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a copyright, but you can use the proprietary information in the FRAN Operating Manual. The Operating Manual is described in Item 11. Item 11 also describes limitations on the use of this Manual by you and your employees.

You must also promptly tell us when you learn about the unauthorized use of this proprietary information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we may find it appropriate. We will indemnify you for any loss you sustain as a result of any action brought by a third party concerning your use of this proprietary information.

If we decide to add, modify or discontinue the use of an item or process covered by a copyright, you must also do so. Our sole obligation is to reimburse you for the tangible cost of complying with this obligation.

Although we are not obligated to defend your use of these items or processes, we will reimburse you for damages and reasonable costs incurred in litigation about them.

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

If you are an individual, you must directly supervise the franchised business on its premises. If you are a corporation, a person who owns at least a 1/3 of the shares of the corporate equity must perform the direct, on-site supervision of the franchised business.

If you are a co-owner of a partnership that purchased the FRAN franchise along with partner(s) and have no management staff that may be left in charge of the Store, each partner is equally responsible for supervising the franchised business on its premises and at all times at least one partner must be physically there.

We require that you personally supervise the franchised business if you are an individual and we strongly recommend that if you are a shareholder of the corporation that purchase the FRAN franchise, you seek to participate in the actual operation of the franchise. It will always be in your best interest.

In any case, the business must be directly supervised "on premises" by a manager who has successfully completed our training program. The on-premises manager cannot have an interest or business relationship with any of FRAN's business competitors. If the franchisee is a corporation or a partnership, the manager need not have an ownership interest in it. The manager must sign a written agreement (Exhibit G) to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those goods and services that we have approved (see Item 9). You must offer all goods and services that we designate as required for all franchisees. These required services are, among others, the sale of light bulbs. There are no limits on our right to do so except that the investment required of a franchisee for equipment, supplies and initial inventory will not exceed \$5,000.00 per year.

The franchisee may sell an unlimited amount of Franchisor installations, repairs and maintenance services, within the geographical boundary specified in the Franchise Disclosure Document. You may be legally pursued by Franchisor if you install Franchisor items outside of the geographical boundaries agreed upon by Franchisor and you as this not only violates the Franchise Disclosure Document/franchise agreement, but it infringes on the territory of a different franchisee, thereby becoming legally liable to that franchisee as well as to Franchisor.

We may also designate some services as optional for qualified franchisees. Current services are those mentioned in the Franchisor Operations Manual. To offer optional goods or services, you must be in substantial compliance with all material obligations under the franchise agreement. In addition, we may require you to comply with other requirements, such as training, marketing or insurance, before we will allow you to offer certain optional services. As long as you meet your annual agreed sales quotas (see Item 12), we will not restrict you from soliciting any customers who wish to have Franchisor installed on a structure that is physically located within your allowed Franchisor territory, no matter who the customers are or where they are located.

If you do not meet your annual sales quota, we may deny you the right to receive any further business referrals from us and may either keep the business referrals for ourselves or give them to another franchisee.

Failure to meet your annual sales quota is a default under your franchisee agreement and grounds for termination of your franchise. (See Item 17).

ITEM 17: THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 1	Term is 7 years
b. Renewal or extension of the term	Section 20	If you are in good standing, upon expiration of your original franchise agreement, you will have the right to renew your franchise for another 7-year term by signing the then current franchise agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement.
c. Requirement for franchisee to renew or extend	Section 20	Sign the then-current franchise agreement, pay renewal fee, remodel and sign.
d. Termination by franchisee	None	

e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	Section 21	Franchisor can terminate only if you default.
g. "Cause" defined – curable defaults	Section 21B	You have 30 days to cure: non-payment offerees, sanitation problems, non-submission of reports and any other default not listed in Section 21A.
h. "Cause" defined – non-curable defaults	Section 22	Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, trademark misuse and unapproved transfers.
i. Franchisee's obligations on termination/non-renewal	Section 22	Obligations include complete de-identification and payment of amounts due (also see r. below).
j. Assignment of contract by franchisor	Section 18	No restriction on Franchisor's right to assign.
k. "Transfer" by franchisee defined	Section 19A	Includes transfer of contract or assets or ownership change.
l. Franchisor approval of transfer by franchisee	Section 19B	Franchisor has the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 19C	New franchisee qualifies, transfer fee is paid, purchaser transfer agreement approved, training arranged, release signed by you and current agreement signed by new franchisee (also see r, below).
n. Franchisor's right of first refusal to acquire franchisee's	None	

business		
o. Franchisor's option to purchase franchisee's business	None	
p. Death or disability of franchisee	Section 19D	Franchise must be assigned by estate to approved buyer within 6 months.
q. Non-competition covenants during the term of the franchise	Section 11	No involvement in competing business anywhere in the U.S.
r. Non-competition covenants after the franchise is terminated or expires	Section 19C and 22C	No competing business for 2 years within 20 miles of another Franchisor franchise (including after assignment).
s. Modification of agreement	Section 8A	No modifications generally, but Operating Manual is subject to change.
t. Integration/merger clause	Section 27	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 29	Except for certain claims, all disputes must be arbitrated in New Jersey.
v. Choice of forum	Section 27	Litigation must be in New Jersey.
w. Choice of law	Section 28	New Jersey law applies. Notes: (1) Franchisor is not obligated by the Agreement to do so, but, if the franchise is terminated, franchisor's policy is to buy back inventory at fair market value. This policy is subject to change at any time.

These states have statutes which may supersede the franchise agreement in your relationship with us, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. § 70-807]; CALIFORNIA [Bus. & Prof. Code §§ 20000-20043]; CONNECTICUT [Gen. Stat. § 42-133e *et seq.*]; DELAWARE [Code Ann. tit. 6, Chap. 25, §2551 *et seq.*]; HAWAII [Rev. Stat. § 482E-1]; ILLINOIS [Stat. 815 ILCS 705/1-44]; INDIANA [Stat. § 23-2-2.7]; IOWA [Code §§ 523H.1-523H.17]; MICHIGAN [Stat. § 19.854(27)]; MINNESOTA [Stat. § 80C.14]; MISSISSIPPI [Code § 75-24-51]; MISSOURI [Stat. § 407.400]; NEBRASKA [Rev. Stat. § 87-401]; New Jersey [Stat. § 56:10-1]; SOUTH DAKOTA [Codified Laws § 37-5A-51]; VIRGINIA [Code § 13.1-517 - -13.1- 564]; WASHINGTON [Code § 19.100.180]; WISCONSIN [Stat. § 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise, venue for disputes and governing law.

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*). See the state Franchisor addenda to the Franchise Agreement and disclosure document for special state disclosures.

ITEM 18: PUBLIC FIGURES

As of the date of preparing this Disclosure Document, we did not use any public figure to promote our franchise. However, in the future, we may offer certain celebrities a discount on their Initial Franchise Fee on the condition that they make one or more public appearances and announcements to the media; and allow their names, photographs and information about their celebrity history to be included in news releases.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATION

Because Franchisor is a start up operation with no prior financial history, there are no representations about financial performance to disclose.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting us, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

<p style="text-align: center;">FRANCHISOR Outlet Summary For Years 2008 to 2010</p>
--

State	Year	Outlets at Start	Outlets at End of the Year	Net Change
Franchised	2008	0	0	0
	2009	0	0	0
	2010	0	0	0
Company-Owned	2008	0	0	0
	2009	0	0	0
	2010	0	1	1
Total Outlets	2008	0	0	0
	2009	0	0	0
	2010	0	1	1

* 2010 is the first year Franchisor began offering franchises for sale.

FRANCHISOR Transfers of Outlets From Franchisees to New Owners (other than the Franchisor) For Years 2008 to 2010		
State	Year	Number of Transfers
Arizona	2008	0
	2009	0
	2010	0
Colorado	2008	0
	2009	0
	2010	0
Connecticut	2008	0
	2009	0
	2010	0
Delaware	2008	0
	2009	0
	2010	0
District of Columbia	2008	0
	2009	0
	2010	0
New Jersey	2008	0
	2009	0
	2010	0
Georgia	2008	0
	2009	0
	2010	0
Hawaii	2008	0
	2009	0
	2010	0
Illinois	2008	0
	2009	0
	2010	0
Indiana	2008	0
	2009	0
	2010	0
Kansas	2008	0
	2009	0
	2010	0

Kentucky	2008	0
	2009	0
	2010	0
Louisiana	2008	0
	2009	0
	2010	0
Maine	2008	0
	2009	0
	2010	0
Maryland	2008	0
	2009	0
	2010	0
Massachusetts	2008	0
	2009	0
	2010	0
Michigan	2008	0
	2009	0
	2010	0
Missouri	2008	0
	2009	0
	2010	0
New Hampshire	2008	0
	2009	0
	2010	0
New Jersey	2008	0
	2009	0
	2010	0
New Mexico	2008	0
	2009	0
	2010	0
New York	2008	0
	2009	0
	2010	0
North Carolina	2008	0
	2009	0
	2010	0
Ohio	2008	0
	2009	0
	2010	0
Oklahoma	2008	0
	2009	0
	2010	0
Oregon	2008	0
	2009	0
	2010	0
Pennsylvania	2008	0
	2009	0
	2010	0

Rhode Island	2008	0
	2009	0
	2010	0
South Carolina	2008	0
	2009	0
	2010	0
Tennessee	2008	0
	2009	0
	2010	0
Texas	2008	0
	2009	0
	2010	0
Vermont	2008	0
	2009	0
	2010	0
Virginia	2008	0
	2009	0
	2010	0
West Virginia	2008	0
	2009	0
	2010	0
Wisconsin	2008	0
	2009	0
	2010	0
Total	2008	0
	2009	0
	2010	0

**FRANCHISOR
STATUS OF FRANCHISED OUTLETS
For Years 2008 to 2010**

State	Year	Outlets at Start of Year	Outlets Opened	Termination s	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year *
AZ	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
CO	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0

CT	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
DE	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
DC	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
FL	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
GA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
HI	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
IL	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
IN	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
KS	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
KY	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
LA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
ME	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
MD	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
MA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
MI	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0

MO	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NH	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NJ	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NM	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NV	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NY	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
NC	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
OH	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
OK	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
OR	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
PA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
RI	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
SC	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
TN	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
TX	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0

VT	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
VA	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
WV	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
WI	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
TOTAL	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0

FRANCHISOR Status of Company-Owned Outlets For Years 2008 to 2010							
State	Year	Outlets at Start of	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year*
Total	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0

FRANCHISOR PROJECTED OPENINGS AS OF DECEMBER 29, 2010			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Arizona	0	1	0
Connecticut	0	0	0
Delaware	0	1	0
District of Columbia	0	1	0
New Jersey	0	1	0
Georgia	0	1	0
Illinois	0	1	0
Indiana	0	1	0
Kentucky	0	1	0

Maine	0	0	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Missouri	0	1	0
Nevada	0	1	0
New Hampshire	0	1	0
New Jersey	0	1	0
New York	0	1	0
North Carolina	0	1	0
Ohio	0	1	0
Pennsylvania	0	1	0
Rhode Island	0	1	0
South Carolina	0	1	0
Tennessee	0	1	0
Texas	0	1	0
Vermont	0	1	0
Virginia	0	1	0
TOTAL	0	27	0

ITEM 21: FINANCIAL STATEMENTS

The last three audited financial statements are annexed.

No parent company exists for Franchisor for which reason Franchisor guarantees its own performance.

ITEM 22: CONTRACTS

The initial Agreement that is relevant and material to this application is the Franchise Agreement.

ITEM 23: RECEIPT

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document. You should keep one copy as your file copy and return the executed second copy to us.

Financial Statements are placed here

EXHIBIT "A"

STATE AGENCIES AND ADMINISTRATORS

<p>CALIFORNIA California Commissioner of Corporations Department of Corporations 320 West 4th Street Los Angeles, California 90013 1-866-275-2677 (toll free)</p>	<p>NORTH DAKOTA North Dakota Securities Department 600 East Boulevard State Capitol, Fifth Floor Bismarck, North Dakota 58505-0510 Phone 701-328-4712</p>
<p>HAWAII Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>	<p>OREGON Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310</p>
<p>ILLINOIS Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706</p>	<p>RHODE ISLAND Chief Securities Examiner Division of Securities Section 233 Richmond Street Suite 232 Providence, Rhode Island 02903</p>
<p>INDIANA Indiana Securities Commissioner 302 W. Washington Street, Room E-111 Indianapolis, Indiana 46204</p>	<p>SOUTH DAKOTA Franchise Administration Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501-4823</p>
<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020</p>	<p>VIRGINIA Director, Division of Securities and Retail Franchising State Corporation Commission 1300 East Main Street, Ninth Floor Richmond, Virginia 23219</p>

<p>MICHIGAN Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit P.O. Box 30213 Lansing, MI 48909</p>	<p>WASHINGTON Franchise Registrations/Business Opportunities Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507</p>
<p>MINNESOTA Franchise Examiner Minnesota Department of Commerce Market Assurance Division 85 7th Place East Suite 500 St. Paul, Minnesota 55101</p>	<p>WISCONSIN Franchise Administrator, Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, Wisconsin 53701</p>
<p>New York New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, New York 10271</p>	

EXHIBIT "B"

AGENTS FOR SERVICE OF PROCESS

<p>CALIFORNIA California Commissioner of Corporations Department of Corporations 320 West 4th Street Los Angeles, California 90013 1-866-275-2677 (toll free)</p>	<p>NORTH DAKOTA North Dakota Securities Department 600 East Boulevard State Capitol, Fifth Floor Bismarck, North Dakota 58505-0510 Phone 701-328-4712</p>
<p>HAWAII Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>	<p>OREGON Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310</p>
<p>ILLINOIS Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706</p>	<p>RHODE ISLAND Chief Securities Examiner Division of Securities Section 233 Richmond Street Suite 232 Providence, Rhode Island 02903</p>
<p>INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204</p>	<p>SOUTH DAKOTA Franchise Administration Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501-4823</p>
<p>MARYLAND Maryland Securities Commissioner Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020</p>	<p>VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219</p>

<p>MICHIGAN Department of the Attorney General Consumer Protection Division - Attn: Franchise 670 Law Building Lansing, Michigan 48913</p>	<p>WASHINGTON Franchise Registrations/Business Opportunities Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507</p>
<p>MINNESOTA Franchise Examiner Minnesota Department of Commerce Market Assurance Division 85 7th Place East Suite 500 St. Paul, Minnesota 55101</p>	<p>WISCONSIN Franchise Administrator, Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, Wisconsin 53701</p>
<p>New York Secretary of State 41 State Street Albany, New York 12231</p>	<p>ALL OTHER STATES Alfonso E. Oviedo-Reyes, Esq. 123 20th Avenue Small Town, New Jersey 12345</p>

EXHIBIT "C"

PRELIMINARY APPLICATION

INSTRUCTIONS

Please complete the following application by truthfully providing all the information requested. All information you provide will be held in strict confidence by Franchisor. Completing this application does not obligate you or Franchisor in any way to do or not do anything other than what is declared here. Failure to complete the application or providing untruthful information will make the application invalid. Please read the following statements and sign below acknowledging your understanding and agreement.

If the Franchisee is a Corporation or other type of business organization each shareholder with an interest of more than 10% in the organization must fill out and submit this form individually.

1. I, _____ hereby I authorize Franchisor Inc. to investigate all the statements contained in this application. For such purpose I give unrestricted authorization to them to contact any and all persons or institutions mentioned by me in this application.
2. I understand that my omission or misrepresentation of facts called for in this application will be sufficient cause for cancellation of any contract or agreement entered into with Franchisor.
3. I understand I will need to verify my U.S. Citizenship or my Legal Status in the U.S.
4. I understand that I may be required to verify all funds in accounts bearing my name.
5. I hereby authorize the Franchisor to contact any and all people that I may name as reference of mine in this application and ask any and all questions that they may find appropriate.
6. I will submit with this application copy of the last three months of bank statements for all the liquid assets (cash and/or securities) I have listed on my application.
7. I will submit copies of my last 3 Income Tax Reports.
8. Funds must be in the United States at the time of application.
9. I agree to supply statements, if requested by the Franchisor, from my professional advisors (e.g., banker, broker, accountant or attorney) verifying the assets listed in the application, as well as proof of incorporation if applicable.
10. I further understand that there is a training requirement that must be successfully completed. Actual training will take three to five weeks to complete and that the cost of this training will be my responsibility.

NOTE: Franchisor may request an investigative consumer report that includes information as to your character, general reputation, credit, personal characteristics and mode of living. You have the right to request a complete and accurate disclosure of the nature and scope of the investigation. The request must be in writing and must be made within a reasonable time from today. Franchisor will provide you with a written disclosure no later than 15 days after receiving your request or 15 days after requesting the investigative consumer report, whichever is the later.

My Name is:

Home Street Address:

City, State, Zip Code:

Social Security Number

Date of Birth

I own my Home (Y/N) When Purchased? Cost: \$

I rent my home- How long at this address? Rent: \$

Home Telephone: Business Telephone

Business Address:

Previous Residential Addresses (Past 5 Years):

U.S. Citizen? ___ Yes ___ No

Legal Resident Status? ___ Permanent Visa ___ Student Visa ___ Other ___

If Other, Explain:

Have you ever had an application for a bond rejected? No Yes

Are you now obligated as an endorser or guarantor for a loan to others? No Yes

Has a judgment ever been entered against you, your company, or your employer where any of you were one of the litigants? No Yes

Are you involved in pending litigation? No Yes

Have you ever been convicted under **any** criminal law (excluding minor traffic violations)? No Yes

Have you ever been imprisoned as a result of a criminal conviction? No Yes

If yes to any of the above please explain:

EDUCATION

Name of School and Location

From: To: Graduated? Y/N Course of Study

High School
From: To: Graduated? Y/N Course of Study

Technical School
From: To: Graduated? Y/N Course of Study

College
From: To: Graduated? Y/N Course of Study

Post College
From: To: Graduated? Y/N Course of Study

Other:

PERSONAL REFERENCES

Name
Address
Telephone #
Occupation
Relationship

Name
Address
Telephone #
Occupation
Relationship

Name
Address
Telephone #
Occupation
Relationship

Name
Address
Telephone #
Occupation
Relationship

Name
Address

Telephone #
Occupation
Relationship

CREDIT REFERENCES

Name of all Banks or Finance Companies with whom you do or have done business with.

Provide their Address and Telephone numbers:

Length of Time as a Customer with each Banks or Finance Companies: _____ years
_____ months.

State the amount of your Balance in each Account:

Give the name of all of the Credit Cards you use:

Name of the Issuing Banks for each credit card:

How long have you had each card:

Monthly Payments you do on each card \$

Balance on each card:

EMPLOYMENT

(Present)

Company:

Type of work you do:

Address:

Telephone:

Name of your superior:

Salary

Reason you plan on leaving this position [if you are planning to do that]:

(Previous Employers and Positions)

Company

Type of Business:

Address:

Telephone:

Name of Supervisor:

Salary:

Reason you left:

Please describe any additional work experience or particular knowledge that will tell the Franchisor "Franchisor Inc." of your abilities, past records or anything that reasonably you would want to know yourself about a business partner you are about to accept in your confidence which is not listed above:

Have you ever been self employed? No Yes

If so, explain, when, how, for how long, give details of those experiences:

—

Have you ever been suspended or discharged from a previous job? No Yes

Have you ever been suspended or discharged from the practice of a profession? No Yes

Have you ever been denied a license by any State in the U.S.A. or abroad? No Yes

Have you ever filed bankruptcy or taken unemployment? No Yes

Have you ever taken unemployment benefits and for how long? No Yes

Have you ever failed in a personal business venture? No Yes

If yes to any of the above please explain:

GENERAL INFORMATION

How did you find out about Franchisor Franchise opportunities?

Will you devote your full time to this business?

Do you own any other businesses?

How much of your time do you plan to devote to this Franchise business?

List any hobbies, community activities, special interests, or other information you deem pertinent.

BALANCE SHEET

Assets

\$ Worth

Cash in Banks [all cash available to you]	\$
Amount in 401k/403b/IRA/Retirement Plans	\$
House [market value of your house]	\$
Cars [aggregate of all your vehicles]	\$
Boats [aggregate of all your pleasure vehicles]	\$
Furniture [aggregate of all your furniture and valuables]	\$
Tools, jewelry, personalty, etc	\$
<u>Total Assets:</u>	\$

LIABILITIES.

Liabilities

\$ Amount

Mortgage on House- [total amounts]	
Due for Credit Cards- [total amounts]	
Banks loans [total amounts]	
Finance Company Loans [total amounts]	
<u>Total Liabilities</u>	

Net Worth (Assets- Liabilities)

MONTHLY EXPENSES

Item

To Whom Paid

\$ Amount

Food

Medical

Clothing

Rent

Car Payment

Boat Payment

Mortgage Payment

Gas

Car Repairs

House Repairs

Entertainment

Vacation

Total monthly expenses:

I hereby declare that all of the information contained above is completely true and accurate. I know the Franchisor is relying upon this information to decide if I qualify to purchase a franchise. If any information is not correct, I acknowledge and agree that Franchisor can cancel my franchise without any making any payment or refund to me.

PRINT NAME

SIGN NAME

DATE:

PRINT NAME OF WITNESS

WITNESS SIGN

DATE:

A SUCCESSFUL CANDIDATE PROFILE

Success in any business is never guaranteed. Your success in this endeavor will be up to you. We will help you with our best efforts, but it will always be up to you to take your Franchise to become a real success.

The following personal characteristics are, in our opinion, the best traits that our Franchisees should have enter into this business in order to have chance of achieving success:

- A. Our best Franchisees will be **self-motivated** with a strong interest in **making money for themselves** and for those who help them get there; such as employees, your franchisor, sales people, hired professionals, etc.
- B. Our best Franchisees will be the ones with a background and/or experience in business who are able to manage **projects**, manage **people**, manage **finances** and **manage their own time**.
- C. Our best Franchisees will have **integrity** in every facet of their lives but particularly in their business practices.
- D. Our best Franchisees will be those who are financially capable of paying for the start-up costs, and sustain and expand their business.
- E. Our best Franchisees will be those who understand and commit to the essentials that make our brands strong: Integrity in our services and in our business practice. They will be those who will maintain high business ethics and will provide excellent customer service in order to enhance Franchisor's image and promote public acceptance of our brand products and services. Those who understand that by promoting the Franchise they promote their businesses are in the right track for success. **We cannot and do not promise you that you will succeed.** If you have it in you to achieve success, this Franchise may be the **inspiration** that you need, but **only you can motivate yourself** to go into greatness.

Exhibit "D"

FRANCHISE AGREEMENT

THIS AGREEMENT made this ___ day of _____, 20____ by and between Franchisor, Inc., with its principal offices located 123 20th Avenue, Small Town, New Jersey 12345 (hereafter "Franchisor") and _____, whose address is _____, a [] sole proprietorship, a [] Partnership, [] Corporation, [] Limited Liability Company formed under the laws of the State of _____. Telephone number _____, Social Security number _____ and/or Federal Tax Identification Number _____ (hereafter the "Franchisee" or "you").

WITNESSETH:

WHEREAS, great amounts of time, effort and money have been expended to develop the Franchisor System for light bulb sales;

WHEREAS, Franchisor has also devised a unique method of operating Franchisor as a method of business;

WHEREAS, you recognize and acknowledge the unique benefits to be derived from becoming a franchisee of Franchisor;

WHEREAS, Franchisor has developed at considerable time and expense certain trade secrets (defined as any formula, methodology, patterns, device, or compilation of information which is used by Franchisor, and which gives Franchisor an opportunity to obtain an advantage over competitors who do not know or are unable to use Franchisor proprietary ideas, which you recognize and acknowledge must be kept confidential in order to avoid irreparable harm to Franchisor; and

WHEREAS, you recognize and acknowledge the necessity for a franchisee of Franchisor to maintain the high standards of quality commensurate with the reputation and quality requirements of Franchisor;

NOW, THEREFORE, in consideration of mutual promises and covenants contained hereinafter, the parties have mutually agreed as follows:

I. FRANCHISE GRANT AND TRADEMARK LICENSE

A. Franchisor hereby grants to you a franchise to sell Franchisor products or services protected by its proprietary systems, trademarks, methods, and ideas under its line of products; as well as the use of Franchisor' trademarks. The sales above said will be done by selling light

bulbs and products of Franchisor for the public in the geographical area that this Agreement sets forth in paragraph I (C) ("Location").

B. Franchisor hereby grants you the non-exclusive license to use Franchisor Trademarks and other proprietary items as described further on in this Agreement solely in connection with the operation of the franchise at the Location in accordance with this Franchise Agreement. You may not use Franchisor Trademarks, alone or with any prefix, suffix, or other modifying words in its corporate name or in the name of any partnership, joint venture or other legal entity. These trademarks include all trademarks that we might decide to use in the future and their respective logos ("Marks"). You have no right, title or interest to the Marks, except as defined in this Franchise Agreement.

C. This license shall be limited to sales only at the following geographical location ("Location"): _____

This is the business location at which you may be presently doing business and is the present "location" of your business or may be the projected location for the operation of the Franchise as approved by the parties. The geographic area that will be included as the area in which you can do business from that "location" will be the Zip Codes, County or State that you agree to buy as a Franchise at which that location is located. If you wish to change or expand the Location you must receive the prior written approval of Franchisor and renegotiate this franchise agreement.

D. Demonstration by you and your employees, agents, servants, representatives or others affiliated or associated with you or your business concern, that you and them have mastered the Franchisor System methods, is a condition precedent necessary before the grants and license given in this paragraph become effective.

E. Franchisor shall have the right to use or not use any trademarks as it deems to be appropriate. These will be licensed to you for use with your franchise on a non-exclusive basis and for the times that Franchisor shall set for you.

In addition to the federal statutory rights arising from Franchisor ownership of the above registrations, Franchisor owns common law rights to the above marks and other marks based on the licensed use by Franchisor and its franchisees.

F. Franchisor may unilaterally, and without notice, change the concept under which new franchises will be offered to prospective franchisees. Such change in concept will not operate to amend, modify or change the current contractual arrangements with any franchisee that is then operating under a duly valid Franchise Agreement, unless you consent.

II. TERM OF GRANT AND LICENSE

This Agreement shall be for a period of seven (7) years from the date noted on the first page hereof.

You shall commence retail sales at the Location within four to seven months of the date noted on the first page hereof; provided compliance with section D of the above paragraph.

III. PROPRIETARY RIGHTS

A. You acknowledge that valuable goodwill is attached to its Trademarks, the aforesaid “Franchisor System” and other proprietary rights owned by Franchisor (collectively, the “Proprietary Rights”) and that you will use the Proprietary Rights only in the manner and to the extent specifically licensed by this Agreement. You acknowledge by executing this Agreement that certain of the materials to be provided by Franchisor to you contain confidential, trade secret, proprietary information, and you agree, upon request, to acknowledge the same in writing.

(i) You acknowledge the validity and ownership of the foregoing trademarks and service mark registrations, and also acknowledge the ownership by Franchisor of common law rights in and to the “Proprietary Rights.” you acknowledge that the license granted by Franchisor to you under this Agreement is non-exclusive, and that Franchisor, in its sole discretion, has the right itself, or through its subsidiaries or affiliates, to operate businesses under the Proprietary Rights, and to grant other licenses in, to and under the Proprietary Rights on any terms and conditions. Franchisor reserves the right to sell products or services under its own Proprietary Rights in any manner whenever Franchisor deems appropriate. Franchisor, however, agrees to abide by the provisions of paragraph VI of this Agreement.

(ii) You expressly covenant that during the term of this Agreement, and after the expiration or termination hereof, you shall not directly or indirectly contest or aid in contesting the validity or ownership of any of the Proprietary Rights.

(iii) You agree to promptly notify Franchisor of any claim, demand or suit based upon or arising from (a) the use of the Proprietary Rights, or (b) any infringement or attempted infringement by any other person, firm or corporation, with respect to the use of the Proprietary Rights, including any trademark, service mark, symbol, trade name, copyright or colorable variation thereof in which Franchisor or the owner thereof has a proprietary interest. You shall promptly notify Franchisor of any litigation instituted by any person, firm, corporation or governmental agency against you for any reason whatsoever. Franchisor agrees to cooperate with you in protecting against infringement of the Proprietary Rights, including, but not limited to, the prosecution or participation with counsel of its own choosing in any lawsuit if in the sole judgment of Franchisor such action is necessary or advisable. In the event Franchisor undertakes the defense or prosecution of any litigation involving you or any litigation involving the Proprietary Rights, you agree to execute any and all documents and to do such acts and things as, in the opinion of counsel for Franchisor, may be necessary or advisable to carry out such defense or prosecution, either in the name of Franchisor or in your name as Franchisor shall elect.

(iv) Franchisor reserves the right to discontinue the sale of any products or services or to substitute other products or services under different trade names without your consent.

B. Any and all goodwill associated with the Proprietary Rights, including any goodwill which might be deemed to have arisen through your activities, shall inure directly and exclusively to the benefit of Franchisor.

C. You agree and consent that Franchisor has the exclusive right to use any picture, video or likeness taken of you at training, events, your location or operation or any other location or for any other purpose without payment of any compensation to you.

D. You understand and acknowledge that each and every detail of Franchisor business locations is important to Franchisor and to other licensed franchisees of Franchisor in order to develop and maintain uniformity of services and products or services and, therefore, to maintain and enhance the goodwill associated with the Proprietary Rights, you covenant:

(i) To advertise and sell its products or services under the Trademarks of Franchisor without prefix or suffix or other modifying words; and

(ii) To adopt and use the Proprietary Rights licensed hereunder solely in the manner prescribed by Franchisor; and

(iii) To operate Franchisor Locations and Sales Operations under said Proprietary Rights in accordance with operational standards established by Franchisor and as set forth in the Confidential Franchisor Operating Manual (the "Operations Manual") as it now exists or may be amended from time to time and other documents provided to you.

IV. FRANCHISE FEE AND SERVICES PROVIDED BY FRANCHISOR

A. The price of the franchise will be according to the following schedule: you will have a non-exclusive license for the use of our business methods, and trademarks for the following prices:

1. For the operation of the franchise in a group of adjacent Zip Codes, you shall pay a price of \$1,000.00 per zip code; however, the minimum number of zip codes that you shall buy is 25 zip codes for a total minimum price of \$25,000.00.
2. You can purchase up to 10 additional adjacent Zip Codes at a price of \$750.00 per zip code.
3. You can further purchase additional adjacent Zip Codes at a price of \$500.00 per zip code.
4. If the aggregate of zip codes selected by you within a single County or Parish exceeds \$50,000, then you may obtain the franchise for the entire County or Parish for \$50,000, even if the County has more zip codes the addition of which would cause to exceed that amount.
5. If you wish to purchase the operation of the Franchise for an entire State of the United States of America, then the price would be the amount in the following schedule:
 - TIER 1: California \$95,000.00.
 - TIER 2: Texas and New Jersey \$85,000 each.
 - TIER 3: Illinois, Virginia, Georgia, South Carolina, North Carolina, Pennsylvania, Michigan, Louisiana, South California [South of a Fresno-Salinas line with these two cities included in the Northern territory] \$75,000 each.

- TIER 4: Colorado, Ohio, Missouri, Maryland, Wisconsin, Minnesota, Colorado, Alabama, South Carolina, Louisiana, Kentucky, North California [North of a Fresno-Salinas line with these two cities included in the Northern territory] \$65,000 each.
- TIER 5: Washington, Puerto Rico, Nevada, New Jersey, Oregon, Oklahoma, Connecticut, Iowa, Mississippi, Arkansas, Kansas, Utah, Nevada, New Mexico, West Virginia, Nebraska, New Mexico, Rhode Island, Hawaii, Montana, Delaware, South Dakota, Alaska, North Dakota, Vermont, District of Columbia, Wyoming, Guam, US Virgin Islands, Northern Mariana Islands, American Samoa \$50,000 each. TIER 6: All of the United States of America \$300,000.00.

B. Upon payment of the franchise fee, Franchisor Inc. agrees:

(i) To provide you the Operations Manual whose contents include, but are not limited to: (a) Franchise design criteria, (b) Franchise operation procedures and (c) an Installation Manual that sets forth the quality and design specifications for products or services used in the operation of the Franchise. Franchisor reserves the right, but not the obligation, to change the Operations Manual from time to time. You will be responsible to use the most current version that may be transmitted to you by paper or electronic means. You agree to pay \$100 for each new manual that is provided to you. The price of the Manuals may be changed by Franchisor INC. from time to time as it may find just and proper.

(ii) Franchisor will train you in the business of establishing and operating a Franchisor franchise.

All expenses incurred by you, including, but not limited to, travel costs and hotel expenses, shall be paid by you. Franchisor shall conduct the training program at the location specified by Franchisor. You are required to stay at the hotel specified by Franchisor.

C. You must use the name “Franchisor” as the name under which you promote your services to the public. However, you do *not* have the right to use the name “Franchisor” as part of your corporate name.

V. CONFIDENTIAL INFORMATION

Upon entering this Agreement, you will become privy to certain trade secrets, confidential and proprietary information concerning Franchisor, its products or services and its operations. You agree to maintain secret and confidential all such information including, but not limited to, the entire contents of the Operations Manual unless released from this obligation of secrecy by Franchisor in writing. The obligation to keep secret and confidential all such Proprietary Information shall continue until such time as the said information becomes public knowledge through no fault of you regardless of the expiration or termination of this Franchise Agreement for any reason.

VI. NON EXCLUSIVITY OF LICENSE

A. Franchisor can and may establish other franchises as close to your location as Franchisor may see fit. This franchise is designated to be a state wide franchise for the state where you the Franchisee, have your license to practice your profession or trade. This non-exclusive license shall remain in force only while you are in full compliance with all of the terms, conditions and covenants of this Franchise Agreement. You can solicit or accept sales orders from all of the State or States in which you operate this Franchise and have the license that allows you to participate in the sale of light bulbs in compliance with the local laws.

B. You recognize and agree that Franchisor may utilize or license the Trademarks and sell any products or services or engage in any activities in any manner which Franchisor deems appropriate, including the opening of other franchises, Location, retail sales, etc. at the choosing of Franchisor without limitations.

C. You shall only have the right to advertise in any manner or through any media or in any way for which you receive the prior written permission of Franchisor.

D. For all purposes the English language controls all matters, including, but not limited to, contractual obligations of all parties to this Agreement.

VII. OPERATION OF FRANCHISE

A. You recognize and agree that a principal consideration of Franchisor in granting this license is that you pledge to supervise and control the operation of the franchise. Your failure to exercise full and complete supervision and control of the day-to-day operation of this Location will constitute a breach of this Agreement. You must work personally the time specified in the Operations Manual. Since comprehension as to reading, writing and conversing in the English language is necessary for the successful operation of this franchise, you must be completely and warrant that you are fully conversant in the English language. This is a material provision of this Franchise Agreement. Any material that Franchisor may produce in the Spanish language to assist those whose first language is not English, is not to be accepted as the Official Manual of the Company, but instead as an effort on the part of the Franchisor to help the franchisee beyond the contractual duties established by this Contract. Franchisor is not required to provide any matter in any language other than English.

B. You or, if approved by Franchisor, your designated managers, agents, servants or employees shall devote all the time, energy and effort required for the day-to-day management and operation of your Franchisor Location and shall exercise full and complete supervision and control over such business and at all other places where there are construction or building operations that you undertake to implement the sell light bulbs systems of the Franchisor. You or, if approved by Franchisor, your designated managers, agents, servants or employees, shall be physically present at the Franchisor Franchise Location set forth in this Agreement or at any building site or construction operations site for the times specified and be present for the time needed as specified in the Operations Manual.

C. You shall operate the Franchisor Franchise at the Location in strict accordance with the specifications and procedures contained in the Operations Manual and other manuals and materials provided by Franchisor as each may be amended from time to time.

D. No vending machines (except coin-operated telephones), amusement devices, juke boxes or other devices of any similar nature, whether or not coin operated, shall be installed or used on the Location premises if not authorized by us.

E. Within two years from the date of this Agreement you shall work on this business on a full-time basis and operate the Franchisor Franchise at the Location or operations sites for twelve (12) months in each year on the days and at the hours specified by Franchisor, which in no event will be less than the time specified in the Operations Manual.

F. You and the entities or persons controlling, controlled by or under common control with you, shall not, either directly or indirectly, for itself or on behalf of or in conjunction with any other person, persons, partnership, corporation or other entity, own, maintain, operate, engage in, be employed by, participate or have any interest in the operation of any other business engaged, in whole or in part, in the production, distribution or sale of products or services either at retail or wholesale sold under the Franchisor trade names, Trademarks, or in any way connected with the operation of the present Franchise; provided, however, that the above provisions relating to interests in other businesses shall not apply to any interest in additional franchises granted by Franchisor to you.

G. During the Term and any extensions and/or renewals thereof, and for a period of two (2) years after the termination of this Agreement, including any renewals thereof, whether by expiration of its term or otherwise, you, and persons controlling, controlled by or under control with you, shall not:

(i) Divert, or attempt to divert, any business, customers or personnel that has worked for you or for the Franchise, directly or indirectly, either at the Location or any other job sites or Locations licensed, authorized or franchised by Franchisor or its affiliates; to any other competitive establishment, by direct or indirect inducement or otherwise;

(ii) Employ, or seek to employ, any person employed or who has been at any time employed by Franchisor, any other person who is at that time operating or employed by or at any other Franchisor Locations in a management position (including assistant manager or management trainee), any personnel from the Related Companies, any personnel of yours or otherwise directly or indirectly induce such persons to leave their employment, unless this is expressly authorized by Franchisor;

H. (i) For a period of two (2) years after the termination of this Agreement, whether by expiration of its term or otherwise, you, and any person controlling, controlled by or under common control with you, shall not, either directly or indirectly, for itself or themselves, or on behalf of or in conjunction with any other person, persons, partnership, corporation or other entity, own, maintain, operate, engage in, be employed by, or participate in the operation of any type of business within the State of New Jersey or any other State in which your business has or

is operated, engaged, in whole or in part, in the production, distribution or sale of products or services and other products or services, either at retail or whole sale, sold at or under the Franchisor Franchise and/or under its trade names, trademarks, or any other proprietary rights of the Franchisor.

(ii) The provisions contained in this subparagraph shall apply only to franchises located within the state of California. A covenant not to compete may or may not be enforceable in California. The California Franchise Relations Act (Business & Professions Code Sections 20000 to 20043, effective January 1, 1981) provides rights to franchisees concerning termination and non-renewal. No franchise may be terminated except for good cause, and a franchisee must be given a notice of default and a reasonable opportunity to cure defects (except that for certain defects as specified in the statute, no notice or cure are required by law). The statute also requires that notice of any intention by a franchisor or sub-franchisor not to renew a franchise agreement be given at least 180 days prior to the expiration of a franchise agreement. In the event that any of the provisions of the franchise agreement conflict with this statute, the offending provisions will be considered invalid. A covenant not to compete which extends beyond the term of the franchise does not apply.

I. You agree to participate in and be bound by any related associations of Franchisor or of the franchisees (approved and/or required by Franchisor) existing now and in the future, including all of their rules, regulations and By-Laws as they presently exist and as they are amended from time to time.

J. You agree to participate in all of Franchisor's promotions, including any and all of Franchisor seminars, shows, and events that Franchisor may develop in the future with Franchisor obtaining the sole and exclusive rights to all film, magnetic, digital and all other formats, recording, representations and rights.

K. You must buy; use and order from Franchisor the light bulbs approved by Franchisor.

L. Franchisor will have the right to inspect all of your projects and you must allow such inspections at all the job sites as well as in the Main Office in accordance to the most current inspection procedures as set by Franchisor in the Operations Manual. Any violation of any of the rules and regulations contained in the Franchise Agreement or the Operations Manual will be grounds for termination of the franchise without the return of the initial Franchise Fee or any other fees or payments that you might have made. You will pay the Inspector's fee in the maximum amount of 3% of your gross sales which will be paid by you to FRANCHISOR. Franchisor has the right to inspect all of your job sites to insure quality control at any time and the costs of such inspections will be determined by Franchisor but the same cannot exceed the 3% rate that is set forth here. Franchisee will pay for the inspector's fees by paying Franchisor the said 3% service fee as reimbursement of costs.

M. Franchisor has the right to inspect all accounting books of the Franchisee and to obtain a copy of Franchisee's banking statements and related financial documents at any time and under the terms that Franchisor may set at the time of the inspection. You must keep Franchisor informed of all material changes in your finances on a monthly basis.

N. You cannot have any website that mentions the names, trademarks, or brands of Franchisor without first obtaining Franchisor's permission and providing whatever links or other requirements that Franchisor may require you to provide in its benefit.

O. You shall always inform Franchisor how you obtained your clients (including via what source). If the client or clients came to you as a referral from Franchisor's website or if the client was obtained solely on your sales efforts or any other means you may have for acquiring the clients; Franchisor must be fully informed. You must provide to Franchisor a copy of all of the applications for price quotes on any job that will have the Franchisor's anchoring system; regardless of whether the work was finally contracted by the owner of the property or not.

P. You will only train, work with and use workers, installers and supervisors that have been trained by Franchisor.

V. You will not offer to the public any warranties on the anchoring systems of the Franchisor without the previous and specific approval of Franchisor.

Q. You will use and make all of your employees, agents and servants to wear or bear the Franchisor's Franchisor uniforms, logos, emblems, and all other gear that Franchisor may ask you to use. This means that you and your employees, agents, or servants will wear these items in public and particularly at the location where light bulbs are sold.

VIII. RETAIL OUTLET ESTABLISHMENT

A. You covenant and agree to establish an Office that will be the Headquarters of the Franchisee at the location set forth in paragraph I hereof and to maintain and operate the same as an going concern in compliance with the terms of this Agreement and in accordance with the Operations Manual.

B. To ensure that you are complying with the provisions of this Franchise Agreement, Franchisor duly authorized agents and designees shall have the right to enter and inspect the Location at all reasonable times. Any deviation from the cleanliness, safety, health and other standards set out in the Operations Manual shall constitute a material breach of this Franchise Agreement.

C. The refusal of you to admit Franchisor duly authorized agents to the franchise premises will constitute a material breach of this Agreement.

D. You shall reimburse Franchisor for all expenses incurred in making any inspection which discloses a violation.

IX. SOURCE OF PRODUCTS OR SERVICES AND SUPPLIES

A. Franchisor products or services

(i) You acknowledge the integrity of Franchisor Trademarks and the uniform superior quality of Franchisor products and services. To maintain this superior reputation of Franchisor products or services in the marketplace, you agree to purchase from Franchisor or Franchisor designated affiliates (or its approved vendors) your entire requirements of products or services and other products prepared and offered for sale to retail consumer purchasers in and from the Location or at the job sites. You agree to purchase such requirements at prices set by Franchisor (or its approved vendors) subject to Franchisor having the right, from time to time, to raise or lower prices. Any deviation from the provisions of this subparagraph by you will constitute a material breach of this Agreement.

(ii) Franchisor (or its approved vendors) agrees to sell to you your entire requirements of the products or services set forth in the above paragraph unless prevented from doing so by an act of God, act of war, labor unrest, governmental restriction, shortage of supplies or a similar contingency.

(iii) Payment shall be made by you to Franchisor in cash, certified check or bank cashier's check in advance. If you desire, you can have deliveries on a cash on delivery basis payable by a regular check if you deposit with Franchisor a letter of credit or certificate of deposit in the amount of \$15,000 for each Location owned by you or by depositing with Franchisor the amount of \$15,000 for each Location owned by you which will be placed into an interest bearing escrow account. Depending on the net worth, earnings and other criteria, Franchisor may waive all or part of the requirements of this paragraph. At the present time, all products or services and supplies are purchased from approved vendors.

(iv) Franchisor will designate a list of approved suppliers for products or services. If such a designation is made, Franchisor will not attempt to unreasonably limit your sources of products or services, but will endeavor to standardize the quality of such products or services available at your Location. In order to maintain the highest standards of quality, all products or services must be purchased from Franchisor approved suppliers and vendors. Application for the approval of additional suppliers shall be made in writing to Franchisor. Franchisor agrees to evaluate, at your expense, the products or services of the supplier suggested by you to determine whether its products or services meet the requirements set forth in the Operations Manual. Franchisor will add such supplier to the approved supplier list upon a positive evaluation of such supplier's products or services. Franchisor may designate itself as an approved supplier.

B. Trade Fixtures and Equipment

(i) You acknowledge that the uniformity of appearance of all Locations is necessary to enhance consumer identification of Franchisor. Therefore, you agree to construct or alter each Location's premises in accordance with the design specifications of Franchisor. Further, you agree to use only products, services or merchandising equipment and trade fixtures that comply with Franchisor specifications. You shall be free to use Franchisor Trademarks in their existing form, but with changes in size, on stationery or business cards. You may make changes in the Trademarks on signs, decorations, furnishings, awnings, products or services, menus, labeling,

packaging material, paper products or services or documents used within the Location or job sites only with the prior written approval from Franchisor.

(ii) All architectural, engineering, construction and design services shall be your sole responsibility, although Franchisor will consult with you regarding the design of the Location and the selection of contractors and related construction details. All plans and specifications must be approved by Franchisor prior to the commencement of construction and all changes in the plans and specifications similarly must be approved by Franchisor.

C. Imprinted Materials

(i) You acknowledge that consumers identify products or services imprinted with Franchisor Trademarks with Franchisor. Therefore, you agree to purchase all such imprinted materials from approved suppliers as designated by Franchisor in the Operations Manual. Franchisor may designate itself as an approved supplier.

(ii) In the event that you demonstrate to the satisfaction of Franchisor that another supplier offers imprinted materials that meet Franchisor specifications, Franchisor agrees to license its Trademarks and indicia to such other supplier; provided that the supplier is a reliable firm with a favorable business reputation and has the necessary production capacity to supply you.

E. Non-products or services Items

(i) Franchisor recognize that patrons of Franchisor Locations often desire to purchase non-products or services Items. Therefore, Franchisor Locations carry a full line of complimentary items.

(ii) You acknowledge that the goodwill of all Locations may be diminished unless all non-products or services Items sold by you are of the same superior quality as the other Items sold at the Location. Therefore, you agree to purchase for resale only such non-products or services Items which meet the high standards of quality and consistency as outlined in the Operations Manual. Franchisor may be a supplier of these non-products or services Items. Franchisor reserves the right to revoke your right to sell any or all non-products or services Items for any reason. Upon receipt of such written revocation, you shall immediately stop selling the non-products or services Items described therein. The permission to sell non-products or services Items may be withheld by Franchisor for any reason solely at Franchisor discretion.

F. General

(i) With respect to all imprinted materials, Items set forth in subparagraph D above, and non-products or services Items set forth in subparagraph E above, Franchisor may require the samples from the supplier be delivered to Franchisor, at your or the supplier's cost, for testing prior to approval and at reasonable intervals thereafter. A charge equal to the cost of testing such materials or products or services, including the costs to Franchisor for supervising and evaluating such tests, shall be made by Franchisor and shall be promptly paid by you. The charge will include the costs to Franchisor for supervising and evaluating the tests.

(ii) you shall buy your entire requirements of products or services from Franchisor or its designated affiliate or its approved vendors or suppliers. In addition, you shall buy your entire requirements of all other products or services which are sold under Franchisor Trademarks and which are unique to Franchisor from Franchisor.

X. OPERATIONS MANUAL AND YOUR REQUIREMENTS

A. In order to protect the reputation and goodwill associated with the Proprietary Rights of Franchisor, and to maintain the uniform standards of operation with respect thereto, you shall conduct your franchise in strict accordance with the Operations Manual as it now exists or may be amended from time to time. You will comply in strict accordance with all instructions, standards, specifications, quality control criteria and procedures which are set forth in the Operations Manual, sell no products or services which do not comply with the quality standards or specifications developed according to the procedures described in said Operations Manual, operate and maintain the Location in strict compliance at all times with all applicable laws, regulations, and ordinances pertaining to the operation of such Location, maintain the Location in a clean, wholesome and sanitary condition, and maintain a level of general quality of products or services and service which is consistent with the existing high reputation of products or services and services sold under Franchisor Trademarks.

B. You shall at all times treat as confidential, and shall not at any time disclose, copy, duplicate, record or otherwise reproduce, in whole or in part, or otherwise make available to any unauthorized person or source, the contents of the Operations Manual or other materials and manuals delivered by Franchisor to you. You will take all precautions and assurances to have all of your agents, servants and employees to comply with this clause, failure to do so will be a material breach of this agreement.

C. The Operations Manual and other manuals and materials delivered by Franchisor shall at all times remain the sole property of Franchisor and shall promptly be returned by you upon the expiration or other termination of this Agreement.

D. You agree that all interviews, stories, articles, magazine, books, videos, photos, drawings, sounds, electronic or mechanical representations, anything related to the Internet and all other renderings and reproductions of every kind and nature that show or depict you in any manner concerning your franchise, location, Franchisor event or anything that directly or indirectly concerns Franchisor or its franchises shall be the exclusively owned by Franchisor and you agree and consent to this provision as part of being granted a Franchisor franchise.

E. You agree to update and purchase new equipment, software, firmware, communications requirements, high speed Internet access and other requirements as specified by Franchisor during the term of this Franchise Agreement.

XI. PRICE OF GOODS SOLD

Franchisor products and any other products or services sold by you at the Location or job sites may be sold at any price determined by you. However, Franchisor may require you to sell at a minimum price in order to secure the level of prices in the market where other franchisees may be operating as well as the quality of the products that will enter the market through you.

You cannot and will not reduce prizes to reduce the amount of royalties that you have to pay Franchisor while receiving payment in kind or in cash or in any other manner that will circumvent this Agreement. To do so is a material breach of this Agreement. A minimum price is one that is average to other Franchisees in the same area or, the costs of the products plus a reasonable increase in the margin for profits.

XII. BEST EFFORTS TO SELL

Franchisor is obligated hereunder to provide you with training to operate the Location and sell Franchisor products and services. Franchisor is also obligated to provide you with the Operations Manual and the right to use Franchisor Trademarks and needed for the sale light bulbs and other products that Franchisor may have developed or may develop in the future. To compensate Franchisor for these items and services, you hereby agree to use your best efforts to sell Franchisor services and products.

XIII. ADVERTISING

A. You recognize that the Success of Franchisor will be greatly enhanced by effective advertising campaigns. To facilitate such advertisements, you shall be required to spend annually, at times designated by Franchisor, an amount (the "Local Advertising Amount") equal to one (1%) percent of annual Gross Sales (as defined in paragraph XIV) for Location Special Marketing ("LSM"), plus 3% of Gross Sales to be used by Franchisor (which applies to both paragraphs a and b) (as defined in paragraph XIV) by you using such vehicles for which you get the prior written consent by Franchisor in the format and media specified by Franchisor. The Local Advertising Amount shall not include the costs of incentive programs, the cost of honoring coupons, and products costs incurred in any promotion, charitable, political or other contributions or donations of specialty items (such as T-shirts, premiums, pins, awards and the like) unless such items are part of a national advertising program conducted by Franchisor. You shall promptly submit to Franchisor evidence that it has complied with this paragraph, including invoices with newspaper tear sheets attached and radio and television affidavits with transcripts attached. You shall submit on a monthly basis to us an additional amount equal to two (2%) percent of annual Gross Sales (as defined in paragraph XIV) for us to use for advertising or marketing as we see fit.

B. You are required to spend at least \$ 5,000.00 on advertising for the pre-opening and post-opening of your franchise in the manner that we direct within the first three months of the opening.

C. Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill associated with the Proprietary Rights, you agree to submit to Franchisor or its designated agent for its prior approval, all sales promotion materials and advertising to be used by you, including, but not limited to, newspapers, fliers, local and regional magazines, radio and television advertising copy and promotional, specialty and novelty items, media plans, research proposals and public relations. This submission of advertising and promotional items to Franchisor for approval shall not affect your right to determine the prices at which you shall sell your products or services and services. You must use the format, type and media specified by Franchisor for all advertising.

D. You shall not own, operate or maintain a URL or website that has any connection or relationship whatsoever to the franchise or its operation, unless you receive prior written approval from Franchisor.

E. Any advertising that you do must be targeted for your geographical area.

XIV. ROYALTY FEE

A. You agree to pay us a continuing Royalty Fee in the greater amount of 10% of the Gross Sales of the operation of the Franchise for the sale of products that are related or use the Franchisor methods or systems, which will be due monthly, 7 days after the close of each month.

The term "Gross Sales" as used shall mean the total of all sales and business transacted in, on, upon and from the Location and the job sites, exclusive only of sales tax actually collected from customers with respect to such sales. Each of such Monthly payments shall be accompanied by a report on a form to be furnished or approved by Franchisor reflecting gross sales for such Monthly payment in sufficient detail to permit Franchisor to calculate the payment of the Royalty Fee for such Monthly payment.

B. You will supply Franchisor on a weekly basis a Gross Sales Report by Item, a Summary Report of Operations and a Marketing Report. The reports shall conform to the specifications that may be set forth by Franchisor.

C. You are required to manage back office functions with widely known computer accounting packages such as QuickBooks, or any other as specified by Franchisor. Franchisor will instruct you how to make your books available for inspection to Agents of Franchisor and their names. On line access may be used with the proper safeguards of passwords and other assurances of privacy as Franchisor may require.

D. You shall retain for a period of at least three (3) years all cash register tapes and credit card invoices and reports, bank statements, purchase orders, other reports, monthly operating summaries, tax returns and such other records as Franchisor may from time to time prescribe. You shall use only Point of Sale Systems and formats approved by Franchisor. All such records and cash registers shall be available for inspection and reproduction at all reasonable times by Franchisor, its accountants or other duly authorized agents and representatives.

E. In addition, you will provide Franchisor with weekly reports specified by Franchisor and such other periodic accounting and bookkeeping analysis and information as Franchisor requests.

F. Franchisor shall have the right to examine and/or audit or cause to be examined and/or audited the sale reports, financial statements, tax returns and such other records of you as Franchisor may from time to time prescribe to be retained. If an examination and/or audit disclose an underpayment of Royalty or other fees due hereunder, you shall reimburse Franchisor for the cost of such examination and/or audit, including, without limitation, the charges of any independent accountant and the travel costs and hotel expenses of Franchisor representatives. Repeated instances of underpayment may result in penalties, legal action and/or as cause for the termination of the Franchise Contract. Such conduct will give Franchisor the right of imposing liquidated damages in the amount of \$5,000.00 per violation or incident; with or without the cancellation of the Franchise Contract.

G. Franchisor shall have the right to disclose to third parties any information contained in any report, financial statement or other record submitted by you to Franchisor.

H. All royalty and service fees, advertising fees, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates (unless otherwise provided for in a separate agreement between us or our affiliates) will begin to accrue interest after their respective due dates at the highest applicable legal rate for open account business credit, or if there is no maximum, at the rate of 2.5% per month. (you acknowledge that the inclusion of this Paragraph in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance your operation of the Location or the Franchise.) We will have the right to require that any payments due us or our affiliates or vendors be made by certified or cashier's check in the event that any payment by check is not honored by the bank upon which the check is drawn. All payment to Franchisor shall be made in advance of any services provided or goods sold to you.

I. When we receive a payment from you, we have the right in our sole discretion to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates or vendors, whether for royalties, advertising contributions, purchases, interest, or for any other reason, regardless of how you may designate a particular payment to us to be applied.

J. You shall be required to purchase, update and replace all operating and safety equipment or technology such as computers, cash registers, point of sale software and equipment, software and Internet access as specified from time to time by Franchisor.

K. You authorize Franchisor to deduct directly from your bank account all monies due to Franchisor.

L. You shall not setoff or deduct any monies that Franchisor might owe to you from any monies due to Franchisor.

XV. SAFETY LAWS

A. You acknowledge that the preparation and sale of Franchisor products or services is subject to the provisions of federal, state and local laws and ordinances relating to the safety of your customers and employees. You understand your obligation to comply fully and faithfully with all of the applicable mentioned laws and ordinances.

B. In the event that any products or services or any product sold or to be sold by you is in violation of any applicable law or ordinance, you shall immediately follow the procedure as described in the operations manual.

C. Your failure, whether intentional or otherwise, to comply with any of the above cited remedial measures upon discovering such a violation, or the repetition of any violation, shall be deemed a material breach of this Agreement.

XVI. REQUIREMENT OF CONFORMANCE

You acknowledge that Franchisor is endeavoring to establish a nationwide chain of franchise businesses. You recognize that the similarity of appearance and method of doing business is paramount for Franchisor to attain this goal.

You understand that any deviation from the terms of this Franchise Agreement may and can cause irreparable damage to Franchisor and other franchisees.

XVII. INSURANCE AND INDEMNIFICATION

You shall procure prior to the commencement of business at the Location and shall at all times during the term of this Agreement maintain in full force, at your expense, comprehensive public liability and product liability insurance and if a motor vehicle is utilized in connection with the operation of the Location, motor vehicle liability insurance, against claims for bodily and personal injury, death, and property damage occurring at the Location or the sidewalks, parking areas or alleyways relating thereto, or caused by or occurring in conjunction with the operation of the Location or otherwise in conjunction with the conduct of business by you according to this Agreement. Such liability insurance coverage shall be maintained under one or more policies of insurance containing minimum liability protection equal to the greater of (i) the minimum limits of liability required by applicable law and (ii) One Million (\$1,000,000) Dollars for bodily and personal injury and death and One Million (\$1,000,000) Dollars for property damage, issued by responsible insurance carriers authorized to do business in the state in which the Location is located, with carriers authorized to do business in the state the Location is located, which carriers shall be satisfactory to Franchisor. All such liability insurance policies shall name Franchisor, its officers, agents and employees and such other entities as to which Franchisor shall notify you, as additional insured and all insurance policies required by this Article shall provide that Franchisor shall receive thirty (30) days prior written notice of termination, expiration or cancellation of any such policy. Franchisor may reasonably increase the minimum liability protection requirement annually and require different or additional types of insurance, as Franchisor deems necessary. You shall furnish to Franchisor prior to the

commencement of operations and annually thereafter, a copy of the certificate or other evidence of each insurance policy and of the renewal or extension of such insurance policy (or the original, if requested by Franchisor). All such liability insurance policies shall name Franchisor, its directors, officers and representative as additional insured, and hold them harmless from any and all claims, causes of action, damages, losses, penalties and costs, including reasonable attorneys' fees and expenses, arising from any claim by any person or governmental authority relating, directly or indirectly, to the ownership, maintenance and operation of the Location at its location.

XVIII. LEASE PROVISIONS

A. If you will occupy the Location under a lease, sublease, or other written agreement of occupancy from the owner thereof, you shall, immediately after the execution thereof, submit a copy of such lease, sublease or other agreement to Franchisor. This provision shall not apply if you are working out of your home.

B. If you enter into a lease, sublease or agreement of occupancy for the Location, you agree to include in such lease, sublease, or agreement our right to take over the premises if you breach this Agreement. This provision shall not apply if you are working out of your home.

XIX. RENEWAL OF AGREEMENT

A. Unless previously terminated, this Agreement shall be renewed under and upon all terms and conditions of the then current form of Franchise Agreement upon written notification to that effect given to Franchisor by you at least six (6) months, but no more than eighteen (18) months, prior to the expiration date of this Agreement.

B. As a condition precedent to renewal, you shall pay the then current form of franchise fee, execute the general release and refurbish the Location at your sole cost and expense according to the then current Location design criteria. Additionally, Franchisor may require you or your designee to attend, at your expense, Franchisor training program in the preparation and sale of Franchisor at a location designated by Franchisor. The then current Operations Manual shall become part of the Agreement at the beginning of the renewal term. The renewal term of this Agreement shall apply solely to the right to operate Franchisor Locations at the location and authorized job sites. You shall not be permitted to move Franchisor Locations to another location without authorization from Franchisor.

C. In certain events you may not be able to renew the franchise even though Franchisor has been notified of the intention to renew and you are not in default under the Franchise Agreement. For example, Franchisor may decline to renew the franchise if the lease covering the Location premises expires and cannot be renewed or purchased on terms acceptable to Franchisor.

XX. TERMINATION OF AGREEMENT

A. The occurrence of any of the following shall constitute a default under this Agreement:

(i) The failure to complete the training program in a manner satisfactory to Franchisor is grounds for termination; or

(ii) You fail, refuse, or neglect to promptly pay to Franchisor any monies owing to Franchisor when due or fail to satisfy any other obligation of a third party with respect to the operation of the Location or job sites, including obligations to suppliers and tradesmen; or

(iii) You purchase any of the products or services set forth in paragraph IX(F)(ii) from any source other than Franchisor; or

(iv) You fail to submit or falsify in any way any reports or financial data which Franchisor requires under this Agreement; or

(v) You fail to comply with any of the terms, conditions or covenants contained in this Agreement, the Operations Manual, or other such operational memoranda issued by Franchisor, or use bad faith in carrying out the terms of the licenses granted hereunder; or

(vi) You fail to timely commence operation of the Location at the location specified within four months of the signing of this Franchise Agreement or fail to continuously maintain said operation; or

(vii) You misuse the Proprietary Rights of Franchisor or otherwise materially impair the goodwill associated therewith; or

(viii) You are in default under any lease, sublease or other agreement of occupancy of the Location or lose the right to possession thereof for any reason whatsoever ever; or

(ix) The continued operation of the Location or any job site is a threat or danger to the products or services, public health or safety; or

(x) You, or any person controlling, controlled by, or under common control with, you, shall be convicted under any law providing for criminal penalties; or

(xi) You, or any person controlling, controlled by, or under common control with you or any person or entity which guarantees the obligations of you under this Agreement ("Related Person") shall become insolvent or make an assignment for the benefit of its creditors, or if a petition in bankruptcy is filed by you or a Related Person, or such a petition is filed against and consented to by you or a Related Person, or if you or a Related Person is adjudicated a bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of you or a Related Person or other custodian for its business or assets is filed and is consented to by you or a Related Person, or a receiver or other custodian is appointed, or if proceedings for composition with creditors under any state or federal law should be instituted by or against you or a Related

Person, or if the real or personal property of you or a Related Person shall be attached or levied upon by any sheriff, marshal, or constable; or

(xii) If the heirs, beneficiaries, devisees, or legal representatives of a deceased individual part of you, or partner or shareholder of you fail to comply with the terms and conditions of any part of this Agreement; or

(xiii) If a Guarantor terminates his guaranty, unless in the opinion of Franchisor, adequate collateral is provided.

B. If you shall be in default under the terms of this Agreement and such default shall not be cured within ten (10) days (or such longer period as is required by applicable federal and/or state law) after receipt of a written "Notice to Cure" from Franchisor or if such default is not capable of being cured within such period you fail commence to cure such default within such period, and diligently conclude curing such default, then in addition to all other remedies at law or in equity, Franchisor may immediately terminate this Agreement. In the event you are in default under the terms of this Agreement within (12) twelve months after a prior default, and Franchisor has served you with a "Notice to Cure" with respect to such prior default even if such prior default may have been cured within the applicable grace period, this Agreement may be terminated by Franchisor without notice to you upon such subsequent default. In addition, Franchisor shall have the right to terminate this Agreement without notice by Franchisor upon a default described in Paragraph XX (i) when same relates to payments owing to Franchisor according to Paragraphs XX (ii), (iii), (vi), (viii), (x), or when you commit a breach of this Agreement which is specifically deemed a material breach of this Agreement, or such longer period as is required by applicable federal and/or state law.

C. If Franchisor finds any evidence of corruption, bribing, kickbacks such as paying an inspector to approve a job completed, when in fact it is not a satisfactory completion, this is grounds for termination, legal action and penalties.

XXI. DUTIES AND RESPONSIBILITIES UPON TERMINATION

A. Upon expiration or termination of this Agreement for any reason, you shall immediately:

(i) Cease operating the Location and the use of the Franchise, its materials and all other paraphernalia related to Franchisor;

(ii) Assign the leases and telephone numbers of all Locations to Franchisor, when and in the manner that may be requested to do so by Franchisor;

(iii) Cease using Franchisor Trademarks in any way;

(iv) Cease all advertising or other use of Franchisor operating methods or any part thereof, and of any forms, systems, slogans, signs, logos, marks, symbols, colors or devices used in connection with the Location, job sites and product sold therein;

(v) Remove any and all advertising material and signs or labels from said Location and job sites and discontinue service or use of any telephone number or numbers associated with the licensed Trademarks of Franchisor unless directed in writing by Franchisor to do otherwise;

(vi) Provide Franchisor a statement of the quantity and type of all Franchisor products, materials and any item that is connected with the franchise that franchisee may have on hand, and comply with Franchisor instructions with respect thereto;

(vii) Provide Franchisor a statement of inventory of products or services, imprinted supplies, and comply with Franchisor instructions with respect thereto;

(viii) Pay forthwith all debts owing Franchisor and other creditors of your former Location and all debts in any way connected with you operation of the Location.

(ix) Return to Franchisor the Operations Manual and any copies that the Franchisee may have in its possession. This includes all other printed, written, digital, or electronic material that the Franchisee may have that is in any way connected or related to the operation of the Franchise.

(x) If the termination of the franchise is for any reason other than the expiration of the agreement due to completion of the time period stated in paragraph II, you shall pay to Franchisor liquidated damages in the amount of two years of your highest royalties to reimburse Franchisor for the considerable expense in marketing, training and educating a new you.

B. Upon termination or expiration of this Franchise Agreement, for any reason, title to all awnings, signs, and canopies bearing Franchisor Trademarks shall immediately pass from you to Franchisor for Fifty (\$50.00) Dollars, unless state law specifically forbids this. In that case, the amount paid shall be the minimum amount permitted under state law. This provision shall not apply if you are working out of your home.

C. You hereby grant to Franchisor the right and option to purchase upon the termination of this Agreement, by expiration of its term or otherwise, all or any portion of your furniture, fixtures, signs and equipment and other chattels for an amount equal to the depreciated value of such property (as hereinafter defined) and it is specifically agreed that such sum shall be fair and reasonable and adequate compensation. Franchisor shall exercise such right within sixty (60) days of the termination of this Agreement. "Depreciated Value" of any property hereunder shall mean your original cost of such property less an amount equal to fifteen (15%) percent of such original cost for each year or portion thereof from the date of your purchase of such property to the date of your sale to Franchisor of such property. However, in no event shall such property be depreciated by more than ninety (90%) percent of original cost. Nothing contained in this paragraph shall impair or affect any rights of Franchisor with respect to furniture, fixtures, signs, equipment and chattels which might accrue to Franchisor by way of subrogation. If state law specifically prohibits this, then the amount paid shall be the minimum amount permitted under state law.

D. Upon the termination of any lease, sublease, or agreement of occupancy for the location, or the termination of this Agreement for any reason, you shall repaint the premises in colors distinctively different from the color scheme associated with Franchisor Locations and will change any other physical elements of the Location which are associated with a Location, as directed by Franchisor. This provision shall not apply if you are working out of your home.

E. Upon the failure to perform any of the duties contained in this paragraph XXI, unless directed in writing by Franchisor to the contrary, you shall pay to Franchisor \$ 1,000.00 per day until you perform the required duties.

XXII. ASSIGNMENT OF AGREEMENT

A. This Agreement is not assignable by you except in accordance with paragraph XXII hereof.

B. You covenant and agree to give Franchisor the following first refusal option before the assignment or sale of the franchise to a third person:

(i) you agree to notify Franchisor immediately in writing of his intention to sell the franchise. you, in this notice, will set forth the price and terms upon which the sale is contemplated and provide a copy of the *bona fide* offer.

(ii) Upon being notified of your intent to sell the franchise, Franchisor has sixty (60) days in which to notify you that it will purchase the franchise according to the terms and price set forth in the notice. You covenant that you will not sell, transfer, assign, or convey any interest, title or rights in the franchise for at least sixty (60) days after receipt by Franchisor of said notice.

(iii) If Franchisor decides to purchase the franchise, Franchisor will inform you in writing. The closing date shall be within thirty (30) days of the date of Franchisor notification to you that it will purchase the franchise. The closing shall be at Franchisor office and payment shall be made by Franchisor upon receipt of all documents reasonably required by Franchisor to complete the sale.

(iv) If Franchisor decides not to purchase the franchise, or upon the expiration of the sixty (60) day period in paragraph XXII(ii) above you may sell the franchise according to the terms and conditions.

(v) If you decide to sell the franchise at a different price or upon different terms than recited in your notice to Franchisor, Franchisor must again be notified and provide a copy of the bona fide offer and be given another sixty (60) days to decide whether to purchase the franchise.

(vi) You shall not be permitted to close a Location or sell a Location for any use without first obtaining Franchisor written consent.

(vii) The transfer to a third person of over 49% of the stock of a corporate you or over 49% of the partnership interest of a partnership you constitutes a transfer of the Franchise.

C. If you desire to sell the franchise, and Franchisor declines to purchase the franchise, then you may assign this Agreement in accordance with the following conditions:

(i) The assignee is financially able to operate the Location and, in the sole opinion of Franchisor, the proposed assignee is a financially responsible person, of moral character and reputation satisfactory to Franchisor and has the business qualifications and ability to perform all terms and conditions of this Agreement and you provide Franchisor with such information as Franchisor may deem necessary or appropriate to make such determination.

(ii) The Location, equipment and signs are updated according to the then current Franchisor specifications prior to the sale unless this requirement is waived by Franchisor;

(iii) The transferee assumes the then current Franchisor Franchise Agreement with Franchisor and any ancillary documents, upon all of the terms and conditions stated therein for the remainder of the franchise term;

(iv) All outstanding debts and accounts of the Location are paid in full;

(v) The proposed transferee pays Franchisor a transfer fee of \$15,000 for the expenses of Franchisor in connection with the transfer; and

(vi) The proposed transferee meets all of the requirements of Franchisor, including, but not limited to, training.

(vii) you execute a general release to Franchisor. This shall not affect any liability under the Maryland Franchise Registration and Disclosure Law; and

D. The transferee must be trained by Franchisor in the operation of the Location and in the preparation and sale of Franchisor before transferee may operate the Location. All costs incurred by Franchisor in connection with the foregoing, including, but not limited to, travel costs and hotel expenses, shall be paid by you or Assignee to Franchisor promptly upon demand.

E. This agreement provides that it shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. You may pass by will or intestate succession, as appropriate, provided the Location is operated in accordance with the Franchise Agreement in effect at the time of death during any period of probate or administration. Such a transfer of your interest if you are deceased shall be considered to be a transfer requiring the compliance with transfer requirements, including Franchisor written approval of the assignee, assignees, qualifications of any heir or your beneficiary to operate the Location, the executor or administrator of your estate shall have a period of six (6) months following such disapproval within which to sell the Location to an assignee acceptable to Franchisor. If such sale is not concluded within that period, Franchisor may terminate the Franchise Agreement.

XXIII. INDEMNIFICATION

You shall indemnify Franchisor and hold it harmless from any responsibility, claims, demands, liabilities, actions, suits, or proceedings asserted or claimed by third parties arising out of the operation of the franchise under this Franchise Agreement. You agree to pay all costs and expenses of defending same, including legal fees and expenses.

XXIV. ORDINANCES

You shall be responsible for compliance with all federal, state, county, parish, city and local taxes, fines, penalties and assessments arising out of the operation of the Location. You shall obtain all federal, state, county, parish, city and local licenses as may be required for such operation. You shall file with Franchisor a copy of your sales tax certificate, as submitted to his state, within fifteen (15) days of the required sales tax certificate due date.

XXV. RELATIONSHIP BETWEEN THE PARTIES

A. This Franchise Agreement does not make you the agent, legal representative or employee of Franchisor for any purpose whatsoever. The relationship between the parties hereto is that of a franchise between Franchisor and you, and this Franchise Agreement is not to be construed as creating a partnership, joint venture, master/servant, principal/agent or other related relationship for any purpose whatsoever. Under this Franchise Agreement, you are and shall be an independent contractor. Except as may be expressly provided herein, neither party may be held liable for the acts, either of omission or commission, of the other party; and neither party is authorized to or has the power to obligate or bind the other party by contract, agreement, warranty, representation or otherwise in any manner whatsoever. You may not use Franchisor trademarks in connection with advertising for the sale of your franchise, or for any other purpose except as specifically provided herein, without the prior written consent of Franchisor.

B. You shall prominently display in the Location a certificate or plaque, with a text satisfactory to Franchisor, reflecting that the Location is owned and operated by you.

C. While Franchisor has approved the Location's location; nothing contained herein shall be interpreted as a representation of or guarantee of success for that location.

XXVI. NON-WAIVER OF BREACH OR DEFAULT OF CONTRACT

A. No failure, forbearance, neglect or delay of any kind on the part of Franchisor in connection with the enforcement or exercise of any rights under this Agreement will affect or diminish Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by you or Franchisor's other franchisees will preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by Franchisor of performance of any provision of this Agreement will constitute or be implied as a waiver of Franchisor's right to enforce that provision at any future time.

B. Franchisor will not be in breach of this Agreement for any failure to perform any obligations or requirements of this Agreement where that failure results from fire, flood, earthquake, or other act of God, war, insurrection, labor strike, or government shutdown, provided that these events will excuse or extend the time for performance only as reasonably necessary. No such causes will excuse prompt payment of amounts due to Franchisor by you.

XXVII. INTEGRITY AND CONSTRUCTION OF AGREEMENT

A. This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

B. The titles and headings of the paragraphs and other divisions of this Franchise Agreement are inserted merely for convenience and identification and shall not be used or relied upon in connection with the construction or interpretation of this Franchise Agreement.

C. This Franchise Agreement can be amended or modified only by a written agreement signed by both parties.

D. Whenever in Franchisor' sole judgment it is advisable to execute any other and further documents necessary or desirable to carry out the purposes of this Agreement, you agree to execute such documents promptly, provided that they do not substantially alter the rights or increase your duties.

E. You agree to respond promptly and accurately to all inquiries from Franchisor' accountants, auditors, lenders, attorney and others authorized by Franchisor' concerning the status of this Agreement, the status and amounts of any accounts between you and Franchisor, and/or any other matters pertaining to the rights and obligations of the parties to this Agreement.

F. Time is of the essence for all of your obligations in this Agreement.

G. You will use your best efforts to comply with every term, condition and covenant of this Agreement. The failure of you to use your best efforts will be deemed to be a material breach of this Agreement.

XXVIII. APPLICABLE LAW AND VENUE

A. This Franchise Agreement and all other agreements shall be exclusively construed and interpreted in accordance with the laws of the State of New Jersey, excluding conflict of

laws provisions. No rules, regulations, laws or statutes of any kind or nature of any other city, county, state or other jurisdiction shall be given any force or effect. You agree to submit to the personal and the exclusive jurisdiction of the courts (both federal and state) located in New Jersey County in the State of New Jersey for any action or proceeding brought by Franchisor. This includes all actions and proceedings of every kind and nature, even if they did not arise out of this Agreement. Service of a Summons and Complaint upon you by U.S. Mail, Federal Express at the address stated above or by e-mail shall be the equivalent as if you were personally served with said documents in the State of New Jersey. You agree that if you bring any action or proceeding against Franchisor or anyone connected with Franchisor you shall do so only in the United States District Court for the Southern District of New Jersey unless said court does not have subject matter jurisdiction, in which case you shall bring any such action or proceeding only in the New Jersey State Supreme Court, County of New Jersey. The provisions of this paragraph shall apply to all matters and controversies of every type and nature, including, but not limited to, anything that occurred or pertains to anything prior to the execution of the Franchise Agreement or any other agreement, during the term of the franchise, after the term of the franchise and for all matters whether or not related to the franchise, the Franchise Agreement or any other agreements. If We initiate litigation or incur any legal fees as a result of any action that you take or fail to take or if you breach any term, condition or covenant of this Franchise Agreement or any other agreement you shall be responsible for all of Our costs, expenses and legal fees of every kind and nature. You agree not to initiate, agree, be part of or in any way participate in any class actions against us. If you are made a part of a class action you agree to immediately opt out and/or withdraw from being part of the class action. If you do not take corrective action, you agree that you will pay all of Franchisor System's costs, expenses and attorneys fees to do so. You agree not to initiate, agree, be part of or in any way participate in any with any other person, business or entity against us as a plaintiff or in any other capacity in any lawsuit, complaint to any agency or in any other proceeding. If you violate the terms of the previous sentence you agree to immediately take corrective action to come into compliance with those terms. If you do not take immediately corrective action, you agree that you will pay all of Franchisor System's costs, expenses and attorneys fees to do so. There may be state laws that conflict with these provisions, in which instance such state law shall prevail.

B. The foregoing notwithstanding, you recognize the unique value and secondary meaning attached to the Franchisor system, its trademarks, standards of operation and the Proprietary Rights. It is agreed that any noncompliance therewith or unauthorized or improper use thereof will cause irreparable damage to Franchisor and its franchisees. You, therefore, agree that if you or anyone acting with or under your control should engage in any such unauthorized or improper use, during or after the period of this franchise, Franchisor shall be entitled to both permanent and temporary injunctive relief in an action brought by Franchisor in the state or federal courts located in New Jersey county of the State of New Jersey or any other state or federal court; and you agree to submit to the jurisdiction of that Court for any cause of actions based on Franchisor rights as aforesaid.

C. YOU HEREBY AGREE TO WAIVE ALL RIGHTS OF EVERY KIND AND NATURE FOR TRIAL BY JURY FOR ALL CLAIMS, COUNTERCLAIMS, CROSS-CLAIMS AND FOR ALL OTHER ACTIONS, CASES AND PROCEEDINGS. IT IS

AGREED AND UNDERSTOOD THAT UNDER NO CIRCUMSTANCES WILL ANY CASE BE TRIED BEFORE A JURY FOR ANY REASON WHATSOEVER.

D. YOU WILL NOT BRING OR PARTICIPATE IN ANY CLASS ACTION AGAINST FRANCHISOR OR ANY PERSON OR ENTITY IN CONNECTION OR RELATING TO OR WITH FRANCHISOR.

E. YOU WILL NOT BRING OR PARTICIPATE IN ANY MULTIPLE PLAINTIFF OR COMPLAINANT ACTION AGAINST FRANCHISOR OR ANY PERSON OR ENTITY IN CONNECTION WITH OR RELATING TO FRANCHISOR.

F. ANY ACTION OR PROCEEDING AGAINST FRANCHISOR SHALL HAVE AND LIST ONLY A SINGLE PLAINTIFF OR COMPLAINANT.

G. These provisions shall not apply if it is specifically prohibited by a State's law. The provisions of the Illinois Franchise Act do not permit jurisdiction for litigation outside of the state of Illinois or the choice of non-Illinois law. Therefore, the provisions of the Franchise Agreement which contradict this law are void for franchises located in the state of Illinois.

XXIX. ADDRESSES FOR CORRESPONDENCE AND SERVICE OF PROCESS

All notices and communications among the parties concerning this Agreement or the franchise granted hereunder shall be in writing and addressed and sent by First Class and Certified Mail, return receipt requested, Federal Express or served personally to Franchisor at its business address stated on the first page of this agreement or such other address as may be specified by Franchisor, and to you at the address stated hereinbefore, or to your last known mailing address. A complete copy of everything sent to Franchisor shall also be sent to Mitchell J. Kassoff, Esq., Two Foster Court, South Orange, New Jersey 07079. The failure to send this copy shall be deemed to mean that no service of process was made on Franchisor. Service of process (including, but not limited to, a Summons, Complaint or a motion for injunctive relief) shall be deemed to be the equivalent of personal service. The address for service of process in the State of Virginia is Clerk, State Corporation Commission, 1300 East Main Street, Richmond, Virginia 23219; (804) 371-9051.

XXX. EFFECTS OF INVALIDITY OF A PART OF FRANCHISE AGREEMENT

Notwithstanding anything to the contrary herein, all provisions hereof are hereby limited to the extent mandated by any applicable law, regulation or decision. If any one or more paragraphs, clauses or other portions hereof should ever be determined to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, or to be illegal, invalid or invalidated or unenforceable by reason of any existing or later enacted law, regulation or statute, then to the extent it is within the jurisdiction illegal, invalid or unenforceable, it shall be limited or construed so as to be valid and enforceable or severed and deleted here from. The remaining portions hereof shall survive, remain in full force and effect, continue to be binding and shall not be affected except insofar as may be necessary to make sense hereof, and shall be interpreted to give effect to the intention of the parties insofar as that is possible.

XXXI. RIGHTS AND REMEDIES OF THE PARTIES

A. The rights and remedies of the parties provided in this Agreement shall be in addition to (and not in substitution for) any and all rights and remedies to which the aggrieved party shall be entitled at law or equity.

B. The covenants contained in this Agreement shall be construed as separate and independent of any other provision of this Agreement.

C. Franchisor and you believe that the covenants by you contained in this Agreement are reasonable and that the remedy at law for any breach of any covenant will be inadequate, and that, therefore, Franchisor shall be entitled to enforce the aforesaid covenants by appropriate injunctive relief. However, if any court having jurisdiction shall at any time hereinafter hold any of such restrictions to be unreasonable whether as to scope, territory or period of time specified in such Article, any judicial reformation consistent with such Article shall be enforceable as though contained in this Agreement and shall not affect any other provisions or terms of this Agreement.

D. In the event of any default on the part of you in addition to any other remedies of Franchisor, you shall pay to Franchisor all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any such default.

E. In the event of termination of the Franchise Agreement according to Paragraph XX, you agree to pay liquidated damages to offset the considerable business expense to Franchisor in marketing, educating, and training a new Franchisee in Franchisor Franchise System, including, specifically, such expenses as advertising to relocation and enhanced location video image and reputation in the general location of the former Location, and monies necessary to compensate Franchisor for lost royalties during the period of time required to establish a new franchise. Liquidated damages will be an amount equal to two years of the highest royalties paid by you to Franchisor during the operation of the franchise which is deemed reasonable. Such liquidated damages are necessary since the amount of actual damages which may arise from premature termination of the Franchise Agreement cannot be accurately determined at the time of execution of the Franchise Agreement. In the alternative, at the election of Franchisor Inc., the minimum amount of liquidated damages will be the amount that you initially paid to obtain the franchise.

F. In the event of expiration or termination of the Franchise Agreement for any reason, you are required under Paragraph XXI (A) to cease using Franchisor licensed Trademarks and to cease advertising or other use of Franchisor operating methods, "Franchisor", or any part thereof, and certain other specified activities. Should you continue to use any of Franchisor registered Trademarks or common law rights after termination of the Franchise Agreement, you hereby agree that such conduct will cause immediate irreparable harm to Franchisor. You waive any right that may otherwise have to contest the existence of irreparable harm to Franchisor if you or anyone connected to you or related to you continues to use Franchisor Trademarks and any other indicia representing the good will and reputation of Franchisor after termination.

XXXII. THIRD PARTIES INCLUDED IN AGREEMENT

A. This Agreement shall be binding upon and inure to the benefit of the heirs, devisees, legatees, executors and administrators of your estate, provided such person(s) agree(s), in writing, to be bound by the terms of this Agreement.

B. This Agreement is binding upon the successors and/or assigns of Franchisor.

XXXIII. DELIVERY DATE OF PRODUCTS OR SERVICES, EQUIPMENT AND SUPPLIES

Franchisor will deliver to you all products or services, equipment and supplies which it is requested to deliver and which it is required to deliver under this contract prior to the date of the opening of the Franchise. The delivery of these items may be delayed if such delay is caused by an act of God, governmental restrictions, labor disputes or other contingencies not within the control of Franchisor. Franchisor shall not be liable for any damages or losses of any type caused by any delay.

XXXIV. TAXES

You shall promptly pay when due all sales, use, personal property, business, income and all other taxes and assessments against the Location or the equipment used in connection with your business, and all liens or encumbrances of every kind or character created or placed upon or against any of said property, and all taxes, accounts and other indebtedness of every kind incurred by you in the conduct of said business, including, but not limited to, taxes in the nature of a sales tax.

You are solely responsible for the collection and payment of all sales, use, personal, income, franchise, corporate and all other taxes and fees of every possible type and description. If you do not this, you shall indemnify and hold Franchisor harmless, including all related attorney's fees.

XXXV. CAVEAT

A. The success of the business venture contemplated to be undertaken by virtue of this agreement is speculative and depends upon many factors, including the ability of you to operate a Location in accordance with the terms and provisions of this agreement. Franchisor does not make any representation or warranty as to the potential success of the business venture contemplated hereby.

B. You acknowledge that you have entered into this agreement after making an independent investigation of Franchisor operations, and not upon any representation as to profits which you in particular might be expected to realize, nor has Franchisor or anyone made any other representation which is not expressly set forth herein, to induce you to accept this franchise and execute this agreement.

C. You acknowledge that you have read the foregoing franchise agreement and have been advised by a representative of Franchisor to discuss the provisions thereof with an attorney of your choice prior to its execution by you.

D. You further acknowledge that you have been provided and have read a Franchise Disclosure Document as required by the Federal Trade Commission and state law, if any, relating to the offer of the franchise granted herein. You state that you have consulted with professional advisors to the extent that you deem necessary to determine that you are financially prepared to assume the risks that may be involved in becoming a you of Franchisor.

E. You are aware of the fact that at some time in the present or future you or Franchisor may operate under different forms of agreement and, consequently, that yours and/or Franchisor obligations and rights with respect to this agreement may differ materially in certain circumstances from the obligations and rights agreed to by Franchisor with other franchisees.

XXXV. STATE SPECIFIC PROVISIONS

1. For franchises located in the State of California.

- 1.1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.
- 1.2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- 1.3. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damage clauses are unenforceable.
- 1.4. The franchise agreement contains a provision for litigation to take place in New Jersey at Franchisor' election. This provision may not be enforceable under California law.
- 1.5. The franchise agreement requires application of the laws of the State of New Jersey. This provision may not be enforceable under California law.
- 1.6. A covenant not to compete which extends beyond the term of the franchise does not apply.

2. For franchises located in the State of Connecticut.

- 2.1. The delivery date of the services to be provided by us is within ninety days of signing the franchise Agreement with you.

3. For franchises located in the State of Illinois.

- 3.1. The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/1-44.
- 3.2. The choice of forum and law may be different as provided by the Illinois Franchise Disclosure Act (815 ILCS 7054). In these cases Illinois, forum and law shall control.

4. For franchises located in the State of Indiana.

- 4.1. There will be no indemnification for liability caused by your proper reliance on or use of procedures or materials provided by us or caused by Our negligence.
- 4.2. We will not operate a substantially identical business to that of your franchise within your territory regardless of trade name.
- 4.3. The choice of law provision is subject to the superseding provisions of Indiana's Franchise Acts, IC 23-2-2.5 and IC 23-2-2.7.
- 4.4. The reservation of right to injunctive relief, any specified remedy or limitation of the remedies available to either party and the release of any rights with regard to the Franchise Agreement shall not apply.
- 4.5. The name and address of Franchisor' agent in this state to receive service of process is: Indiana Secretary of State, 201 State House, 200 West Washington Street, Indianapolis, Indiana 46404.
- 4.6. An estate has 6 months to find a transferee or the Franchise Agreement can be terminated.
- 4.7. A you will not be required to covenant not to compete with Franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.
- 4.8. A you will not be limited in bringing an action in the state of Indiana regarding the franchise.
- 4.9. No franchise fees will be collected by Indiana franchisees until We complete all of Our pre-opening obligations.

5. For franchises located in the State of Maine.

- 5.1 As required by Maine law, we [check box for either a or b]:
 - a. have secured a bond in the amount of \$30,000 issued by _____ [name and address of surety company in Maine]. Before signing a contract to purchase a business opportunity, you should check with the surety company to determine the current status of the bond.
 - b. maintain an escrow account in the amount of \$30,000 in the _____ [name and address of licensed bank or savings institute in Maine]. Before signing a contract to purchase a business opportunity, you should check with the surety company to determine the current status of the escrow account.
- 5.2 According to Maine statute you have the right to avoid the contract for purchase of this business opportunity within 3 business days following the signing of the contract. You should obtain and study a copy of the law regulating the sale of business opportunities before you attempt to avoid the contract. This law is found in the Maine Revised Statutes, Title 32, section 4698.

6. For franchises located in the State of Maryland.

- 6.1. If you are located within the state of Maryland you shall not be required to assent to any release, estoppels or waiver of liability as a condition of purchasing a franchise which would act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration And Disclosure Law.
- 6.2. The provisions in the Franchise Agreement relating to the general release that is required as a condition of renewal, sale and assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- 6.3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

7. For franchises located in the State of Minnesota.

- 7.1. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- 7.2. With respect to franchises governed by Minnesota law, We will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.
- 7.3. We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- 7.4. You do not consent to Franchisor obtaining injunctive relief. However, you agree that We may seek injunctive relief.
- 7.5. We will not require you to assent to a general release.
- 7.6. We will not require you to assent to liquidated damages.
- 7.7. Liquidated damage provisions are void.

8. For franchises located in the State of New Jersey.

- 8.1. Liquidated damage provisions are void and shall not apply to franchises located in New Jersey State.

9. For franchises located in the State of New York.

- 9.1. Liquidated damage provisions are void and shall not apply to franchises located in New York State.

10. For franchises located in the State of North Dakota.

- 10.1. Item 17(r) of the Offering Circular and Section VII of the Franchise Agreement which provides for covenants not to compete will not apply to franchises sold in the State of North Dakota.
- 10.2. Item 17(v) of the Offering Circular and Section XXVIII of the Franchise Agreement which provides that franchisees must consent to the jurisdiction of courts in the State of New Jersey will not apply for franchises sold in the State

- of North Dakota.
- 10.3. Item 1.7(w) of the Offering Circular and Section 20 of the Franchise which provides that the agreement shall be construed according to the laws of the State of New Jersey will not apply for franchises sold in the State of North Dakota.
 - 10.4. Section XXIII of the Franchise Agreement that requires you to consent to a waiver of incidental, consequential, exemplary and punitive damages will not apply for franchises sold in the State of North Dakota.
 - 10.5. Section XXVIII of the Franchise Agreement that requires the you to consent to a waiver of trial by jury will not apply for franchises sold in the State of North Dakota.
 - 10.6. Sections XXIII and XXXI of the Franchise Agreement stipulate that the you shall pay all costs and expenses incurred by the Franchisor in enforcing the agreement will not apply for franchises sold in the State of North Dakota.

11. For franchises located in the State of Rhode Island.

11.1 §19-28.1-14 of the Rhode Island franchise Investment Act provides that “A provision in a franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

12. For franchises located in the State of South Dakota.

- 12.1. South Dakota Codified Laws §37-5a-51 apply.
- 12.2. you will receive 30 days written notice with an opportunity to cure a breach of the franchise agreement, failure to meet performance and quality standard and failure to make royalty payments before termination.
- 12.3. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.
- 12.4. Liquidated damage provisions are void.

13. For franchises located in the State of Washington.

- 13.1. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise.
- 13.2. In any litigation involving a franchise purchased in Washington, the litigation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of arbitration, or as determined by the arbitrator.
- 13.3. In the event of a conflict of law, the provision of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- 13.4. A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the

Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

14. Additional state provisions.

- 14.1 These states have statutes which may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS, Ch.815, Sections 705/1-705/44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], New Jersey [Stat. Section 56:10-11], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03].
- 14.2 These states have statutes which limited Our ability to restrict your activity after the franchise agreement has ended: California Business and Professions Code Section 16,600, New Jersey Statutes Section 542.33, Michigan Compiled Laws Section 445.772 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting Our ability to restrict your activity after the franchise agreement has ended.
- 14.3 A provision in the franchise agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.
- 14.4 The following states have statutes which restrict or prohibit the imposition of liquidated damage provisions: California [Civil Code Section 1671], Indiana [IC 23-2-2.7-1(10)], Minnesota [Rule 2860.4400J], South Dakota [Civil Law 53-9-5]. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law and state and federal court decisions.
- 14.5 If any provision of your Franchise Agreement violates any of these provisions then that specific provision shall be deemed not to apply to franchisees located in that particular state.
- 14.6 For franchises located in any state not specifically mentioned. If any provision of this Franchise Agreement violates the provision of any state law, then that specific provision shall be deemed not to apply to franchisees located in that particular state.

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

FRANCHISOR, INC.

FRANCHISEE (YOU)

By: _____

By: _____

Its: _____

Its: _____

FRANCHISEE (YOU)

FRANCHISEE (YOU)

Exhibit E- Guaranty and Assumption of Obligations

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution by and between Franchisor Systems Inc., with its principal offices located 123 20th Avenue Small Town, New Jersey 12345 (hereafter "Franchisor") and _____

_____, whose address is _____, a [] sole proprietorship, a [] Partnership, [] Corporation, [] Limited Liability Company formed under the laws of the State of _____. Telephone number _____, Social Security number _____ and/or Federal Tax Identification Number _____

_____ ("Franchisee," "You" or "Your"), or in consideration of and as an inducement to Franchisor's consent to a transfer by You under the Agreement, each of the undersigned parties ("Guarantors") hereby personally, jointly, severally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, agrees to be personally bound by and be personally liable for the breach of each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he has read the Agreement and has had the opportunity to review the same, and this Guaranty with counsel or his choosing prior to executing this Guaranty and Assumption of Obligations. Each Guarantor hereby expressly waives:

1. Acceptance and notice of acceptance by Franchisor of all undertakings.
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed.
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed.
4. Any right he may have to require that an action be brought against You, Guarantor or any other person as a condition of liability.
5. Any requirement that Franchisor proceed against or exhaust its remedies with respect to You or any other person before demanding payment or performance by Guarantor.
6. Any and all other notices and legal or equitable defenses to which he may be entitled.

Each Guarantor also consents and agrees that:

1. His direct and immediate liability under this guaranty will be joint and several.
2. He will render any payment or performance required under the Agreement upon demand if You fail or refuses to do so when due.
3. Such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against You or any other person.
4. Such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may, from time to time, grant to

You or to any other person, including without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty and Assumption of Obligations, which will be irrevocable during the term of the Agreement.

5. The liability and obligations under this Guaranty and Assumption of Obligations will not be diminished, relieved or otherwise affected by any modification by You and Franchisor of the terms or conditions of the Agreement.

6. He is subject to all and consents to the venue, jurisdiction, service of litigation documents, notice requirements and all other provisions concerning litigation stated in the Franchise Agreement.

7. This Guaranty and Assumption of Obligations and all other agreements shall be exclusively construed and interpreted in accordance with the laws of the State of New Jersey, excluding conflict of laws provisions. No rules, regulations, laws or statutes of any kind or nature of any other city, county, state or other jurisdiction shall be given any force or effect. You agree to submit to the personal and the exclusive jurisdiction of the courts (both federal and state) located in New Jersey County in the State of New Jersey for any action or proceeding brought by Franchisor. This includes all actions and proceedings of every kind and nature, even if they did not arise out of this Agreement. Service of a Summons and Complaint upon you by U.S. Mail, Federal Express at the address stated above or by e-mail shall be the equivalent as if you were personally served with said documents in the State of New Jersey. You agree that if you bring any action or proceeding against Franchisor or anyone connected with Franchisor you shall do so only in the United States District Court for the District of New Jersey, unless said court does not have subject matter jurisdiction in which case you shall bring any such action or proceeding only in the Supreme Court of the State of New Jersey, County of New Jersey. The provisions of this paragraph shall apply to all matters and controversies of every type and nature, including, but not limited to, anything that occurred or pertains to anything prior to the execution of the Guaranty and Assumption of Obligations, the Franchise Agreement or any other agreement, during the term of the franchise, after the term of the franchise and for all matters whether or not related to the Guaranty and Assumption of Obligations, the franchise, the Franchise Agreement or any other agreements. If We initiate litigation or incur any legal fees as a result of any action that you take or fail to take or if you breach any term, condition or covenant of this Guaranty and Assumption of Obligations, the Franchise Agreement or any other agreement you shall be responsible for all of Our costs, expenses and legal fees of every kind and nature. You agree not to initiate, agree, be part of or in any way participate in any class actions against Us. If you are made a part of a class action You agree to immediately opt out and/or withdraw from being part of the class action. If you do not take corrective action, you agree that you will pay all of Franchisor's costs, expenses and attorneys fees to do so. You agree not to initiate, agree, be part of or in any way participate in any with any other person, business or entity against Us as a plaintiff or in any other capacity in any lawsuit, complaint to any agency or in any other proceeding. If you violate the terms of the previous sentence you agree to immediately take corrective action to come into compliance with those terms. If you do not take immediately corrective action, you agree that you will pay all of Franchisor's costs, expenses and attorneys fees to do so. There may be state laws which conflict with these provisions, in which instance such state law shall prevail.

B. IF YOUR FRANCHISE IS NOT PHYSICALLY LOCATED IN THE STATE OF New Jersey YOU HEREBY AGREE AND CONSENT THAT THE PROVISIONS, PROCEDURES, REGULATIONS, RIGHTS, DUTIES, PROTECTIONS, REMEDIES, PENALTIES AND ALL OTHER ASPECTS OF EVERY KIND AND NATURE OF THE New Jersey FRANCHISE PRACTICES ACT, New Jersey MOTOR VEHICLE DEALER LAW, New Jersey MALT ALCOHOLIC BEVERAGES PROTECTION ACT, New Jersey CONSUMER FRAUD ACT AND ALL PRESENT AND FUTURE SIMILAR LAWS, STATUTES, RULES AND REGULATIONS THAT MIGHT AFFECT THE RELATIONSHIP BETWEEN YOU AND US OR PROVIDE YOU OR WITH ANY PROVISIONS, PROTECTIONS OR PROCEDURES THAT MIGHT BE OF BENEFIT TO YOU SHALL NOT APPLY TO YOU OR US.

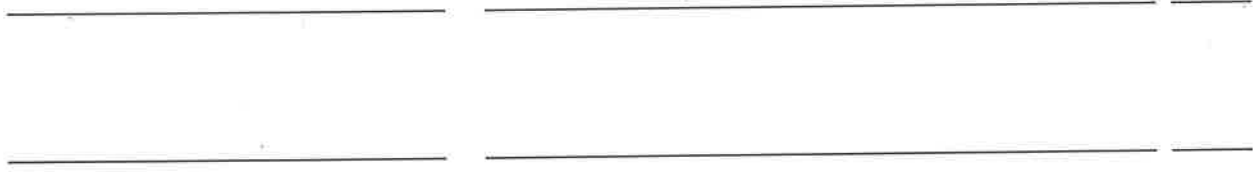
C. The foregoing notwithstanding, you recognize the unique value and secondary meaning attached to the Franchisor system, its trademarks, standards of operation and the Proprietary Rights. It is agreed that any noncompliance therewith or unauthorized or improper use thereof will cause irreparable damage to Franchisor and its franchisees. You, therefore, agree that if you or anyone acting with or under your control should engage in any such unauthorized or improper use, during or after the period of this franchise, Franchisor shall be entitled to both permanent and temporary injunctive relief in an action brought by Franchisor in the state or federal courts located in New Jersey county of the State of New Jersey or any other state or federal court; and you agree to submit to the jurisdiction of that Court for any cause of actions based on Franchisor rights as aforesaid.

D. YOU HEREBY AGREE TO WAIVE ALL RIGHTS OF EVERY KIND AND NATURE FOR TRIAL BY JURY FOR ALL CLAIMS, COUNTERCLAIMS, CROSS-CLAIMS AND FOR ALL OTHER ACTIONS, CASES AND PROCEEDINGS. IT IS AGREED AND UNDERSTOOD THAT UNDER NO CIRCUMSTANCES WILL ANY CASE BE TRIED BEFORE A JURY FOR ANY REASON WHATSOEVER.

8. These provisions shall not apply if it is specifically prohibited by a State's law. The provisions of the Illinois Franchise Act do not permit jurisdiction for litigation outside of the state of Illinois or the choice of non-Illinois law. Therefore, the provisions of the Guaranty and Assumption of Obligations which contradict this law are void for franchises located in the state of Illinois.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)



RECEIPT

FRANCHISOR INC.

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. If we do not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and state agency of your state listed in Exhibit "A."

The name, principal business address and telephone number of each franchise seller offering the franchise is Franchisor Inc., 123 20th Avenue, Small Town, New Jersey 12345; 201-555-1234.

The issuance date of this disclosure document for states that do not require registration is January 27, 2010. For states that require registration, the effective date is on page iii & iv.

The name and address of the franchisor's registered agent authorized to receive service of process is listed in Exhibit "B."

I received a disclosure document dated that included the following Exhibits: Franchise Agreement, state agencies and administrators, agents for service of process and the financial statements of the franchisor.

Franchisee

Date

RECEIPT

FRANCHISOR INC.

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. If we do not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and state agency of your state listed in Exhibit "A."

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Franchisee

Date

