

## FRANCHISE DISCLOSURE DOCUMENT



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The franchise that we offer is for a home construction business that provides energy efficient green home construction services and other services and products using our system and under the GH marks (each, a “Franchised Business” or “GH Business”).

The total estimated initial investment necessary to begin operation of a GH Business under a franchise agreement ranges from \$70,950 - \$520,900. This includes \$60,000 to \$75,000 that must be paid to us or our affiliate for the initial franchise fee.

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 form that is more convenient for you. To discuss the availability of disclosures in different forms, contact Andrew Mason, Majemco Inc., at 7 W. Cross Street, Unit 7B, Hawthorne, NY 10532 and (914) 945-0277.

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

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

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

Issuance Date: April 29, 2022

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New York. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in your own state.
2. The franchise agreement states that New York Law governs each agreement, and this law may not provide the same protections and benefits as local law. You should compare these laws.
3. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouses' marital and personal assets (perhaps including your house) at risk if your franchise fails.
4. We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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

FRANCHISE DISCLOSURE DOCUMENT

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

MAJEMCO INC, franchisor of the GH franchise, is referred to in this franchise disclosure document (the “Disclosure Document”) as “we”, “us” or “our” as the context requires. A franchisee is referred to in this Disclosure Document as “you” and “your” as the context requires. If you are a corporation, partnership or other legal entity (a “Corporate Entity”), our Franchise Agreement will also apply to your individual owners, shareholders, members, officers, directors and other principals.

**The Franchisor**

We are a New York corporation established on October 31, 2018. Our business address is 7 W. Cross St., Unit 7B, Hawthorne, NY 10532. We conduct business under our corporate name MAJEMCO INC. and under the name GH Builders NY. We grant franchises to third parties to develop and operate GH Businesses (defined below). We have been offering franchises since March 25, 2019. Other than as discussed above, we are not in any other business, we have not conducted business in any other line of business and we have not offered or sold franchises in any other line of business. We do not have any parent or predecessor. Our registered agents for service of process are disclosed in Exhibit A of this Disclosure Document.

Our rights in and to the System (defined below) exist pursuant to a Master Franchise Agreement dated November 9, 2018 (the “Master Franchise Agreement”) between us as Master Franchisee and Green Homes USA Franchising, LLC as Master Franchisor (“Master Franchisor”). Under the Master Franchise Agreement, we were granted the license and right to sell GH Business franchises only within the following geographic territory: the State of New York. Our rights and, therefore your rights as a franchisee are subject to our Master Franchise Agreement. You will not be entering into any agreements with the Master Franchisor.

**The Franchised Business**

Pursuant to our Master Franchise Agreement, within New York State, we license a system (the “System”) for the operation of a business that provides energy-efficient green home construction services (the “Approved Services and Products”). The System is presently identified by the GH trademark, the GH logo and such other trade-names, trademarks, service-marks, logotypes, and commercial symbols as we may designate, modify and adopt from time to time for use in the System and as same may or may not be registered with the United States Patent and Trademark Office (collectively referred to as the “Licensed Marks”).

The System features the prominent display of our Licensed Marks and trade dress in the establishment and operation of the Franchised Business. We refer to businesses in our System as “GH Businesses” and we refer to the GH Business that you will develop and operate as either “your GH Business” or the “Franchised Business”. You may enter into a Franchise Agreement in the form attached to this Disclosure Document as Exhibit D (the “Franchise Agreement”) to develop and operate the Franchised Business within an operating territory and in conformity with the requirements of our System. The System includes Approved Services and Products that we currently designate and that we may modify, add to or discontinue from time to time, and our proprietary specifications, methods and procedures for the preparation, service, marketing and sale of Approved Services and Products by the Franchised Business. The System also features and requires, as designated by us, your exclusive use of certain equipment, materials, and supplies designated by us (collectively, the “System Equipment and Supplies”). On an on-going basis, you are required to purchase the System Equipment and Supplies through us, our affiliates or our designated approved suppliers. The System also requires that you operate the Franchised Business in conformity with the specifications, procedures, criteria and requirements that we designate in our confidential operations manual and other proprietary manuals that we may designate and loan to you and, as we may, from time to time, supplement and modify the operations manual and other

manuals (collectively, the “Manuals”).

### **Franchise Agreement**

You may enter into a Franchise Agreement in the form attached to this Disclosure Document as Exhibit D to develop and operate the Franchised Business within an operating territory and in conformity with the requirements of our System. At the time of signing the Franchise Agreement, we will designate a geographic area comprising your operating territory (and your rights in the System will be limited to offering and providing our Approved Services and Products within your operating territory and using only our System Equipment and Supplies.

### **Our Affiliates**

We have no parent and no affiliates that offer franchises in any line of business or provide products or services to our franchisees.

### **Master Franchisor’s Information and Business Experience**

Master Franchisor is a Delaware limited liability company established on February 28, 2018. Its business address is Suite 901, Level 9, 50 Clarence Street, Sydney NSW 2000. Master Franchisor conducts business under its corporate name, Green Homes USA Franchising, LLC, and under the GH trade name. Presently, Master Franchisor does not intend to establish an office in the United States, nor does it operate GH Businesses. Master Franchisor grants franchises to third parties to develop and operate GH Businesses and GH Business Master Franchise Businesses (defined below). Master Franchisor has been offering GH Business Master Franchises since June 1, 2018 and franchises for GH Businesses since March 2019. Master Franchisor does not conduct business in any other line of business and has not offered or sold franchises in any other line of business.

### **Master Franchisor's Parents, Affiliates and Predecessors**

Master Franchisor's parent is Green Homes USA Holdings, Inc. a Delaware corporation established on December 14, 2018. Its principal business address is 874 Walker Road, Suite C, Dover, Delaware 19904. Master Franchisor has three affiliates.

Green Homes Australia Pty Ltd is a Welsh proprietary limited company established on July 1, 2009 that maintains a principal business address at Suite 901, Level 9, 50 Clarence St, Sydney NSW 2000. Green Homes Australia Pty Ltd is the parent of Master Franchisor’s affiliate, Green Builder Pty Ltd and is the owner of the Licensed Marks. Green Homes Australia Pty Ltd has granted a license to Master Franchisor’s affiliate, Green Homes USA IP, LLC, to use the Licensed Marks and System in the United States. Green Homes USA IP, LLC has sublicensed these rights to our Master Franchisor. Green Homes Australia Pty Ltd has not in the past and does not now offer franchises in any line of business.

Master Franchisor’s affiliate, Green Builder Pty Ltd, is an Australian proprietary limited company established on September 1, 2014 that maintains a principal business address at Suite 901, Level 9, 50 Clarence St, Sydney NSW 2000. Green Builder Pty Ltd is the franchisor of the Green Homes franchise system in Australia and otherwise has not and does not now offer franchisees in any line of business.

Master Franchisor’s affiliate, Green Homes USA IP, LLC, is a Delaware limited liability company established on December 14, 2018 that maintains a principal business address at 874 Walker Road, Suite C, Dover, Delaware, 19904. Green Homes USA IP, LLC is the licensor of the Licensed Marks in the United States and has sublicensed to Master Franchisor its rights to use the Licensed Marks and System. Green Homes USA IP, LLC has not in the past and does not now offer franchises in any lines of business.

### **Market and Competition**

The general market for the services and products offered by the Franchised Business includes the general public. The market for energy-efficient green home construction services and prefabricated houses is highly competitive and well-developed. You will be competing with local, regional, and national builders and general contractors and businesses that provide home construction and green building services. You will be competing with many local and independently owned service providers including businesses offering residential construction and contracting services. The Franchised Business will also compete with large box retailers like Lowes and Home Depot that offer similar products and services. The market for the services offered by GH Businesses is seasonal in nature in that construction and contracting services of the type and nature provided by GH Businesses will be less active during winter months in those markets with cold and inclement weather.

### **Industry Specific Laws**

Many states and local jurisdictions have laws, rules, and regulations that may apply to the Franchised Business, including rules and regulations related to contractor licensing, insurance, environmental and health and safety requirements concerning residential construction and contractor businesses. You must evaluate and you must obtain the necessary licenses, certification, permits and approval necessary to establish and operate the Franchised Business. You must investigate all of these laws. You must check your state, county and local jurisdiction about these rules and regulations and you should consult with your own legal advisor.

You will also be subject to federal and state laws and regulations that apply to businesses generally, including rules and regulations involving employment practices, workers' compensation, wage and hour laws, immigration and employment laws. You must review federal minimum wage and overtime laws, as well as similar laws within your state to ensure compliance with labor and wage laws currently in existence and those that may later be adopted. You should consult with your attorney concerning these and other local laws, rules and regulations that may affect the operation of the Franchised Business.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Our Business Experience**

#### **Chief Executive Officer: Andrew Mason**

Andrew Mason is our President and Chief Executive Officer and has been since our formation in October 2018. Mr. Mason is President of Yudutu LLC in Briarcliff Manor, NY and has been since its formation on April 4, 2017. Mr. Mason is also President of Frog Village Inc. in Hawthorne, NY and has been since its formation on February 15, 2019. For the period September 1997 to October 2018, Mr. Mason was Manager of United Restoration Services, Inc. in Briarcliff Manor, NY.

### **The Master Franchisor's Business Experience**

#### **President: Mick Fabar**

Mick Fabar is Master Franchisor's president and he has served in this role since its formation on February 28, 2018. Mr. Fabar is the president of Master Franchisor's affiliate Green Builder Pty Ltd, which is an Australia-based franchisor of the Green Homes Australia franchise system operating in Australia. Mr. Fabar maintains offices at the headquarters of Master Franchisor's affiliate, Green Builder Pty Ltd., in Australia. Since 2014 and continuing to present Mr. Fabar has been and remains the president of Green Builder Pty Ltd.

### ITEM 3 LITIGATION

#### **Our Litigation Disclosures**

No litigation is required to be disclosed in this Item

#### **Master Franchisor's Litigation Disclosures**

No litigation is required to be disclosed in this Item

### ITEM 4 BANKRUPTCY

#### **Our Bankruptcy Disclosures**

No bankruptcy information is required to be disclosed in this Item

#### **Master Franchisor's Bankruptcy Information**

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

### ITEM 5 INITIAL FEES

When you sign a Franchise Agreement you must pay to us a non-refundable initial franchise fee (the "Initial Franchise Fee"). The Initial Franchise Fee is Sixty Thousand Dollars (\$60,000) for a geographic operating territory that includes approximately 150,000 households (an "Operating Territory"). The Initial Franchise Fee is fully earned by us upon payment, represents consideration for an operating territory as referenced in Item 12 of this Disclosure Document and, is used in part to defray our costs for providing initial training and other services. In certain markets, subject to our discretion, if you purchase a Base Operating Territory, at the time of signing your Franchise Agreement, you may purchase an additional territory of approximately 37,500 households (each a "Partial Operating Territory") for an additional initial franchise fee of Fifteen Thousand (\$15,000) Dollars per Partial Operating Territory.

However, for qualified individuals who were honorably discharged from any branch of the United States Military, we offer a one-time discount of ten percent (10%) on the Initial Franchise Fee. For these individuals, the Initial Franchise Fee for a Base Operating Territory is \$54,000. For these individuals who also purchase a Partial Operating Territory concurrently with the purchase of the Base Operating Territory, the additional initial franchise fee will also be reduced by ten percent (10%) to \$13,500.

The method we use to calculate the Initial Franchise Fee is uniform for all franchises that we offer through this Disclosure Document, except that we offer the U.S. Military Veteran discount described above which must be requested by you in writing at the time of signing the Franchise Agreement.

**ITEM 6**  
**OTHER FEES**

<b>TYPE OF FEE</b> <small>(Note 1)</small>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty <small>(Note 2)</small>	5% of Gross Sales <small>(Note 3)</small>	Due monthly on the fifth of each month for the preceding month	This payment will be debited automatically from your business bank through ACH. See, Notes 1, 2 and 3.
Brand Development Fund Fee <small>(Note 4)</small>	Up to 2% of Gross Sales. Currently, we charge a Brand Development Fund Fee of 1% of Gross Sales.	Due monthly on the fifth of each month for the preceding month	This payment will be debited automatically from your business bank through ACH. See, Notes 1 and 4.
Local Marketing <small>(Note 5)</small>	1% of monthly Gross Sales, unless your Gross Sales exceeded \$2,000,000 in the preceding calendar year.	Monthly, as incurred by you and negotiated with local suppliers	You must spend not less than 1% of Gross Sales per month on pre-approved business development and marketing within your operating territory. See, Notes 1 and 5.
Grand Opening Marketing <small>(Note 6)</small>	\$5,000	Prior to opening	Prior to the opening of the Franchised Business you must market and promote its grand-opening. You must submit to us your grand-opening marketing plan

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
			for our approval prior to opening. See, Notes 1 and 6.
Business Management System License (Note 7)	Currently this fee is \$250 per GH Business Franchisee. We may increase this fee up to \$100 per month in each calendar year.	Due monthly on the 5th day of every month for the preceding month	This payment will be debited automatically from your business bank through ACH. See, Notes 1 and 7.
Customer Service and Refunds (Note 8)	Varies under the circumstances	On demand	This payment will be debited automatically from your business bank through ACH. See, Notes 1 and 8.
Initial Training for Additional Employees	Our then current training fee, plus expenses. Our current fee is \$300 per person per day.	On demand	Under our pre-opening initial training program, we will train you or your managing owner and one of your designated managers at no additional charge. If you request that we provide our initial training program to additional managers, either before or after the opening of the Franchised Business, you must pay our then current training fee. Initial training is conducted online, and you must pay the trainees' salary and any other expenses incurred by you or your trainees.
Supplemental Training	Our then current daily rate per trainer, plus costs and expenses. There is a two-day minimum for assistance. Our current daily trainer rate is \$300 per day	On demand	Following participation in our initial training program and the opening of the Franchised Business, if you request that we provide training or assistance on-site at your Operations Center, you must pay our then-current fee for each trainer. You must also reimburse us for our trainer(s) expenses including travel and accommodations. See, Note 1.

<b>TYPE OF FEE</b> (Note 1)	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Annual Online Training	\$150 - \$500	Annually	You must pay the then-current fee for our annual online training program. The fee is currently \$150, but we reserve the right to increase this fee in the future.
Annual Conference (Note 9)	Varies	On demand, prior to conference	This payment will be debited automatically from your business bank through ACH. The fee charged to you for attendance at the annual conference shall not exceed \$750. See, Notes 1 and 9.
Royalty Payment Late Charge	The lesser of 5% per month of any late royalty payment or \$50	On demand	Applies to past due payments of royalty fees. See, Note 1.
Royalty Reporting Charge	\$50 per occurrence	On demand	If you fail to timely submit to us a complete and accurate royalty report due monthly on the fifth of each month for the preceding accounting month, you will be required to pay a royalty reporting charge. See, Note 1.
Financial Reporting Late Charge	\$100.00 per occurrence	On demand	If you fail to timely submit to us your unaudited monthly profit and loss statement and balance sheet within sixty (60) days after the end of each month, you will be required to pay a fee of \$100. See, Note 1.
Interest Charges	The lesser of 18% per annum or the maximum legal rate allowable by the State in which your Franchised Business is located	On demand	Applies to past due payments of royalty fees, brand development fund fees, advertising fund fees and all other fees, charges, interest and payments due to us from you.  Interest begins to accrue on the date that any payment is due from you to us. See, Note 1.

<b>TYPE OF FEE</b> (Note 1)	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Review and Audit	Actual costs	On receipt of invoice	You must pay to us the costs that we incur in reviewing and auditing your records if the review and/or audit performed by us results in a finding that you failed to comply with the terms of your Franchise Agreement. These fees include the actual costs that we incur including, fees for accountants, attorneys, administrative staff, travel, meals and lodging expenses. See, Note 1.
Transfer	\$10,000	Prior to the date of transfer	All transfers are subject to our approval and require the transferee's satisfaction of our training requirements. See, Note 1.
Renewal	\$5,000	Upon signing renewal franchise agreement	If we approve renewal of your Franchise Agreement, at the time of renewal, you will be required to sign our then current Franchise Agreement and pay the renewal fee.
Collection Costs and Attorney Fees	Amount incurred by us to collect unpaid royalty fees and other fees or sums due from you to us	On demand	Includes fees and expenses incurred by us, including legal demands and litigation, related to your breach of the Franchise Agreement, including attorney fees, deposition expenses, expert witness fees, accounting fees and filing fees. See, Note 1.
NSF Check Fee of Failed Electronic Fund Transfer	5% of amount or \$50 whichever is greater or maximum fee allowed by law	On demand	Applies to payment of Royalty Fees and Advertising Contributions and any other payments to us. See, Note 1.

<b>TYPE OF FEE</b> (Note 1)	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Non-compliance	Amount of fees, costs and/or expenses that we incur in connection with your non-performance of your obligations under the Franchise Agreement. Includes attorney fees	Within 14 days of our invoice	You must pay to us and reimburse us for all costs, fees and expenses that we incur as a result of or in connection with your breach of the Franchise Agreement. This includes legal fees, expenses and costs that we incur with outside legal counsel and costs associated with services and/or work performed by our own in-house legal staff. See, Note 1.
Green Home Certificate	\$150 per certificate	Upon completion of audit	You will be responsible for a cost for each Green Home certificate we provide.
Green Plans	As agreed with third party drafting technician	Upon Purchase	You will receive a pack of concept plans from us and will engage a third-party drafting technician to utilize these plans and draft Green Plans using our proprietary System.
Supplier Review	Our actual costs to review a supplier suggested by you	Within 14 days of invoice	As determined by us, in our reasonable business judgment. We may require your submission of samples and specifications. See, Note 1.
Management Services Fee	Expenses and Fees	As incurred	If we are permitted to manage your Franchised Business (and elect to do so), we will charge a fee based on our time, costs, and expenses in managing the Franchised Business for your behalf.

**Footnotes to Item 6**

**“Other Fees”**

**Note 1: Type of Fee / Fees Payable** - The above table describes fees and payments that you must pay to us or our affiliates, or which we or our affiliates may impose or collect on behalf of a third party. All fees are recurring, payable to us, and are not refundable unless otherwise noted. All fees payable to us shall be payable subject to our specification and instruction, including, our election to have all fees automatically drafted from your business bank account or automatically debited or charged to your business bank account.

You will be required to sign an ACH authorization form (Franchise Agreement, Exhibit 8) permitting us to electronically debit your designated bank account for payment of all fees payable to us (other than the Initial

Franchise Fee) as well as any amount owed to us or our affiliated for goods or services. You must deposit all Gross Sales of your GH Business into the designated bank accounts that are subject to our ACH authorization. You must install and use, at your expense, the pre-authorized payment, point of sale, automatic payment, automated banking, electronic debit and/or electronic funds transfer systems that we designate and require in the operation of your GH Business. You must pay all service charges and fees charged to you by your bank so that we may electronically debit your bank account.

**Note 2: Royalty Fees** - You must pay to us a continuing monthly royalty fee equal to a percentage (the “Royalty Rate”) of your monthly Gross Sales (defined below). The Royalty Rate is five percent (5%) of your monthly Gross Sales. If any federal, state or local tax other than an income tax is imposed on the Royalty Fee which we cannot directly and, dollar for dollar, offset against taxes required to be paid under any applicable federal or state laws, you must compensate us in the manner prescribed by us so that the net amount or net effective rate received by us is not less than that which has been established by the Franchise Agreement and which was due to us on the effective date of the Franchise Agreement.

**Note 3: Gross Sales** - “Gross Sales” means the total dollar sales from all business and customers of your GH Business and includes the total gross amount of revenues and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by you in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by you or any other person or corporate entity from business conducted or which started in, on, from or through your GH Business and/or your operating territory, whether such business is conducted in compliance with or in violation of the terms of the Franchise Agreement. Gross sales include the total gross amount of revenues and sales from whatever source derived from and/or derived by you (including any person and/or corporate entity acting on your behalf) from business conducted within and/or outside your operating territory that is related to your GH Business and/or a competitive business located and/or operated within your operating territory, outside your operating territory, and/or otherwise. Gross sales do not include sales or use taxes collected by you.

**Note 4: Brand Development Fund** – You must pay a continuing brand development fund fee in an amount equal to up to two percent (2%) our monthly Gross Sales (the “Brand Development Fund Fee”). Currently, we charge a Brand Development Fund Fee equal to one percent (1%) of Gross Sales, but reserve the right to increase this fee in the future. Brand Development Fund contributions shall be made directly to the Brand Development Fund and not to us. Contributions to the Brand Development Fund are not income to us.

**Note 5: Local Marketing** - On a monthly and on-going basis, you are required to spend not less than one (1%) percent of your monthly Gross Sales toward the marketing and promotion of your GH Business. However, if your cumulative Gross Sales in the preceding calendar year (i.e. Gross Sales reported from January - December) exceeds Two Million Dollars (\$2,000,000), we will not require you to spend a minimum advertising expenditure for the then-current calendar year. We will assess your eligibility for waiver of the local advertising requirement annually based on your reported Gross Sales for the prior year and your eligibility is dependent on your submission of all required reports. Your local marketing efforts and expenditures must be targeted to a market comprised of your operating territory and may only include media, networking, business development, public relations and other forms of business development that we designate and pre-approve.

**Note 6: Grand Opening Marketing** - You must spend not less than Five Thousand Dollars (\$5,000) toward the marketing and promotion of the grand opening of your GH Business. Your marketing must be pre- approved by us.

**Note 7: Business Management System License** – You will be required to use the business management software system that we designate and as we may modify from time to time (the “Business Management System”). The Business Management System is a cloud based software system that includes customer

information, customer lists, and other tools for engaging, monitoring and billing customers. You are required to pay to us or to our designated supplier an on-going monthly license fee for your required use of the Business Management System. Presently the on-going monthly fee for the Business Management System is Two Hundred Fifty Dollars (\$250) per month. We may increase these monthly fees but may not do so more than once in any calendar year and not more than One Hundred Dollars (\$100) per month within any particular calendar year.

**Note 8: Customer Service and Refunds** -This fee will be based on the costs incurred by us, including refunds and/or credits that we may undertake on behalf of a customer that was not satisfied with the services or products provided by your GH Business. You must guarantee your services to your customers. If we determine that your customer is entitled to reimbursement of fees paid to you we may reimburse your customer directly. You must reimburse us for the amounts that we reimburse your customer.

**Note 9: Annual Conference** - If we establish a franchisee annual conference you or your Managing Owner must attend the conference on the dates and at the location that we designate. You will be responsible for all travel, lodging, food, automobile rental expenses and employee wages that you incur in connection with your attendance. We may charge you an Annual Conference fee in an amount not exceeding Seven Hundred and Fifty Dollars (\$750). We reserve the right to waive the Annual Conference Fee for those franchisees that attend the conference and to charge the Annual Conference Fee to those franchisees who fail to attend.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

TYPE OF EXPENDITURE <small>(Note 1)</small>	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee <small>(Note 2)</small>	\$60,000 - \$75,000	Lump sum	When you sign the Franchise Agreement	Us
Construction and Leasehold Improvements <small>(Note 3)</small>	\$0 - \$5,000	Varies	Prior to opening	Approved third party suppliers and vendors, subject to our specifications
Furniture, Fixtures and Equipment <small>(Note 4)</small>	\$0 - \$5,000	As billed	As incurred	Third party suppliers and vendors, subject to our specifications

Computer, Software and System (Note 5)	\$2,000 - \$4,000	As billed	As incurred	Approved third party suppliers and vendors, subject to our specifications
Initial Inventory (Note 6)	\$200 - \$500	As billed	Before opening	Us, our affiliate, or third-party suppliers and vendors, subject to our specifications
Prepaid Rent and Lease Deposits (Note 7)	\$0- \$5,000	Lump sum	Varies	Third party landlord
Utility Deposits (Note 8)	\$100 - \$500	As billed	Before opening	Utility companies
Insurance Deposits and Premiums (Note 9)	\$750 - \$1,000	As billed	Varies	Insurance companies
Initial Training (Note 10)	\$0 - \$3,000	As incurred	Before opening	Third party
Grand Opening Marketing Expense (Note 11)	\$5,000	In accordance with your grand opening marketing plan	As incurred but prior to opening	Approved Third party suppliers and vendors, subject to our specifications and approval
Professional Fees (Note 12)	\$700 - \$3,500	As billed	Before opening	Third parties, including attorneys, accountants and architects
Business Licenses and Permits (Note 13)	\$100 - \$1,000	Lump sum	Before opening	Government authorities

Printing, Stationary and Office Supplies (Note 14)	\$50 - \$500	As billed	Before opening	Third parties
Branded Clothing	\$100 - \$400	As incurred	Before opening	Us
Service Vehicle (Note 15)	\$750 - \$6,500	As incurred	Before opening	Third parties
Spec House (Note 16)	\$0 - \$400,000	As incurred	Before opening	Us, approved vendors
Additional Funds – Initial period of 3 months (Note 17)	\$1,200 - \$5,000	As incurred	Before opening	Us, utilities approved vendors, employees and other providers of services and/or goods necessary for the operation of the Franchised Business.
TOTAL	\$70,950 - \$520,900			

**Footnotes to Item 7**  
“Your Estimated Initial Investment”

**Note 1: About Your Estimated Initial Investment** - These are only estimates and your costs may vary depending on the size of your operating territory, economic and market conditions, competition, wage rates, the capabilities of your management team, your business experience and other factors. You should carefully review these estimates with your business, accounting and legal advisors before making any decision in signing a Franchise Agreement. These estimates do not include interest and financing charges that you may incur and they do not include royalties, marketing development and other continuing fees that you will be required to pay to us. Payments are non-refundable unless otherwise noted. We do not offer direct or indirect financing. Your costs may vary based on a number of factors including the geographic area in which you open, local market conditions, whether you work from a home or rented office, the time it takes to build sales and your skills at operating a business. We recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

**Note 2: Initial Franchise Fee** - The Initial Franchise Fee for a GH Business under a Franchise Agreement is Sixty Thousand Dollars (\$60,000) for a Standard Operating Territory and Fifteen Thousand Dollars (\$15,000) for a Partial Operating Territory. The high estimate assumes that you purchase a Partial Operating Territory in addition to your Standard Operating Territory. All fees paid to us for your initial franchise fee are non-refundable. There are no refunds under any other circumstances, including if you breach the franchise agreement and we terminate the Franchise Agreement.

**Note 3: Construction and Leasehold Improvements** – This estimate is for the cost to build-out of an office for the operation of the Franchised Business. We have based our estimates on the assumption that the typical square footage for an office facility will range from 300 to 500 square feet and that the office facility will already be in a suitable condition for your office facility and will require only minor leasehold improvements.

**Note 4: Furniture, Fixtures and Equipment** - You may be required to purchase certain types of furniture, fixtures and equipment for the Franchised Business. Among other things, you may be required to purchase office furniture, and interior sign. The costs for furniture and fixtures may differ depending on the material quality and on other factors.

**Note 5: Computer, Software and System** – You will be required to purchase a notebook computer for the operations of the Franchised Business. You will be required to utilize the Business Management System and pay the monthly access fee. You may be required to use certain additional software or CRM systems as part of your Franchised Business.

**Note 6: Initial Inventory** – You must purchase your initial opening inventory of plans and specifications from our approved and designated suppliers. This initial inventory is intended as a minor supplement to the inventory and supplies that you will be required to purchase on an on-going basis and that you are required to obtain from us, our affiliates or from our designated suppliers at standard prices and terms.

**Note 7: Prepaid Rent and Lease Deposits** – You must lease or otherwise provide a suitable office (in a commercial or residential building you lease or own) for the operations of your Franchised Business. You must secure a facility of approximately 300 to 500 square feet of class “B” commercial office space or better. Your facility must be approved by us in writing. You may secure a larger facility but it will increase your operating costs. You will be required to pay the landlord a security deposit that will be calculated based upon a number of months’ rent that the landlord requires to be held as security. The amount of your security deposit is something that you will negotiate directly with the landlord and will vary significantly based on a number of factors, including the desirability of your leased location and your own negotiations. This estimate does not include the purchase of real property should you elect to purchase the facility for the Franchised Business.

**Note 8: Utility Deposits** - To secure the appropriate utilities required for the operation of your GH Business, including gas, electric, water, sewer and internet access, you will be required to pay upfront deposits to each applicable utility company.

**Note 9: Insurance Deposits and Premiums** - You are required to maintain certain insurance respecting the operations of your GH Business. Your actual payments for insurance and the timing of those payments will be determined based on your agreement with your insurance company and agent. The cost of your insurance coverage will be based on factors outside of our control. The amount charged for insurance coverage may be significantly more or less than our estimate. This estimate is for the cost of an initial deposit in order to obtain the minimum required insurance. You should check with your local carrier for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary based on the area in which your GH Business will be located, your experience with the insurance carrier, the loss experience of the carrier and other factors beyond

our control. We recommend that you consult with your insurance agent before signing a Franchise Agreement.

**Note 10: Initial Training** - Prior to opening your GH Business, you must complete our pre-opening training program. We do not charge a fee for our pre-opening initial training for the first two attendees. Our training is provided online. The low estimate assumes that you will be trained and will not be required to pay any salary to a trainee during the Initial Training Program. The high estimate includes the salary and other costs and expenses associated with a salaried staff member attending training. If more than two people attend on behalf of your Franchised Business, you will be responsible for the initial training fee for additional employees, which is currently Three Hundred Dollars (\$300) per additional employee per day. You are responsible for the salary and benefit costs of your attendees. You will be responsible for all costs associated with attending the initial training program for you and your staff, such as your trainees' salary and related expenses. The duration of the on-the-job portion of the initial training program is 90 hours over a period of five days. Other than as described above, this estimate does not include the cost of labor.

**Note 11: Grand Opening Marketing Expense** - Marketing expenses vary and will depend on your geographic market and the type of media that you utilize to market the grand opening of your GH Business. Your marketing efforts should be directed to communities located within your operating territory and must be approved by us. Prior to and during the initial three months of operating your GH Business you must commit and spend no less than One Thousand Five Hundred Dollars (\$1,500) per month and Five Thousand Dollars (\$5,000) in aggregate during this limited period. All advertisements, marketing and promotional materials must be approved by us. Following your initial three months of operation you must devote funds to on-going local marketing activities and media.

**Note 12: Professional Fees** - These estimates are for costs associated with the engagement of professionals such as attorneys and accountants to advise you prior to the signing of your franchise agreement and to assist with the start-up of your GH Business. We recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity and this Disclosure Document. It is also advisable to consult these professionals to review any lease and other contracts that you will enter into as part of the development and operation of the Franchised Business.

**Note 13: Business Licenses and Permits** - You must apply for, obtain and maintain all required permits and licenses necessary to operate the Franchised Business. The licenses will vary depending on local, municipal, county and state regulations. All licensing fees are paid directly to the governmental authorities when incurred, and are due prior to opening the Franchised Business.

**Note 14: Printing, Stationary and Office Supplies** - This figure is primarily for printing a start-up order of stationery and business cards bearing the Licensed Marks and a supply of office materials.

**Note 15: Service Vehicle** - You will have to acquire a vehicle that meets our specifications if you do not already have one. This figure assumes that you will lease or finance your vehicle and includes the cost of a down payment and three months of lease or finance charges. These figures may differ materially from the estimates included in these charts depending on whether you buy a new or pre-used System Vehicle, varying finance charges and financing terms, availability of financing and other factors. These figures also include the cost for

vehicle wrapping. The lower figure assumes that you have a vehicle that meets our specifications and only requires wrapping. The higher figure assumes that you will lease a new vehicle.

**Note 16: Spec House** - You may elect to construct a home built using Green Plans and according to our standards and specifications that you may use for demonstrative purposes and/or sell to a customer (a “Spec House”). The low end of the estimate assumes that you will not build a Spec House. The high end of the estimate assumes that you will build a Spec House and includes estimate relating to the cost of materials and labor, as well as the cost of Green Plans, licenses, permits, contractors, professional fees, and other costs and expenses associated with the construction of a Spec House.

**Note 17: Additional Funds** - You will need additional capital to support on-going businesses expenses, including business expenses such as payroll, inventory, marketing, rent and utilities. In making this estimate we have not considered and do not estimate sales revenue that you may or may not generate. It is extremely common for new businesses to generate negative cash flow. This estimate is only to cover ongoing expenses during the initial start-up phase of the Franchised Business comprised of the first three (3) months following the opening of your GH Business. This is only an estimate and we cannot assure you that you will not incur additional expenses during the initial start-up phase or that you will not require additional capital (not included in this estimate) beyond the three (3) month initial start-up phase. There is no assurance that additional working capital will not be necessary during this start-up phase or after. The total estimates are based on the experience of our Master Franchisor and its affiliate in establishing a GH Business in Australia and on the experience of our CEO managing a business in Westchester County, New York.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only offer and sell the services and products that we designate (Approved Services and Products). You may only use those products, supplies, equipment, and services that we authorize and designate in writing. To ensure that our standards and specifications of quality, service and System development are maintained, you must operate your GH Business in strict conformity with the Franchise Agreement and the methods, standards, specifications and sources of supply that we designate and prescribe in the Manuals.

#### **Source Restricted Purchases and Leases - Generally**

We require that you purchase or lease certain source restricted goods and services for the development and operation of your GH Business. Source restricted goods and services are goods and services that must meet our specifications and/or must be purchased from an approved or designated supplier. We may designate a supplier (which may include us, our affiliates, our Master Franchisor or its affiliates) as the exclusive supplier for the System. Our specifications and list of approved and designated suppliers is contained in our Manuals. We will notify you of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, amendments and updates to our Manuals, verbal and other forms of communication. We formulate and modify our standards and specifications for products and services based on our industry experience and our management decisions as to the overall operation and expansion of the System. If we have previously approved a supplier, and their standards fall below our designated standards, we will revoke our approval. We will notify you in writing of us revoking our approval.

#### **Suppliers and Supplier Criteria**

We may designate ourselves and our affiliates as exclusive suppliers of source restricted goods and services. Currently, we, our Master Franchisor and/or its affiliates are the designated suppliers of the Green Plans, the

Green Homes certificate and related services, the Business Management System, and certain inventory items. We may designate ourselves or a third party as the sole and exclusive supplier irrespective of the existence of competing suppliers. If there is no designated supplier for a particular item, you will purchase all products, supplies and services from suppliers who meet our specifications and standards.

If you want to purchase or lease a source restricted item from a supplier that has not been previously approved or designated by us in writing, you must send us a written request for approval and submit additional information that we may request. We may charge you a fee equal to the costs and expenses that we incur in reviewing and/or evaluating an alternate supplier, product, and/or service requested by you. We may request that you send us samples from the supplier for testing and documentation from the supplier for evaluation. We may also require, subject to our discretion, that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within a reasonable time (not to exceed sixty (60) days) after we receive your written request for approval and all additional information and samples that we may request. We may, in our discretion, withhold our approval. We do not make our procedures or criteria for approving suppliers available to our franchisees except that when evaluating the approval of a particular supplier, among other things, we consider: whether the supplier can demonstrate to our reasonable satisfaction the ability to meet our standards, specifications and production requirements, the supplier's quality control, whether or not we are the exclusive supplier of the particular item, whether or not our affiliate or affiliates are the exclusive supplier of the particular item, and whether or not the supplier's approval, in our sole determination, will allow us to advance the overall interests of the System.

Our Master Franchisor is the current sole Supplier of the Technology that you will be required to use in the operation of your Franchised Business. We collect the Technology Fee from you and pass the amount collected to our Master Franchisor. We do not profit from the payment of your Technology Fee.

We may require you to purchase or lease certain products solely from us and/or our affiliates. We are the current sole Supplier of branded materials which you will use in the operation of your Franchised Business. Andrew Mason owns an interest in us. We and our affiliates (i) may include a markup in the price of any items we or they sell or lease to you; (ii) may derive profit from the items we or they sell or lease to you; and (iii) may receive rebates, overrides or other consideration from Suppliers as a result of purchases by our franchisees.

We estimate that your purchase of goods and services from suppliers according to our specifications, including your purchase of goods or services from our designated exclusive suppliers, to represent approximately 50% of your total purchases and leases in establishing the Franchised Business and approximately 80% of the ongoing operating expenses of your Franchised Business. Currently neither us nor our affiliates are approved suppliers of the restricted goods and services described below. Currently, no officer of ours owns an interest in any of our designated suppliers.

We and our affiliates currently do not derive revenue or other material consideration from required purchases or leases made by franchisees; however we may do so. We also do not currently receive rebates, overrides or other consideration from Suppliers as a result of purchases by our franchisees; however we may do so in the future. We currently do not have any franchisees and we and our affiliates did not receive any revenue during the last fiscal year for purchases or leases from franchisees. Currently, no officer of ours owns an interest in any of our designated suppliers. As described below in more detail, we currently require that you purchase or lease the following source restricted goods and services: Furniture and Fixtures, Signage, Computer Equipment; Branded Items and Marketing Materials; and Insurance.

1. System Equipment and Supplies - Your GH Business must maintain an initial and ongoing inventory of System Equipment and Supplies. You must purchase the System Equipment and Supplies from us, our affiliates, or our designated suppliers.

2. Signage - The signage for your GH Business must meet our standards and specifications and must be

purchased from our designated suppliers.

3. Business Management System and Computer Equipment - You are required to utilize the Business Management System that we designate. Presently, the Business Management System is provided by our Master Franchisor and/or its affiliates. You will be required to continuously enter, maintain and update your business and financial information in the Business Management System. At all times the Business Management System must be maintained on a desktop computer and on a portable tablet computer. At our election, the data and information related to your GH Business may be maintained on a cloud based server, servers hosted by us or as otherwise designated by us.

The Business Management System requires your payment of the Business Management System Fee as a monthly access fee. We reserve the right to increase the Business Management System Fee. We reserve the exclusive right to change vendors and to move your data and information to alternative Business Management Software System Providers.

Additionally, if you do not own a computer meeting our standards and specifications you must purchase and maintain a computer system on-site at your Operations Center of your GH Business. In general, you will be required to obtain a computer system that will consist of certain hardware, software, and peripheral devices such as printers. You will be required to meet our requirements involving: (a) back office and point of sale systems; (b) security systems; (c) printers and other peripheral devices; (d) archive and back-up systems; and (e) high-speed internet access mode.

4. Branded Items and Marketing Materials - All materials bearing the Licensed Marks (including, but not limited to, stationary, business cards, brochures, apparel, signs and displays) must meet our standards and specifications and must be purchased from either us directly or our designated suppliers. All of your marketing materials must comply with our standards and specifications and must be approved by us before you use them. You may market your GH Business through approved digital media and social media platforms provided that you do so in accordance with our digital media and social media policies. You must purchase all branded marketing materials from either us or our designated exclusive supplier. We may require that you exclusively use, at your cost, our designated supplier for social and digital media marketing services and exclusively use, at your cost, our social media platforms, vendors and marketing channels.

5. Insurance - You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify. All insurance policies required under your Franchise Agreement and as set forth in the Franchise Agreement must be written by a responsible carrier, reasonably acceptable to us and all insurance (excluding workers' compensation) must name us, our officers, directors, shareholders, partners, agents, representatives and independent contractors as additional insureds. The insurance policies must include a provision that the insurance carrier must provide us with no less than thirty (30) days' prior written in the event of a material alteration to, or cancellation of, any insurance policy. A certificate of insurance must be furnished by you to use at the earlier of ninety (90) days after the Effective Date of the Franchise Agreement or prior to the commencement of our initial training program.

Insurance coverage must be at least as comprehensive as the minimum requirements set forth in the chart below and in the Franchise Agreement (Article 8 of the Franchise Agreement). You must consult your carrier representative to determine the level of coverage necessary for the Franchised Business. Higher exposures may require higher limits.

### Insurance Requirements

- a) Coverage against direct physical loss or damage to real and personal property, including improvements and betterments, for all-risk perils, including flood and earthquake, if the relevant property is situated in a flood or earthquake zone, equal to at least 90% of your GH Business's full insurable value;
- b) Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least \$1,000,000 per occurrence, \$2,000,000 in aggregate;
- c) Statutory workers' compensation insurance and employers' liability insurance as required by the law of the state in which your GH Business is located, including statutory workers' compensation limits and employers' liability limits of at least \$1,000,000;
- d) Business automobile insurance (including liability insurance coverage for non-owned automobiles) with a combined single bodily injury and property damage limit of at least \$1,000,000 per occurrence;
- e) Business interruption insurance of at least \$200,000;
- f) Commercial umbrella liability insurance with total liability limit of at least \$1,000,000;
- g) Products liability insurance with a limit of at least \$1,000,000, which policy must be considered primary;
- h) Employer practices liability insurance with a limit of at least \$2,000,000; and
- i) All other insurance that we require in the Manual or that is required by law or by the lease or sublease for your GH Business.

### Purchase Agreements and Cooperatives

We may, in our discretion, negotiate purchase agreements, including price terms, with designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the GH Businesses under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from and we may designate one vendor as your sole supplier. Presently there are no purchase or supply agreements in effect for source restricted products or services and there are no purchasing or distribution cooperatives that you must join. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

### Our Right to Receive Compensation and Our Revenue from Source Restricted Purchases

We and/or our affiliates may receive rebates, payments and other material benefits from suppliers based on franchisee purchases and we reserve the right to institute and expand rebate programs in the future. During our fiscal year ending December 31, 2021, we did not receive revenue or other consideration from required purchases and leases by franchisees.

**Master Franchisor’s Right to Receive Compensation and Revenue from Source Restricted Purchases**

Master Franchisor may receive rebates, payments and other material benefits from suppliers based on franchisee purchases. During fiscal year 2021, Master Franchisor did not receive revenue or other consideration from required purchases and leases from franchisees.

**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Article(s) in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Articles 1 and 2.A	Items 7 and 11
b. Pre-opening purchases and leases	Articles 1, 3 and 8	Items 7 and 8
c. Site development and other pre-opening requirements	Articles 1, 3, 4, 7.F, 7.G, 7.I, 7.J, 8 and 9.B	Items 6, 7 and 11
d. Initial and ongoing training	Articles 1, 4 and 7.J	Item 11
e. Opening	Articles 1 2, 3, 4 and 9.B	Item 11
f. Fees	Articles 1, 3, 4.A, 5, 9, 12, 13, 14, 15, 16 and 18.N.	Items 5, 6 and 7
g. Compliance with standards and policies/manual	FA: Articles 1, 3, 4, 7 8, 9 and 12	Items 8 and 11
h. Trademarks and proprietary information	Articles 1, 6, 7 and 11	Items 13 and 14
i. Restrictions on products and services offered	Articles 1, 3, 4.C, 7.F, 7.G. 7.H, 7.I, 7.J and 8	Items 8, 11 and 16
j. Warranty and customer service requirements	Articles 1 and 7	Item 16
k. Territorial development and sales quotas	Articles 1 and 2	Item 12
l. Ongoing product and service purchases	Articles 1, 3, 4.C, 5 and 7	Item 8

m. Maintenance, appearance and remodeling requirements	Articles 1 and 7	Items 7 and 17
n. Insurance	Articles 1 and 8	Items 7 and 8
o. Advertising	Articles 1, 3.F, 4.C, 7.I, 9 and 11	Items 6 and 11
p. Indemnification	Articles 1 and 10	Item 6
q. Owner's participation, management, staffing	Articles 1, 4, 6, and 7	Items 11 and 15
r. Records and reports	Articles 1, 5 and 12	Item 6
s. Inspections and Audits	Articles 1 and 13	Items 6 and 11
t. Transfer	Articles 1 and 14	Item 17
u. Renewal	Articles 1 and 15	Item 17
v. Post-termination obligations	Articles 1, 6, 17 and 18	Item 17
w. Non-Competition Covenants	Articles 1, 6 and 17 and 18	Item 17
x. Dispute Resolution	Articles 1, 18.F and 18.G	Item 17
y. Other: Individual guarantee of franchisee obligations	Articles 1, 2.C, 6, 14.C and 14.E	Item 9

### **ITEM 10**

### **FINANCING**

We do not offer direct or indirect financing. We do not guarantee any note, lease or other obligation on your behalf.

### **ITEM 11**

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

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

## **Pre-Opening Obligations**

1. **Grant of Franchise** - We will grant to you the right to operate the Franchised Business within a designated operating territory. (Franchise Agreement, Article 2);
2. **Manuals** - We will loan you a copy of our confidential and proprietary Manuals. You must operate the Franchised Business in accordance with the Manuals and all applicable laws, rules and regulations. At all times, we reserve the right to supplement, modify and update the Manuals. (Franchise Agreement, Articles 1 and 4.C). The operations manual as of the Issuance Date of this Disclosure Document consists of 120 pages and the table of contents to the operations manual is attached as Exhibit B to this Disclosure Document (Franchise Agreement, Article 4). The major subjects contained in the operations manual include establishing, developing, marketing and operating the Franchised Business;
3. **Site Review, Approval and Operating Territory** - At the time of signing your Franchise Agreement you will have selected and we will have approved of the Operating Territory within which you will operate the Franchised Business. Your Operations Center must be located within your Operating Territory. Although there is no specified time limit for us to review the proposed site of your Operations Center, we will do so within a reasonably expedient time period if same is not selected prior to the execution of your Franchise Agreement.
4. **Approved Suppliers and Distributors** - We will provide you with a list of our approved suppliers and distributors (to the extent that we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Articles 3 and 4);
5. **Signs, Equipment, Furniture, and Fixtures** - We will provide you with a list of our approved signage, equipment, furniture and fixtures (to the extent that we have designated them), either as part of the Manuals or otherwise in writing and we will review and approve, in our discretion, your proposed signage, equipment, furniture and fixtures. We do not provide assistance in delivering or installing signs, equipment, furniture, or fixtures. (Franchise Agreement, Articles 3 and 4);
6. **Website and Digital Media** - We will identify and locate your GH Business on our website. You may not utilize any websites, web based media or digital media unless expressly approved by us in writing. We strictly control how you may or may not use websites and digital media and you must assign all website media and digital media accounts to us. (Franchise Agreement, Articles 3.F and 9); and
7. **Initial Training** - Not less than forty-five (45) days prior to the opening of your GH Business you or your Managing Owner and one management level employee or Owner must attend and complete our initial training program. We will provide you (and up to one of your designated managers) with training in accordance with our initial training program. (Franchise Agreement, Article 4). Our current training program is to be attended by you, or if you are a Corporate Entity, your managing owner and one operating manager both remotely via webinars and at our training facility located in Hawthorne, New York. The training program takes place over a five (5) day period and is described below in this Item 11 in more detail.

## **Site Selection**

Although you are responsible for selecting a site for your Operations Center you must obtain our approval of the location of your Operations Center. Generally, we do not own or lease the real property that will serve as your Operations Center and you are responsible for all costs and expenses in locating and evaluating proposed sites for your Operations Center. Before you enter into a lease or other agreement for your Operations Center you must obtain our approval. We will provide you with site selection guidelines. Your Operations Center must be located within your Operating Territory at a site that we approve.

Although there is no specified time limit for us to review the proposed site for your Operations Center, we will do so within a reasonable time period, not exceeding thirty (30) days of our receipt of your written request for our review of a proposed site and your submission to us of the information and documentation that we may request concerning the proposed site. In determining whether to approve or disapprove a proposed site for your Operations Center, factors that we take into consideration include: (a) characteristics of the proposed site; and (b) the location of your proposed site relative to your overall Operating Territory and proximity to other.

Within one hundred twenty (120) days of signing your Franchise Agreement, you must secure an Operations Center and lease that we approve (Franchise Agreement, Article 3.A). If you do not meet this requirement for any reason, including our disapproval of a proposed business location, we may terminate your Franchise Agreement without refunding any fees to you. It is your obligation to consult with government agencies, architects and legal professionals to evaluate and determine that your Operations Center permits the establishment and operation of the Franchised Business and that you possess the necessary licenses and authority to operate a business that offers and provides the Approved Services and Products. (Franchise Agreement, Articles 2, 3, 7 and 16).

### **Time to Open**

You may not open the Franchised Business until you have completed our initial training requirements, obtained the necessary licensing and authorization from state and regulatory agencies within your Operating Territory, obtained and provided us with written proof of the required insurance, and have timely secured an Operations Center that we approved.

We estimate that the length of time between signing your Franchise Agreement and opening your GH Business to be approximately three (3) months to nine (9) months. Factors that may affect this estimated time period include: (a) evaluating and selecting a suitable site for your Operations Center that is approved by us; (b) length of time undertaken by you to complete our initial training program to our satisfaction;(c) negotiating and obtaining a suitable lease for your Operations Center that is approved by us; (d) obtain third-party lender financing, if necessary; and (e) obtaining the necessary licenses for the operation of your GH Business. Other factors that may affect this time period include the lease of your wrapped service vehicle. You must open your GH Business within nine (9) months from the effective date of your Franchise Agreement, otherwise we may terminate your Franchise Agreement without refunding any fees to you. (Franchise Agreement, Articles 3.C).

### **Post-Opening Obligations**

1. Supplemental Training - We may require that you and your Operating Manager participate in supplemental on-site training that we may designate and require in our discretion. We may provide, in our discretion, supplemental training on-site at your Operations Center. You will be required to pay our then current supplemental training fee, which is currently Three Hundred Dollars (\$300), per on-site trainer, per day, plus travel expenses, meals and accommodation expenses incurred by us. We may also require you to participate in an annual online training program (“Annual Online Training”), for which we may charge our then-current fee, which is currently One Hundred Fifty Dollars (\$150) per Annual Online Training (the “Annual Online Training Fee”). (Franchise Agreement, Article 4.A.);

2. Initial Training for Replacement Operating Manager(s) - Your Operating Manager must complete, to our satisfaction, our initial training program. We will offer and make available to your replacement Operating Manager our initial training program which must be completed to our satisfaction. The initial training program will be provided by us at the facilities that we designate that, presently, is our headquarters in Hawthorne, New York or the location of our affiliate’s GH Business in Briarcliff Manor, New York. You will be required to pay

our then current supplemental training fee for replacement Operating Manager, which is currently Three Hundred Dollars (\$300) , per manager, per day for each replacement manager attending our initial training. You will also be responsible for all costs incurred by your managers in attending our initial training (Franchise Agreement, Article 4.A. and 4.C.);

3. Communication of Operating Standards - We may establish, update and provide you with consultations and communications as to the standards, procedures and System requirements as to the operation of your GH Business including, but not limited to, Approved Services and Products, System Equipment and Supplies, marketing and promotion standards, and as we may, in our discretion, designate, modify, supplement and amend from time to time and, as set forth in the Manuals which we may, in our discretion, modify from time to time. (Franchise Agreement, Articles 4.B. and 4.C.);

4. Marketing Standards and Approval - We may establish, update and communicate to you our standards for the marketing and promotion of the Franchised Business including, but not limited to, those marketing materials and mediums that you may utilize. We will respond to your request respecting the communication of our approval or disapproval of marketing materials and mediums that may be requested by you for use in the marketing and promotion of the Franchised Business. We maintain full discretion as to the marketing standards and the marketing materials and media that you may use in the marketing and promotion of the Franchised Business (Franchise Agreement, Article 4.B.);

5. Approved Vendors - We will provide the names and addresses of approved vendors and suppliers for the Approved Services and Products and the System Equipment and Supplies. (Franchise Agreement, Articles 4.B. and 4.C.);

6. Annual System Conference - We may, in our discretion, coordinate an annual conference to be attended by franchisees of the System that are in good standing. We may charge an annual conference fee not exceeding Seven Hundred and Fifty Dollars (\$750). You will be responsible for all travel and accommodation expenses associated with your attendance at the conference. (Franchise Agreement, Article 4.B.);

7. Administration of Marketing Funds - We may administer and manage System-wide marketing funds comprised of a Brand Development Fund. (Franchise Agreement, Articles 9.A. and 9.G.);

8. Hiring and Training of Employees - We do not provide assistance with the hiring and training of your employees. You will be directly responsible for the management and supervision of your employees. For the protection of the System you must ensure that all employees wear and maintain the proper uniforms with our approved System branded apparel and uniforms including, but not limited to the apparel and uniforms containing the Licensed Marks. You must monitor and ensure that all System Equipment and Supplies and Approved Services and Products are prepared, maintained, and served in accordance with the System standards and Manuals; and

9. Pricing - You will exclusively determine the prices that you charge for the Approved Services and Products served and sold by your GH Business. However, we may suggest pricing levels that we recommend.

## **Advertising**

1. Generally - All advertising, marketing, marketing materials and all marketing mediums used by you in the marketing and promotion of your GH Business must be pre-approved by us in writing and conform to our standards and specifications. You may only utilize those advertising and marketing materials and mediums that we designate and approve in writing. In our discretion, we may make available to you approved marketing templates comprised of pre-approved ads, ad copy and digital media that you may utilize at your own expense.

If you wish to utilize marketing materials and/or marketing mediums that are not currently approved by us in writing, you may submit a written request requesting permission and we will approve or disapprove of your request within fifteen (15) days of your submission of the written request and sample marketing materials. We are not required to conduct any advertising or spend any amount on your behalf on advertising in your operating territory. (Franchise Agreement, Article 9);

2. Local Marketing - You are not authorized to engage in any marketing unless we pre-approve such marketing. (Franchise Agreement, Article 9.B). You are required to engage in local marketing and you are required to commit and spend an amount equal to no less than one percent (1%) of your monthly Gross Sales on your local marketing efforts. We will review your local marketing programs and notify you if we approve same. We will make available to you and provide you with access to our approved brochures, displays, presentations and marketing campaigns (in the form of a source document) that you may utilize. In those instances where we provide you with access to our marketing campaigns we provide you with the source designs and design specifications. However, you will incur the direct costs associated with duplicating and utilizing such marketing campaigns and in having such campaigns printed, distributed and/or placed with media sources. (Franchise Agreement, Article 9);

3. Digital Media and Website - All digital media and marketing must be approved by us. We will designate for your Operating Territory information about your GH Business on our website, webpage or such other websites as we may designate for the System. (Franchise Agreement, Article 9);

4. Brand Development Fund - We may control and administer a brand development fund (the "Brand Development Fund") (Franchise Agreement, Article 9.A). As disclosed in Item 6 of this Disclosure Document, you must contribute a monthly sum not to exceed two percent (2%) of monthly Gross Sales to the Brand Development Fund. Currently, the Brand Development Fund Fee is equal to one percent (1%) of monthly Gross Sales. We may use the Brand Development Fund for advertising and public relations studies or services, creative production and printing of advertising and marketing materials, advertising copy and commercials, tracking costs, agency fees, administrative costs, which may include costs associated with advertising and public relations, and any other costs associated with the development, marketing and testing of advertising, marketing and public relations materials, and the purchase of media placement, advertising time and public relations materials in national, regional or other advertising and public relations media in a manner determined by us, in our discretion, to be in the best interest of the franchisees and the System. Our company and/or affiliate owned GH Businesses may but are not required to contribute to the Brand Development Fund. The Brand Development Fund will be required to maintain unaudited financial records detailing its expenditures and will make available to you (no more frequently than one time in any twelve- month period) an unaudited accounting of how the monies contributed to the Brand Development Fund were spent each year. We are not required to segregate the Brand Development Fund from our general operating funds and we are not a fiduciary or trustee of the Brand Development Fund. The Brand Development Fund will not be used to directly promote your GH Business or the marketing area in which your GH Business will be located. (Franchise Agreement, Article 9.A). We may utilize the Brand Development Fund to develop and test various media and technologies for potential utilization and/or improvement of the operations of GH Businesses and the marketing of GH Businesses. These technology developments and/or improvements may relate, among other things, to our website and to the interaction and potential enhancement of web offerings that may or may not be implemented on behalf of GH Businesses. You may or may not benefit from these technology developments and improvements. (Franchise Agreement, Article 9.A);

We may use the Brand Development Fund to compensate ourselves for administrative fees associated with managing the Brand Development Fund and for our internal employee salaries, expenses and overhead associated with or reasonably allocated to managing the activities of the Brand Development Fund and performing services on behalf of the Brand Development Fund including, but not limited to, directing,

developing and managing media of the Brand Development Fund. We will not directly utilize the Brand Development Fund to directly market the sale of GH Businesses, however the advertising, marketing and brand development materials developed (including the System website) may contain basic information as to the availability of GH Business franchises for sale and contact information for franchise inquiries. Any Brand Development Funds unspent from the prior year will be contributed to the next year's Brand Development Fund. As of December 31, 2021, we have not collected any Brand Development Fund Fees however we intend to do so in the future. We therefore do not have any breakdown of how those funds were expended in our past fiscal year ending December 31, 2021

5. Advertising Council - We have not established an advertising council but reserve the right to do so in the future. (Franchise Agreement, Article 9.A).

### **Computer System**

You must utilize the computer systems, point of sale systems and business management systems that we specify and designate. Currently, you are required to purchase and use a new notebook computer that maintains internet access. Currently we require you to use our Green Cloud System as your Business Management System. Other than the Business Management System, we have not designated, and do not currently require that you use a point of sale system or customer relationship management system but we may require that you do so in the future. The cost of the computer system that you will be required to purchase varies depending on the vendor and manufacturer and is estimated to cost between being Two Thousand Dollars (\$2,000) to Four Thousand Dollars (\$4,000). You are obligated to install the software upgrades and patches as provided by the manufacturer of the computer and point of sale system. You are responsible for hardware repairs or replacement of systems that are no longer covered under warranty. Your estimated costs for the maintenance, repair and updates for the computer and access to the Business Management System is Three Thousand Five Hundred Dollars (\$3,500) per year. There are no contractual limitations on the frequency or cost of this obligation. We will not have independent access to the information and data that is electronically collected and stored on your computer system but if we implement a point of sale system or customer relationship management system we will have and maintain direct independent access to the information that you store in such systems.

### **Initial Training**

If this is your first GH Business, we will provide initial training for you (or if you are a corporate entity, your managing owner) plus one designated manager. Either you or your managing owner plus your designated manager must successfully complete the initial training program to our satisfaction no later than forty-five (45) days prior to the opening of your GH Business. The initial training program takes place over an approximate five (5) day period. If more than two individuals attend initial training you will be charged an additional fee per additional persons attending initial training. Although we provide you (or your managing owner if you are a corporate entity) plus your designated manager with initial training at no additional fee or charge, you will be responsible for all travel, lodging, food, automobile rental expenses and employee wages that you incur in connection with your attendance and participation in our initial training program and the attendance and participation of your designated managers in our initial training program. (Franchise Agreement, Article 4). We also detail additional on-going online training in the table below which will take place over 50 hours throughout the first year that you are operating your Franchised Business. The initial training program is provided online. Currently, we provide our initial training program no less frequently than quarterly and on an as-needed basis.

### **TRAINING PROGRAM:**

The following chart summarizes the subjects covered in our initial training program:

Subject	Classroom Training (Hours)	On the Job Training (Hours)	Location
Online Study: Complete 10 modules, consisting of pre-recorded video content, written material and an assessment task quiz	25	0	Online At commencement of Franchise agreement
Group Sessions: Review Phase 1 modules, clarify questions and provide examples	6-8	0	Webinar Within 4 weeks of commencement
Project Work: Provide a set of plans, explanatory notes, and details regarding how the principles of green building have been applied to your project		40	Online Within 8 weeks of completing Phase 1 & 2.
Operations Training: Setup of IT infrastructure and systems, Marketing and Social Media Guidelines, Sales Training and Review of the GH Builders Operations Manual	20	0	Online/Webinars/Video Conferences Within 8 weeks of completing Phase 1, 2 & 3
On-going Professional Development and Training: Reading Industry Journals and Articles, Participating in Seminars, Workshops, Conferences etc.	0	50	Online. Within the first year of operation.
Subtotal Hours	51-53	90	
Total Hours	141-143		

We may amend, modify, supplement, vary and/or delete any portion of the contents of the initial training program.

Instructional materials that will be used in the initial training process includes our Manuals, live instruction and handouts. All training will be conducted under the direction and supervision of our President, Andrew Mason and will utilize instructional materials comprised of live instruction, handouts and the Manuals. Andrew Mason is our President and has been since our formation in 2018. Mr. Mason has more than 12 years' experience in the subject matters being taught. In addition to initial training you will also be required to participate in and satisfy all other training programs that we designate respecting the GH Business. (Franchise Agreement, Articles 4 and 7.J).

After the opening of your GH Business we reserve the right to require that you (or your managing owner if you are a corporate entity) complete an Annual Online Training that we may establish in our discretion. If

we establish a System-Wide Training Program, the program may be offered through online training materials and a webinar and you will be responsible for all employee wages that you incur in connection with your employees' attendance. We will not require you to complete the System-Wide Training Program for more than a total of five (5) days in any calendar year.

## ITEM 12 TERRITORY

### **Designated Operating 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. However, during the term of the Franchise Agreement, provided that you are not in default of your obligations to us or our affiliates and, except as to the Reserved Rights identified below, neither us nor our affiliates will establish or operate, or franchise any third-party to establish or operate, a GH Business using the Licensed Marks and System within your designated operating territory (your "Operating Territory"). You may only operate the Franchised Business within your designated Operating Territory.

The scope and size of your Operating Territory will vary depending on local factors and whether or not, at the time of signing your Franchise Agreement, your designated Operating Territory qualifies as a Standard Operating Territory, a Standard Operating Territory that has been supplemented with the purchase of a Partial Operating Territory. A Standard Operating Territory consists of a geographic area that generally that includes approximately 150,000 households. Subject to availability, our approval and your payment of additional Initial Franchise Fees for a Partial Operating Territory, a Partial Operating Territory may be added to your Standard Operating Territory at the time of signing your Franchise Agreement. A Partial Operating Territory will generally consist of a geographic area that contains 37,500 households. The number of households within your designated Operating Territory will be measured based on U.S. Census Bureau data or other publicly available data that we believe to be more reliable. The number of households will be determined in the aggregate and will be calculated based on raw data and without regard to demographics or age. In our discretion, we will define and determine what constitutes an owner-occupied dwelling.

We will not alter the size of your Operating Territory without your written consent. We will not decrease the size of your Operating Territory if the population within your Operating Territory increases. We will not increase the size of your Operating Territory if the population within your Operating Territory decreases. The continuation of your Operating Territory is not dependent on the achievement of a certain sales volume, market penetration or other contingency other than your continued compliance with and satisfaction of the terms and conditions of your Franchise Agreement. The Franchise Agreement does not grant you options, rights of first refusal or similar rights for your acquisition of additional franchises within your Operating Territory or any contiguous areas.

### **Territory Rules**

You must operate your GH Business and provide the Approved Services and Products of your GH Business exclusively within your Operating Territory. The marketing of your GH Business must be targeted to your Operating Territory and you are not permitted to directly solicit customers outside of your Operating Territory. Provided that you do not engage in any Direct Solicitation of customers outside of your Operating Territory or within the Operating Territory of another GH Business, you may provide, subject to our written approval, Approved Services and Products within an Open Area, subject to the following definitions, rules and unlimited circumstances:

(a) You cannot engage in any Direct Solicitations outside of your Operating Territory. The term "Direct

Solicitation” refers to and means “communications and/or contacts occurring through in person contact, telephone, mail, e-mail, direct mail, distributed print media, digital media and/or other forms of marketing directed toward customers, potential customers or referral sources of a GH Business.;

(b) You cannot provide Approved Services and Products in the designated territory or Operating Territory of another GH Business (an “Assigned Area”);

(c) An “Open Area” is a geographic area that (i) is not an Assigned Area; and (ii) is located within a ten (10) mile radius of your Operating Territory.

(d) You must obtain our written approval, in each instance, before providing Approved Services and Products to a customer in an Open Area; and

(e) Once an Open Area becomes an Assigned Area you will no longer be authorized to provide Approved Services and Products to any customers within the Open Area and you must turn over to us, for the benefit of another GH Business franchisee, all information and records related customers in the Open Area.

### **Reserved Rights**

We and our affiliates reserve to ourselves the exclusive right on any and all terms and conditions that we deem advisable and, without any compensation or consideration to you (Franchise Agreement, Article 2.D), to engage in the following activities (our “Reserved Rights”):

(a) operate and grant to others the right to develop and operate GH Businesses using the System and Licensed Marks at locations outside your Operating Territory as we deem appropriate and irrespective of the proximity to your Operating Territory;

(b) acquire, merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as, or similar to, the Franchised Business, and after such acquisition, merger or affiliation to own and operate, franchise, and/or license others to own and operate and to continue to own and operate such businesses of any kind, even if such businesses offer and sell products and services that are the same as or similar to a the Franchised Business (but not utilizing the Licensed Marks) within your Operating Territory;

(c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as or similar to the Franchised Business, even if such business or businesses presently or, in the future, own and operate, franchise and/or license others to own and operate businesses that offer and sell products and services that are the same as or similar to the Franchised Business (but not utilizing the Licensed Marks) within your Operating Territory;

(d) use the Licensed Marks and System to distribute the approved products and services offered and sold by the Franchised Business or products and services similar to the approved products and services offered and sold by the Franchised Business in alternative channels of distribution within or outside your Operating Territory; and

(e) use the Licensed Marks and System and to license others to use the Licensed Marks and System, to engage

in all other activities not expressly prohibited by the Franchise Agreement.

**Additional Disclosures**

We do not grant to you any right to share in the proceeds received by us, our affiliates or any third-party from the activities outlined in the preceding paragraph as to our Reserved Rights including, soliciting or conducting business under our Reserved Rights within your Operating Territory. We will not unreasonably withhold our approval of your request to relocate your Operations Center provided that it is relocated within your Operating Territory and otherwise meets our System standards.


Neither we nor the Master Franchisor has plans to operate or franchise a business under trademarks different from the Licensed Marks that sells or will sell goods or services similar to those that will be offered by you through the Franchised Business.


**ITEM 13  
TRADEMARKS**

You will be granted a license to use the “GH” trademark and those other marks that we designate. We reserve the right to supplement and modify the marks that you may or may not use in connection with the operations of your GH Business. Master Franchisor’s affiliate owns the Licensed Marks described below. The owner of the Licensed Marks licensed Master Franchisor’s other affiliate, Green Homes USA IP, LLC, the right to use the Licensed Marks and license them to Master Franchisor. Pursuant to a license agreement with Green Homes USA IP, LLC (“License Agreement”), Master Franchisor received a twenty-year license with an automatic twenty-year renewal term to authorize us and its other franchisees to use the Licensed Marks. Although the Master Franchisor’s License Agreement may be terminated in the event of its default, if the Master Franchisor’s License Agreement is terminated, we will continue to maintain the right to use the Licensed Marks and permit our franchisees to use the Licensed Marks. We received the right to use the Licensed Marks and to sublicense them to you pursuant to our Master Franchise Agreement which has an initial ten (10) year term and one ten (10) year renewal term. If our right to use the Licensed Marks is terminated or if our Master Franchise Agreement expires without renewal, we will assign our rights to Master Franchisor and it will honor your rights to use the Licensed Marks under the terms and conditions of your Franchise Agreement. There are no other agreements currently in effect which significantly limit our right to use or license the use of the Licensed Marks in any manner material to your Franchise.

You may only use the Licensed Marks in the manner authorized by us in writing and pursuant to the terms of the Franchise Agreement. You may not use the Licensed Marks in the name of your corporation or other corporate entity that you may establish in connection with the operations of your GH Business.

The following trademarks (the “Licensed Marks”) are a part of our System and will be utilized by you in connection with the operation of your GH Business, unless otherwise designated by us:

Mark	Registration Number	Registration Date
	5635307	December 25, 2018

GH Builders	5898180	October 29, 2019
	6206262	November 24, 2020

All required affidavits for the Licensed Marks have been filed and the owner of the Licensed Marks intends to file renewal applications for the Licensed Marks. There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark and Appeal Board, the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceedings; and no pending litigation involving the Licensed Marks.

We know of no superior rights or infringing uses that could materially affect your use of the Licensed Marks or other related rights in any state.

You are required to provide us with written notice as to any claims that you may become aware of respecting the Licensed Marks including, but not limited to, your use of the Licensed Marks and/or a claim associated with a third-party's use of a trademark that is identical or confusingly similar to the Licensed Marks that we have licensed to you. We and the Master Franchisor maintain the exclusive discretion to take any and all actions or, to refrain from any action that we believe to be appropriate in response to any trademark infringement, challenge or claim. We and the Master Franchisor possess the sole right to exclusively control any and all litigation, legal proceedings, administrative proceedings and/or settlements respecting any actual or alleged infringement, challenge or claim relating to the Licensed Marks. You must sign all documents, instruments and agreements and undertake the actions that we, with the advice of our legal counsel, determine to be necessary or advisable respecting the protection and/or maintenance of our interests in the Licensed Marks in any legal proceeding, administrative proceeding or as may be otherwise determined by us. As to the foregoing, we will reimburse you for the reasonable out-of-pocket administrative expenses that you incur and pay in complying with our written instructions.

We will protect your right to use the Licensed Marks and other related rights and to protect you against claims of infringement and unfair competition related to the Licensed Marks, provided that your use of the Licensed Marks is in accordance with the Franchise Agreement, the Manuals, and is consistent with our instructions and the license granted to you. We will indemnify you against direct damages for trademark infringement in a proceeding arising out of your use of the Licensed Marks, provided your use of the Licensed Marks comply with the terms of your Franchise Agreement, the Manuals, our written instructions to you and, you have timely notified us of the claim, have given us sole control of the defense and settlement of the claim, and you are in compliance with your Franchise Agreement and, if applicable, Development Agreement. If we defend the claim, we have no obligation to indemnify or reimburse you with respect to any fees or disbursements of any attorney that you retain.

If any third-party establishes, to our satisfaction and in our discretion that its rights to the Licensed Marks are, for any legal reason, superior to any of our rights or of a nature that we believe, in our discretion, that it is advisable to discontinue and/or modify the Licensed Marks, then we will modify and/or replace the Licensed Marks and you must use the substitutions, replacements and/or variations of and/or to the Licensed Marks and use

the those trademarks, service marks, logos and trade names required designated by us. In such event, our sole liability and obligation will be to reimburse you for the direct out-of-pocket costs of complying with this obligation, which you must document to our satisfaction, including, by way of example, alterations in signage and replacement of marketing materials.

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

We do not own any patents. We may copyright or have copyrighted advertising materials and design specifications, our Manuals and other written materials and items. We have not applied to the United States Copyright Office to register these copyrights. We have not applied to the United States Patent and Trademark Office for the issuance of any patents.

You must keep as confidential the Manuals, supplements to the Manuals and any other manuals or written materials (including those materials made available to you in electronic format or as part of an online or cloud based network that is a part of the System or designated by the System) used in connection with the Franchised Business. The Manuals contain information about the System, Approved Services and Products, System Equipment and Supplies, proprietary products, marketing systems, and, among other things, confidential methods of operation. The Master Franchisor and we consider the information a trade secret and extremely confidential. You must use all reasonable means to keep this information confidential and prevent any unauthorized copy, duplication, record, reproduction or access to this information. You must also require your employees to sign confidentiality agreements that will require them to keep confidential, both during and after their employment, all information designated by us as confidential. You must immediately inform us if you learn of any unauthorized use, infringement or challenge to the copyrighted materials, and/or proprietary or confidential information, including, but not limited to, our Manuals. We will take any and all actions (or refrain from same) that we determine, in our discretion, to be appropriate. We may control any action we choose to bring. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third-party establishes to our satisfaction, in our discretion, that its right to these materials are superior, then you must modify or discontinue your use of these materials in accordance with our written instructions.

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

You, or if you are a Corporate Entity, your managing shareholder, member and/or partner, will be personally responsible for the management and overall supervision of your GH Business (the “Managing Owner”). Your Managing Owner must complete, to our satisfaction, our initial training program and must be approved by us. While we recommend that your Managing Owner personally participate in the day-to-day management and on-site supervision and operations of your GH Business, you may hire an operating manager to supervise and manage the day-to-day on-site operations of your GH Business provided that your operating manager: (a) meets all of our minimum standards and criteria for managers; (b) completes, to our satisfaction, our initial training program; and (c) signs our confidentiality agreements (an “Operating Manager”). We do not require that your Operating Manager own any equity interest in the franchise. (Franchise Agreement, Article 7.J). At all times, your GH Business must be managed and supervised on-site by either a Managing Owner or Operating Manager. If you own and operate multiple GH Businesses then each GH Business must be managed and supervised on-site by an Operating Manager.

You and, if you are Corporate Entity, each of your members, shareholders and/or partners (collectively, “Owners”), must personally guarantee all of your obligations to us under the Franchise Agreement. Each Owner and Owner’s spouse must personally guarantee your obligations to us under the Franchise Agreement (Franchise Agreement, Article 6 and, Franchise Agreement Exhibits 1 and 2). You and each Owner and spouse must also promise in writing that, among other things, during the term of the Franchise Agreement you will not participate in any business that in any way competes with the Franchised Business, and that for twenty-four (24) months after the expiration of termination of the Franchise Agreement (with said period being tolled during any periods of non-compliance), you will not participate in any competitive business located within and/or servicing customers located within your Operating Territory and a twenty- five (25) mile radius surrounding your Operating Territory. Further you will not participate in any competitive business located within and/or servicing customers located within a twenty-five (25) mile radius of any other GH Business and/or the operating territory of any other Franchised Business. Your managers and all other employees and agents with access to our confidential information will be required to sign a confidentiality agreement (Franchise Agreement, Article 6 and, Franchise Agreement, Exhibit 4).

**ITEM 16  
RESTRICTIONS ON PRODUCTS AND SERVICES SOLD**

You may only sell the Approved Services and Products as specified in the Manuals or otherwise approved by us in writing and you may only sell the products and services required by us. We can change the products and services that you must offer. There is no limitation on our right to change the products and services offered sold by GH Businesses. You are not limited to whom you may sell products and services of your GH Business, provided you do so exclusively within your Operating Territory and as otherwise required by us and in compliance with the standards we determine for the System.

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

**THE FRANCHISE RELATIONSHIP**

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

Provision	Sections in Franchise Agreement	Summary
a. Length of the franchise term	Articles 1 and 2.B	The term is ten (10) years.
b. Renewal or extension of the term	Articles 1 and 15	If you meet our conditions for renewal you may renew your franchise for one additional ten (10) year term.

c. Requirements for franchisee to renew or extend	Articles 1 and 15	You must: not be in default of the Franchise Agreement; have complied with all material terms and conditions of your current Franchise Agreement; your
		owners and the spouses of your owners must be in compliance with and not have violated their agreements with us; give us one hundred and eighty (180) days prior written notice of your request to renew the Franchise Agreement; sign our then current form of franchise agreement and related agreements; sign a general release; pay a renewal fee; pay all monetary obligations owed to us; remodel and upgrade the facility for your Operations Center. Upon renewal, the then current form of franchise agreement that you will be required to sign may contain terms and conditions materially different from those in your previous franchise agreement.
d. Termination by franchisee	Articles 1 and 16.B	You may terminate the Franchise Agreement only if you are in compliance with the Franchise Agreement and we fail to cure a material breach of the Franchise Agreement within thirty (30) days or, if the breach cannot be cured within thirty (30) days, then within such period of time that is reasonable to cure the breach.
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with “cause”	Articles 1 and 16.A	We can terminate if you are in default of the terms of the Franchise Agreement.

g	“Cause” defined-curable defaults	Articles 1 and 16.A(3)  You will have thirty (30) days to cure a default where you: fail to timely lease a location that we approve for your GH Business; fail to timely develop your GH Business; fail to timely open your GH Business; your development and/or operation of your GH Business violates federal, state or local laws, unless such violation poses a threat to public health or safety; fail to maintain insurance coverage that we require; fail to comply with our standards, systems or specifications as we may designate or as otherwise designated in the Manuals; refuse or fail to pay a supplier or vendor without legal justification; fail to operate your GH Business in conformity with our System or otherwise violate the Franchise Agreement, except as to events of default that are not curable.  You have ten (10) days to cure a failure to pay fees due to us or an affiliate of ours.
h.	“Cause” defined-noncurable defaults	Articles 1.6.A(1) and 16.A(2)  The following defaults cannot be cured where: you are deemed insolvent; you make an assignment for the benefit of creditors; admit in writing your inability to pay debts; you are adjudicated bankrupt or insolvent; you file a voluntary bankruptcy petition; a voluntary bankruptcy petition is filed against you and you fail to file a motion to vacate or dismiss the petition within sixty (60) days of its filing; you seek or acquiesce to the appointment of a trustee or

	<p>receiver; a court orders the appointment of a trustee or receiver over the Franchised Business; execution is levied against the Franchised Business; a final judgment is entered against the Franchise Business and is not satisfied within thirty (30) days; you are dissolved; a lawsuit or action is commenced against the Franchised Business to foreclose on a lien on equipment of the Franchise Business and such action is not dismissed after sixty (60) days; real or personal property used by the Franchised Business is sold or levied by a sheriff or other law enforcement officer; you abandon or fail to continuously own and operate the Franchised Business; on three (3) or more occasions during the term of the Franchise Agreement you fail to timely submit records and/or reports to us; on three (3) or more occasions during the term of the Franchise Agreement you fail to timely pay fees and/or other financial sums due to us; the Franchisee's Disclosure Questionnaire and Representations Agreement contains material omissions and/or misstatements; you attempt to transfer the Franchise Agreement and/or the assets of the Franchised Business without our prior written consent; you misuse, divulge or communicate to any unauthorized third party the confidential information and/or the contents of the Manuals; you engage in conduct that materially impairs our Licensed Marks or System and/or the goodwill and reputation of our Licensed Marks or System; you or an owner are convicted of a felony or plead guilty or nolo contendere to a felony; you or an owner engaged in dishonest or unethical conduct that, in our judgment, results in embarrassment to us, our GH Businesses and/or the System; you underreport your gross sales and/or financial performance resulting in, in any instance, the underpayment, by five percent (5%) or more, of royalties and/or other fees due from you to us; you use equipment and/or supplies not approved by us; you fail to timely complete our training programs as designated by us and as determined in our discretion; engage in conduct and/or operations of the Franchised Business that poses an immediate threat or danger to public health or safety; you lose the right to occupy the facility and approved location</p>
--	---

Provision	Sections in Franchise Agreement	Summary
		of the Franchised Business; you fail to comply with Anti-Terrorism laws; you fail to immediately notify us of any know breach by a third-party of our Confidentiality Agreement; you misappropriate, misuse or otherwise make any unauthorized use of the Licensed Marks, the confidential information and/or the System; you fail to pay a fee due to us within ten (10) days' notice from us; and/or you fail, without legal justification, on more than three (3) occasions to pay a supplier or vendor of the Franchised Business.
i. Franchisee's obligations on termination/nonrenewal	Articles 1 and 6 and 17	You must: pay all sums that you owe to us under the Franchise Agreement and all other agreements with us; cease owning and operating the Franchised Business; cease representing yourself as a franchisee of ours; permanently cease using and/or accessing the System, the Licensed Marks, our confidential information, the Manuals, the Business Management System, the Business Management System Data, and the System Equipment and Supplies; return the Manuals and all confidential information to us in the original form provided to you and document the destruction of all electronic files related to same; completely de-identify the location and/or facility associated with the Franchised Business; as requested by us, transfer to us all data, telephone listings, digital media, accounts, web listings and websites associated with the Franchised Business; and abide by the post-termination non-competition covenants and restrictions.
j. Assignment of the contract by franchisor	Articles 1 and 14.A	No restriction on our right to assign.

k. “Transfer” by franchisee-definition	Articles 1 and 14.B	A transfer means and includes, whether voluntary or involuntary, conditional or unconditional, direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership
		interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.
l. Franchisor’s approval of transfer by franchisee	Articles 1 and 14.B	Transfers require our prior written consent, which may be granted or withheld in our discretion.
m. Conditions for franchisor’s approval of transfer	Articles 1 and 14.C	Provide us with thirty (30) days prior written notice of the proposed transfer; you and your owners must not have defaulted in your obligations under the Franchise Agreement and all other agreements with us; you and your owners must be in compliance with your obligations under the Franchise Agreement and all other agreements with us; the transferee must agree to be bound by all of the terms and provisions of the Franchise Agreement; the transferee’s owners and their spouses must personally guarantee all of the terms and provisions of the Franchise Agreement; you and your owners and their spouses must sign a general release in favor of us; the assets of the Franchised Business must be transferred to the transferee; the transferee and the transferee’s owners and managers, at the transferee’s expense must complete our training programs; we waive our right of first refusal; and we approve of the transfer and transferee in writing and subject to our discretion; you pay the Transfer Fee.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Articles 1 and 14.F	We have the right to match any offer to purchase your GH Business or the corporate entity operating your GH Business.

o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
p. Death or disability of franchisee	Articles 1 and 14.D	If you are an individual, within thirty (30) days of the death or permanent disability of Franchisee, your executor and/or legal representative must appoint an Operating Manager approved by us and within sixty
		<p>days of such appointment the Operating Manager must complete, to our satisfaction, our initial training program. Within twelve (12) months of the date of death or disability, the Franchise Agreement must be transferred to a transferee approved by us and otherwise transferred in accordance with the terms of the Franchise Agreement.</p> <p>If franchisee is a Corporate Entity, within thirty (30) days of the death or permanent disability of your Managing Owner, if there are other Owners, must appoint a replacement Operating Manager approved by us and within sixty days of such appointment the replacement Operating Manager must complete, to our satisfaction, our initial training program.</p>
q. Non-competition covenants during the term of the franchise	Articles 1 and 6	No involvement in any competitive business and must comply with confidentiality, non-disclosure and non-solicitation covenants.
r. Noncompetition covenants after the franchise is terminated or expires	Articles 1, 6 and 17.E	No involvement, ownership or interest whatsoever for twenty-four months (24) in any competing business in: your operating territory; a twenty-five (25) mile radius surrounding your operating territory; the operating territory of any other GH Business; and you must comply with confidentiality, non-disclosure and non- solicitation covenants.
s. Modification of the agreement	Articles 1 and 18.L	Requires writing signed by you and us, except for unilateral changes that we may make to the Manuals or our unilateral reduction of the scope of a restrictive covenant that we may make in our discretion.

t. Integration/merger clauses	Articles 1 and 18.M	Only the terms of the Franchise Agreement and schedules to the Franchise Agreement and the respective exhibits (if signed) to the Franchise Agreement are binding (subject to state law). Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its agreements and amendments.
u. Dispute resolution by arbitration or mediation	Article 18.G	Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in Westchester County, New York and if mediation is unsuccessful, then to binding arbitration in Westchester County, New York (subject to applicable state law).
v. Choice of forum	Articles 1 and 18.G	All mediation, arbitration and if applicable litigation proceedings must be conducted in Westchester County, New York (subject to applicable state law).
w. Choice of law	Articles 1 and 18.F	New York law will govern (except as otherwise disclosed in <u>Exhibit G</u> to this Disclosure Document).

**ITEM 18  
PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise. No public figure is currently involved in our management.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

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 Andrew Mason, at 7 W. Cross St., Unit 7B, Hawthorne, New York 10532 and (914) 945-0277, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

I. The tables below list the status of unit franchisees licensed by Franchisor

**TABLE NO. 1  
SYSTEM WIDE OUTLET SUMMARY  
FOR YEARS 2019 to 2021**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1
Company Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1

**TABLE NO. 2  
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR YEARS 2019 to 2021**

New York	YEAR	NUMBER OF TRANSFERS
None	2019	0

	2020	0
	2021	0

**TABLE NO. 3  
STATUS OF FRANCHISED OWNED OUTLETS  
FOR YEARS 2019 to 2021**

New York	Year	Outlets at start of year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of year
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1

**TABLE NO. 4  
STATUS OF COMPANY OWNED OUTLETS  
FOR YEARS 2019 to 2021**

State	Year	Outlets at start of year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of year
New York	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

**TABLE NO. 5**  
**PROJECTED OPENINGS**  
**AS OF JANUARY 1, 2022**

State	Franchise Agreement Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
New York	0	2	0
TOTAL	0	2	0

II. The tables below list the status of unit franchisees in the United States licensed by Master Franchisor and its Master Franchisees.

**TABLE NO. 1**  
**SYSTEM WIDE OUTLET SUMMARY**  
**FOR YEARS 2019 to 2021**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1*
Company Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1

**TABLE NO. 2**  
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE MASTER FRANCHISOR**  
**AND ITS MASTER FRANCHISEES)**  
**FOR YEARS 2019 to 2021**

STATE	YEAR	NUMBER OF TRANSFERS
None	2019	0
	2020	0
	2021	0

**TABLE NO. 3**  
**STATUS OF FRANCHISED OWNED OUTLETS**  
**FOR YEARS 2019 to 2021**

State	Year	Outlets at start of year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of year
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1*	0	0	0	0	+1

\*This franchisee is a franchisee of our New York subfranchisor.

**TABLE NO. 4**  
**STATUS OF COMPANY OWNED OUTLETS**  
**FOR YEARS 2019 to 2021**

State	Year	Outlets at start of year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of year
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	+1

**TABLE NO. 5  
PROJECTED OPENINGS AS OF JANUARY 1, 2022**

State	Franchise Agreement Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Delaware	0	2	0
New Jersey	0	1	0
Georgia	3	3	0
New York	0	2	0
North Dakota	1	0	0
<b>TOTAL</b>	<b>4</b>	<b>8</b>	<b>0</b>

Notes to Tables:

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses with us that restrict them from discussing with you their experiences as a franchisee in our franchise system. We know of no franchisee organizations that are associated with the System and that utilize the Licensed Marks or the GH trade name as part of the franchisee organizations name.

Exhibit E to this Disclosure Document contains a list of current franchisees as of the end of the Issuance Date of this Disclosure Document (None)

Exhibit F to this Disclosure Document contains a list of franchisees that had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during our most recently completed fiscal year or who has not communicated with us within ten (10) weeks of the Issuance Date of this Disclosure Document (None).

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as Exhibit C-1 is our audited financial statements which comprises the balance sheet as of December 31, 2021 and the related statements of operations, changes in shareholder's deficit and cash flows for the year ended December 31, 2021. Also included our audited financial statements as of December 31, 2020 and 2019.

Also attached to this disclosure document in Exhibit C-2 are the Master Franchisor's audited financial statements for fiscal years ending December 31, 2021, December 31, 2020 and January 31, 2019. The Master Franchisor was established on February 28, 2018 and its fiscal year ends on December 31. In the previous two fiscal years, its fiscal year ended January 31.

## **ITEM 22 CONTRACTS**

Attached to this Disclosure Document or to the Exhibits attached to and comprising the Franchise Agreement attached to this Disclosure Document are copies of the following franchise and other contracts and agreements in use or proposed for use:

### **Exhibits to this Disclosure Document**

Exhibit <u>D</u>	Franchise Agreement
Exhibit <u>G</u>	State Specific Addendum
Exhibit <u>H</u>	State Effective Dates
Exhibit <u>I</u>	Receipts

### **Schedules and Exhibits to the Franchise Agreement**

Schedule <u>1</u>	Operating Territory Acknowledgement
Schedule <u>2</u>	Operating Territory Type, Franchise Fee and Operations Center Location Acknowledgment
Schedule <u>3</u>	Statement of Franchisee's Owners
Exhibit <u>1</u>	Franchise Owner and Spouse Agreement and Guaranty
Exhibit <u>2</u>	Joinder Agreement
Exhibit <u>3</u>	Franchisee Disclosure Questionnaire and Representations Statement
Exhibit <u>4</u>	Confidentiality Agreement
Exhibit <u>5</u>	Operations Center and Operating Territory Acknowledgment
Exhibit <u>6</u>	Assignment of Telephone Numbers and Digital Media Accounts
Exhibit <u>7</u>	General Release
Exhibit <u>8</u>	ACH Authorization Form

Individual state law may supersede the provisions contained in your Franchise Agreement respecting the

requirement that you execute a general release as a condition to assignment, sale or transfer. See, the state specific addendums contained in Exhibit H of this Disclosure Document.

**ITEM 23**  
**RECEIPTS**

Two copies of a detachable receipt in Exhibit I are located at the very end of this Disclosure Document. Please sign one copy of the receipt and return it to us at the following address Andrew Mason, Majemco Inc., 7 W. Cross St., Unit 7B, Hawthorne, New York 10532. The duplicate is for your records.



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT A**

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

## LIST OF STATE ADMINISTRATORS

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### California

Department of Financial  
Protection and Innovation  
320 West 4th Street Suite 750  
Los Angeles, CA 90013

t2101 Arena Boulevard  
Sacramento, CA 95834  
1-866-275-2677

### Connecticut

Connecticut Banking Commissioner  
Department of Banking  
Securities & Business Investments Division  
260 Constitution Plaza  
Hartford, CT 06103

### Florida

Division of Consumer Services  
Attn: Business Opportunities  
2005 Apalachee Parkway  
Tallahassee, FL 32399

### Hawaii

Commissioner of Securities Department  
of Commerce & Consumer Affairs  
Business Registration Division  
335 Merchant St., Room 203  
Honolulu, HI 96813

### Illinois

Office of the Attorney General  
Franchise Bureau  
500 South Second Street  
Springfield, IL 62706

### Indiana

Indiana Secretary of State  
Indiana Securities Division  
Franchise Section  
302 W. Washington Street Room E-111  
Indianapolis, IN 46204

### Kentucky

Office of the Attorney General  
Consumer Protection Division  
Attn: Business Opportunity  
1024 Capital Center Drive  
Frankfort, KY 40601

### Maine

Department of Professional and Financial  
Regulations  
Bureau of Banking  
Securities Division  
121 Statehouse Station  
Augusta, ME 04333

### Maryland

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202

### Michigan

Michigan Department of the Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
670 Law Building  
PO Box 30213  
Lansing, MI 48909

### Minnesota

Minnesota Department of Commerce  
Securities Unit  
85 7th Place East, Suite 280  
St. Paul, MN 55101

### Nebraska

Nebraska Department of Banking and Finance  
Commerce Court  
1230 O Street, Suite 400, Lincoln, NE 68509

### New York

New York State Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, NY 10005  
212-416-8286

### North Carolina

Secretary of State  
Securities Division  
300 North Salisbury Street, Suite 100  
Raleigh, NC 27603

### North Dakota

Office of Securities Commissioner  
600 East Boulevard, 5th Floor  
Department 414  
Bismarck, ND 58505

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**LIST OF STATE ADMINISTRATORS (CONTINUED)**

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**Rhode Island**

Department of Business Registration  
Division of Securities  
233 Richmond Street Suite 232  
Providence, RI 02903

**South Carolina**

Office of the Secretary of State  
1205 Pendleton Street  
Edgar Brown Building, Suite 525  
Columbia, SC 29201

**South Dakota**

Franchise Office  
Division of Securities  
910 E. Sioux Avenue  
Pierre, SD 57501

**Texas**

Office of the Secretary of State  
Statutory Document Section  
1019 Brazos Street  
Austin, TX 78701

**Utah**

Utah Department of Commerce  
Division of Consumer Protection  
160 East Three Hundred South  
PO Box 146704  
Salt Lake City, UT 84114

**Virginia**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 E. Main Street, 9th Floor  
Richmond, VA 23219

**Washington**

Department of Financial Institutions  
Securities Division  
PO Box 9033  
Olympia, WA 98507  
(360) 902-8700

**Wisconsin**

Franchise Office  
Wisconsin Securities Commission  
PO Box 1768  
Madison, WI 53701

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## **AGENTS FOR SERVICE OF PROCESS**

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### **California**

Department of Business Oversight  
320 West 4th Street Suite 750  
Los Angeles, CA 90013

1515 K Street, Suite 200  
Sacramento, CA 95814  
1-866-275-2677

### **Connecticut**

Banking Commissioner  
Department of Banking  
Securities and Business Investment Division  
260 Constitution Plaza  
Hartford, CT 06103

### **Hawaii**

Commissioner of Securities  
Dept. Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant St., Room 203  
Honolulu, HI 96813

### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

### **Maryland**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202

### **Michigan**

Michigan Department of Commerce  
Corporation and Securities Bureau  
6546 Mercantile Way  
Lansing, MI 48910

### **Minnesota**

Commissioner of Commerce of Minnesota  
Department of Commerce  
85 7th Place East, Suite 500  
St. Paul, MN 55101

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### **New York**

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

### **North Dakota**

North Dakota Securities Commissioner  
State Capitol  
600 East Boulevard  
Bismarck, ND 58505

### **Rhode Island**

Director of Department of Business Regulation  
233 Richmond Street, Suite 232  
Providence, RI 02903

### **South Dakota**

Director, Division of Securities  
Department of Commerce and Regulation  
445 East Capitol Avenue  
Pierre, SD 57501

### **Virginia**

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

### **Washington**

Securities Administrator  
Washington Department of Financial  
Institutions  
150 Israel Road SW  
Tumwater, WA 98501

### **Wisconsin**

Wisconsin Commissioner of Securities  
345 W Washington Avenue  
Madison, WI 53703



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT B**  
OPERATIONS MANUAL TABLE OF CONTENTS

MAJEMCO INC.  
OPERATIONS MANUAL TABLE OF CONTENTS

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**Total Number of Pages** **120**



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT C-1**  
FRANCHISOR'S FINANCIAL STATEMENTS

**MAJEMCO INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**MAJEMCO INC.  
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**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRISON ST ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of  
Majemco Inc.

**Opinion**

We have audited the financial statements of Majemco Inc. which comprises the balance sheets as of December 31, 2021, and the related statement of operations, changes in shareholder's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

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

**Other Matter**

The financial statements for the year ending December 31, 2020, were audited by other auditors whose report dated May 14, 2021, included an unqualified opinion of those statements.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Majemco Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Majemco Inc.'s ability to continue as a going concern for a reasonable period of time.

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



Akiva Manne CPA  
Allentown PA  
April 26, 2022

**MAJEMCO INC.  
BALANCE SHEETS**

<u>ASSETS</u>	DECEMBER 31	
	2021	2020
<b>Current Assets</b>		
Cash	\$ 15,467	\$ 45,201
Accounts receivable	15,000	15,000
Deferred commissions	1,800	1,800
	32,267	62,001
Deferred commissions, net of current	14,400	16,200
Franchise Rights, net of amortization	175,000	200,000
<b>Total Assets</b>	<b>\$ 221,667</b>	<b>\$ 278,201</b>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)</u></b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 4,800	\$ 23,700
Due to related party	—	408,610
Deferred franchise fees	6,000	6,000
<b>Total Current Liabilities</b>	10,800	438,310
Deferred franchise fees, net of current	48,000	54,000
Shareholder's Equity (Deficit)	162,867	(214,109)
<b>Total Liabilities and Shareholder's Equity (Deficit)</b>	<b>\$ 221,667</b>	<b>\$ 278,201</b>

See notes to financial statements

**MAJEMCO INC.**  
**STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY (DEFICIT)**

	<b>YEARS ENDED DECEMBER 31</b>	
	<b>2021</b>	<b>2020</b>
Franchise Fees	\$ 6,000	\$ —
Operating Expenses	<u>111,875</u>	<u>93,006</u>
Net (Loss)	(105,875)	(93,006)
Shareholder's (Deficit) - Beginning	(214,109)	(121,103)
Shareholder's Contributions	<u>482,851</u>	<u>—</u>
Shareholder's Equity (Deficit) - Ending	<u><u>\$ 162,867</u></u>	<u><u>\$ (214,109)</u></u>

see notes to financial statements

**MAJEMCO INC.  
STATEMENT OF CASHFLOWS**

	<b>YEARS ENDED DECEMBER 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
<b>Net (loss)</b>	<b>\$ (105,875)</b>	<b>\$ (93,006)</b>
<b>Amortization</b>	<b>25,000</b>	<b>25,000</b>
<b>Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:</b>		
<b>Changes in assets and liabilities</b>		
<b>Accounts receivable</b>	<b>—</b>	<b>(15,000)</b>
<b>Deferred commissions</b>	<b>1,800</b>	<b>(18,000)</b>
<b>Accrued expenses</b>	<b>(18,900)</b>	<b>18,400</b>
<b>Due to related party</b>	<b>(408,610)</b>	<b>54,930</b>
<b>Deferred franchise fees</b>	<b>(6,000)</b>	<b>60,000</b>
	<b>(512,585)</b>	<b>32,324</b>
<b>Cash Flows from Investing Activities</b>		
<b>Shareholder's contributions</b>	<b>482,851</b>	<b>—</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(29,734)</b>	<b>32,324</b>
<b>Cash - Beginning of year</b>	<b>45,201</b>	<b>12,877</b>
<b>Cash - End of year</b>	<b>\$ 15,467</b>	<b>\$ 45,201</b>

See notes to financial statements

**MAJEMCO INC.**  
**NOTES TO FINANCIAL STATEMENT**

---

**1. THE COMPANY**

Majemco. Inc is a New York corporation that was formed in October 2018 to grant franchises the right to operate a home construction business, that provides energy efficient green home ("GH") construction services, and other services or products using the Companies system.

Our rights in and to the System exist pursuant to a Master Franchise Agreement dated November 9, 2018 between us as Master Franchisee and Green Homes USA Franchising, LLC as Master Franchisor. Under the Master Franchise agreements, we were granted the license and right to sell GH Business franchises only within the State of New York. Our rights and, therefore your rights as a franchisee are subject to our Master Franchise Agreement.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Franchise Arrangements***-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a home construction business that provides energy efficient green home ("GH") construction using the Companies system for a specific number of years.

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

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

***Income Taxes***-The Company has elected to be taxed as an "S" corporation for income tax purposes. Income for the Company passes through directly to the sole shareholder and is reported on the shareholder's individual income tax returns. Therefore, no provision or liability for federal or state income tax has been included in the financial statements.

### **3. REVENUE RECOGNITION**

The Company records revenue in accordance Accounting Standards Board (“FASB”) and Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2019.

### **4. DEFERRED REVENUE AND DEFERRED COMMISSIONS**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”) as adjusted by ASU 2021-02, the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021, and 2020, were \$54,000 and \$60,000, respectively. The deferred commissions as of December 31, 2021, and 2020, were \$16,200 and \$18,000 respectively.

### **5. RELATED PARTY TRANSACTIONS**

The Company periodically receives funds from its shareholder or related companies. These advances are due upon demand and do not bear interest. At December 31, 2021, and 2020 the balance due to a related party was \$0 and \$408,610, respectively.

### **6. MINIMUM LEASE REQUIREMENTS**

The Company has a leased an automobile during October 2019. This lease requires the Company to make 36 monthly payments in the amount of \$390 through September 2022. Including a \$395 lease return payment, the required minimum payment though September 2022 is \$3,905.

### **7. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements through April 26, 2022, the date the financial statements were available to be issued.

**MAJEMCO INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder of  
Majemco Inc.**

We have audited the accompanying financial statements of Majemco Inc. (the "Company") which comprises the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in shareholder's deficit and cash flows for the years ended December 31, 2020 and 2019, and the related notes to financial statements.

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

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

**Auditor's Responsibility**

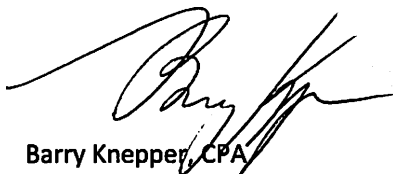
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Majemco Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years than ended in conformity with accounting principles generally accepted in the United States of America.



Barry Knepper, CPA  
May 14, 2021

**MAJEMCO INC.  
BALANCE SHEETS**

<u>ASSETS</u>	<u>DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash	\$ 45,201	\$ 12,877
Accounts receivable	15,000	—
Prepaid commission	<u>1,800</u>	<u>—</u>
	62,001	12,877
Prepaid commission, net of current	16,200	—
Franchise Rights, net of amortization	<u>200,000</u>	<u>225,000</u>
<b>Total Assets</b>	<u>\$ 278,201</u>	<u>\$ 237,877</u>
<b><u>LIABILITIES AND SHAREHOLDER'S (DEFICIT)</u></b>		
<b>Current Liabilities</b>		
Accrued expense	\$ 23,700	\$ 5,300
Due to related party	408,610	353,680
Deferred revenue	<u>6,000</u>	<u>—</u>
<b>Total Current Liabilities</b>	438,310	358,980
Deferred revenue, net of current	<u>54,000</u>	<u>—</u>
<b>Total Liabilities</b>	492,310	358,980
<b>Shareholder's (Deficit)</b>		
Common stock	200	200
Retained earnings	<u>(214,309)</u>	<u>(121,303)</u>
<b>Total Shareholder's (Deficit)</b>	<u>(214,109)</u>	<u>(121,103)</u>
<b>Total Liabilities and Shareholder's (Deficit)</b>	<u>\$ 278,201</u>	<u>\$ 237,877</u>

See notes to financial statements

**MAJEMCO INC.  
STATEMENTS OF OPERATIONS AND SHAREHOLDER'S (DEFICIT)**

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	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
Revenues	\$ —	\$ —
Operating Expenses	<u>93,006</u>	<u>107,182</u>
Net (Loss)	(93,006)	(107,182)
Beginning Equity (Deficit)	(121,303)	200,500
Shareholder's (distributions)	<u>—</u>	<u>(214,621)</u>
Ending (Deficit)	<u>\$ (214,309)</u>	<u>\$ (121,303)</u>

see notes to financial statements

**MAJEMCO INC.  
STATEMENT OF CASHFLOWS**

	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Cash Used In Operating Activities:</b>		
Net (loss)	\$ (93,006)	\$ (107,182)
Amortization	25,000	25,000
Adjustments to reconcile net (loss) to net cash used by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(15,000)	—
Prepaid commission	(18,000)	—
Accrued expenses	18,400	5,300
Deferred revenue	<u>60,000</u>	<u>—</u>
	(22,606)	(76,882)
 <b>Cash Flows from Investing Activities</b>		
Acquisition of franchise, net	<u>—</u>	<u>(250,000)</u>
 <b>Cash Flows from Financing Activities:</b>		
Due to related party	54,930	353,680
Shareholder's (distributions)	<u>—</u>	<u>(214,621)</u>
	54,930	139,059
 <b>Net Increase (Decrease) in Cash</b>	<b>32,324</b>	<b>(187,823)</b>
 <b>Cash - Beginning of year</b>	<u>12,877</u>	<u>200,700</u>
 <b>Cash - End of year</b>	<u>\$ 45,201</u>	<u>\$ 12,877</u>

See notes to financial statements

**MAJEMCO INC.**  
**NOTES TO FINANCIAL STATEMENT**

---

**1. THE COMPANY**

Majemco. Inc is a New York corporation that was formed in October 2018 to grant franchises the right to operate a home construction business, that provides energy efficient green home (“GH”) construction services, and other services or products using the Companies system.

Our rights in and to the System exist pursuant to a Master Franchise Agreement dated November 9, 2018 between us as Master Franchisee and Green Homes USA Franchising, LLC as Master Franchisor. Under the Master Franchise agreements, we were granted the license and right to sell GH Business franchises only within the State of New York. Our rights and, therefore your rights as a franchisee are subject to our Master Franchise Agreement.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Franchise Arrangements***-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a home construction business that provides energy efficient green home(“GH”) construction using the Companies system.

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

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

***Income Taxes***-The Company has elected to be taxed as an "S" corporation for income tax purposes. Income for the Company passes through directly to the sole shareholder and is reported on the shareholder's individual income tax returns. Therefore, no provision or liability for federal or state income tax has been included in the financial statements.

**3. REVENUE RECOGNITION**

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”, that established a uniform basis for recording revenue to virtually all industries’ financial statements. The revenue standard’s core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration

**MAJEMCO INC.**  
**NOTES TO FINANCIAL STATEMENT**

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expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing and uncertainty of the revenue recorded.

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

The Company adopted the standard commencing as of January 1, 2019. Franchisee fees are amortized over the life span of the franchise agreement. Any unrecognized fees paid are classified as a deferred revenue liability on the balance sheet. Likewise, commissions paid are amortized over the life span of the franchise agreement. Any unrecognized fees paid are classified as deferred franchise fee expense on the balance sheet.

**4. DEFERRED REVENUE**

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606") as adjusted by ASU 2021-02, the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2020 and 2019, were \$60,000 and \$0, respectively. The prepaid commissions as of December 31, 2020 and 2019, were \$18,000 and \$0 respectively.

**6. RELATED PARTY TRANSACTIONS**

The Company periodically receives funds from its shareholder's or related companies. These advances are due on demand and do not bear interest. As of December 31, 2020 and 2019, the amount due to a related party was \$408,610 and \$353,680, respectively.

**7. COVID-19**

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions. Such business disruptions, according to some economists may be severe enough to result in a recession. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the severity of impact on the Company's business. While the Company expects this matter to impact its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

**8. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements through May 14, 2021, the date the financial statements were available to be issued.

Majemco, Inc.  
Financial Statements  
December 31, 2019

MAJEMCO, INC.  
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**BARRY KNEPPER**  
**CERTIFIED PUBLIC ACCOUNTANT**  
736 VERONA DRIVE MELVILLE, NEW YORK 11747

**INDEPENDENT AUDITOR'S REPORT**

**To the shareholder**  
**Majemco, Inc**

We have audited the accompanying financial statements of Majemco, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of income, shareholder's equity, and cash flows for the year ended December 31, 2019 and the period October 31, 2018-December 31, 2018, and the related notes to financial statements

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Majemco, Inc. as of December 31, 2019 and 2018 and the results of its operations and its cash flows for the year ended December 31, 2019 and the period ended December 31, 2018 in accordance with U.S. GAAP.

**Emphasis of Matter**

The CPVID-19 outbreak in 2020(see Note4)has caused business disruption in a variety of industries, markets and geographic regions, which has resulted inconsiderable amount of uncertainty at the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read 'Barry Knepper', with a long horizontal stroke extending to the right.

Barry Knepper, CPA  
April 20, 2020

MAJEMCO INC  
BALANCE SHEETS

		DECEMBER 31	
		2019	2018
<u>ASSETS</u>			
Current Assets			
Cash	\$	12,877	\$ 200,700
Franchise Rights, net of amortlation		225,000	
Total Assets	\$	237,877	\$ 200,700
LIABILITES AND SHAREHOLDER'S <u>EQUITY</u>			
Current Liabilities			
Accrued expenses	\$	5,300	\$
Loan payable to shareholder		353,680	
		358,980	
Stockholder's Equity			
Common Stock		200	200
Retained Earnings		(121,303)	200,500
		(121,103)	200,700
Total Liabilities and Shareholder's Equity	\$	237,877	\$ 200,700

See notes to financial statements

**MAJEMCO, INC.**  
**STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2019**

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Revenue	\$
General and administrative expenses	<u>107,182</u>
Net Loss	(107,182)
Beginning Equity	200,500
Member's Distribution	<u>(214,621)</u>
Ending Equity	<u>\$ (121,303)</u>

See notes to financial statements

MAJEMCO, INC.  
STATEMENTS OF CASH FLOWS  
DECEMBER 31, 2019

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Operating Activities		
Net (loss)	\$	(107,182)
Amortization		25,000
Adjustments to reconcile net (loss) to net cash ( used by) operating activities:		
Changes Jn assets and liabilities		
Accrued expenses		5,300
		<u>(76,882)</u>
Investing activities		
Acquisition of franchise		<u>(250,000)</u>
Financing activities		
Equity distribution		(200,500)
Member loan advances		353,680
		<u>153,180</u>
Net (decrease)in cash		(173,702)
Cash•BeginnIng		200,700
Shareholder ( Distribution)		(14,121)
cash•Ending	\$	<u>12,877</u>

See notes to financial statements

## 1. THE COMPANY

**Majemco Inc** is a New York corporation that was formed in October 2018 to grant franchises to operate a home construction business that provides energy efficient green home("GH") construction services and other services and products using our system.

Our rights in and to the System exist pursuant to a Master Franchise Agreement dated November 9, 2018 between us as Master Franchisee and Green Homes USA Franchising, LLC as Master Franchisor. Under the Master Franchise agreements, we were granted the license and right to sell GH Business franchises only within the State of New York. Our rights and, therefore your rights as a franchisee are subject to our Master Franchise Agreement .No revenues have yet been generated since the Company has not sold any franchises as of the balance sheet date and as such is a developmental stage company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Revenue Recognition** -In accordance with FASB ASC Subtopic 952--06, Franchisors, Revenue Recognition, nonrefundable initial franchise fees paid by franchise owners are recognized as revenue the earlier of when the franchisee commences operations or upon termination of the franchise agreement. Initial franchise fees collected prior to commencing operations are recorded as deferred initial franchise fees.

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

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

On April 8,2020 The Financial Accounting Standards Board("FASB") announced the delay of the ASC 606 revenue recognition rules for one year. The rules would be effective for the Company for the year ended December 31,2020, assuming there will be no changes made to the pronouncement.

**MAJEMCOINC**  
**NOTES TO FINANCIAL STATEMENT(Continued)**

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**Franchise Arrangements-The** Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a home construction business that provides energy efficient green home("GH") construction services and other services and products using our system. At December 31,2019 and 2018 there were no franchisees.

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

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

**Income Taxes** - The Company has elected to be taxed as an "S" corporation for income tax purposes. Income for the Company passes through directly to the sole shareholder and is reported on the shareholder's individual income tax returns. Therefore, no provision or liability for federal or state income tax has been included in the financial statements.

### **3.SHAREHOLDER LOAN**

From time to time the shareholder of the Company advances funds to the Company. These advances are due on demand and do no bear interest. The balance at December 31,2918 and 2018 was \$353,680 and \$0.

### **4 . SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through April 20,2020, which is the date the financial statements were available to be issued.

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions, Such business disruptions, according to some economists may be severe enough to result in a recession. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the severity of impact on the Company's business. While we expect this matter to impact our business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT C-2**

MASTER FRANCHISOR'S FINANCIAL STATEMENTS

**GREEN HOMES USA FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**GREEN HOMES USA FRANCHISING, LLC  
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**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRISON ST ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

To the Member of  
Green Homes USA Franchising, LLC

**Opinion**

We have audited the financial statements of Green Homes USA Franchising, LLC, which comprises the balance sheets as of December 31, 2021, and 2020, and the related statements of operations, and changes in member's (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Green Homes USA Franchising, LLC's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Homes USA Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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



Akiva Manne CPA  
Allentown PA  
April 27, 2022

**GREEN HOMES USA FRANCHISING, LLC**  
**BALANCE SHEET**

<u>ASSETS</u>		<u>DECEMBER 31</u>	
		<u>2021</u>	<u>2020</u>
<b>Current Assets</b>			
Cash		\$ 38,496	\$ 62,007
Accounts receivable		1,250	18,250
Due from related parties		2,413	1,292
Deferred commissions		<u>10,600</u>	<u>10,600</u>
Total Current Assets		52,759	92,149
Deferred commissions, net of current		69,800	80,400
Total Assets		<u><u>\$ 122,559</u></u>	<u><u>\$ 172,549</u></u>
 <u>LIABILITIES AND MEMBER'S (DEFICIT)</u>  			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses		\$ 6,426	\$ —
Deferred franchise fees		53,000	53,000
Note payable related party		18,032	18,032
Due to related party		<u>74,226</u>	<u>31,441</u>
Total Current Liabilities		151,684	102,473
Deferred franchise fees, net of current		349,000	402,000
Member's (Deficit)		<u>(378,125)</u>	<u>(331,924)</u>
Total Liabilities and Member's (Deficit)		<u><u>\$ 122,559</u></u>	<u><u>\$ 172,549</u></u>

See notes to financial statements

**GREEN HOMES USA FRANCHISING, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBER'S (DEFICIT)**

	<u>YEARS ENDING DECEMBER 31</u>	
	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Franchise fees	\$ 53,000	\$ 93,000
Other income	10,138	3,283
	<u>63,138</u>	<u>96,283</u>
 <b>Operating Expenses</b>	 <u>109,339</u>	 <u>177,603</u>
 <b>Net (Loss)</b>	 (46,201)	 (81,320)
 <b>Member's (Deficit) - Beginning</b>	 <u>(331,924)</u>	 <u>(250,604)</u>
 <b>Member's (Deficit) - Ending</b>	 <u><u>\$ (378,125)</u></u>	 <u><u>\$ (331,924)</u></u>

See notes to financial statements

**GREEN HOMES USA FRANCHISING, LLC**  
**STATEMENT OF CASH FLOWS**

	<u>YEARS ENDING DECEMBER 31</u>	
	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
<b>Net (Loss)</b>	<b>\$ (46,201)</b>	<b>\$ (81,320)</b>
<b>Adjustments to reconcile net (loss) to cash</b>		
<b>(used) by operating activities:</b>		
<b>Changes in operating assets and liabilities;</b>		
Accounts receivable	17,000	(3,250)
Due from related parties	(1,121)	(1,292)
Deferred commissions	10,600	9,000
Accounts payable and accrued expenses	6,426	4,802
Due to related party	42,785	—
Deferred franchisee fees	<u>(53,000)</u>	<u>(45,000)</u>
<b>Net (Decrease) in Cash</b>	<u>(23,511)</u>	<u>(117,060)</u>
<b>Cash - Beginning of Year</b>	<u>62,007</u>	<u>179,067</u>
<b>Cash - End of Year</b>	<u><u>\$ 38,496</u></u>	<u><u>\$ 62,007</u></u>

See notes to financial statements

**GREEN HOMES USA FRANCHISING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. THE COMPANY**

Greens Homes USA Franchising, LLC (the "Company"), is a wholly owned subsidiary of Green Homes USA Holdings, Inc. (the "Parent"), and was formed in February 2018, as a Delaware limited liability company for the purpose of offering GH master franchises and individual units throughout the U.S. under license agreements from Green Homes USA, IP, LLC.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**Taxes on Income**- The Company is a single member limited liability company. Income and expenses for the Company pass through directly to its parent and is reported on its consolidated corporate income tax returns. The Company did not recognize any deferred tax asset as of December 31, 2021, or 2020 due to uncertainty if the Company will derive a benefit from the tax savings.

**3. REVENUE RECOGNITION**

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2019.

#### **4. DEFERRED REVENUE AND DEFERRED COMMISSIONS**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021, and 2020, were \$402,000 and \$455,000, respectively. The deferred commissions as of December 31, 2021, and 2020, were \$80,400 and \$91,000, respectively.

#### **5. LICENSE AGREEMENT**

The Company entered into a 20-year licensing agreement with Green Homes USA IP, LLC, which is related to the Company through common ownership. The license granted the Company a non-exclusive, non-assignable right and license for the use of certain trademarks, service marks, trade names, trade dress, designs and logos, and all goodwill symbolized thereby (collectively “the Marks”), which have been used in connection with the goods and services offered by the GH Builders franchise system and businesses operated thereunder. The licensing agreement shall renew automatically for successive yearly periods until either party provides 30 days written notice to the other party notifying that it wishes to terminate the Agreement. As of December 31, 2021, and 2020, no licensing fee has been charged to the Company.

#### **6. RELATED PARTY TRANSACTIONS**

The Company has entered into a consulting agreement with a party related through common ownership, under which the related party provides management, operations sales, and training service to the Company. During the year ended December 31, 2021, and 2020 the Company paid the related party \$0 and \$80,790, respectively.

The Company entered into a loan agreement with a party related through common ownership. The balance due on the note as of December 31, 2021, and 2020 was \$18,032. The note does not require interest or principal payments until January 2023, at which time it is payable in 36 monthly payments of \$515, including interest.

The Company periodically receives advances from related parties. These advances are due upon demand and do not bear interest. At December 31, 2021, and 2020 the balance due to a related party was \$74,226 and \$31,441, respectively.

#### **7. SUBSEQUENT EVENTS**

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

**GREEN HOMES USA FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**GREEN HOMES USA FRANCHISING, LLC**  
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**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRIOSN STREET ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

**To the Member of  
Green Homes USA Franchising, LLC**

We have audited the accompanying financial statements of Green Homes USA Franchising, LLC (the "Company") which comprises the balance sheet as of December 31, 2020 and the related statements of operations and changes in member's (deficit) and cash flows for the year ended December 31, 2020 and the related notes to financial statements. The financial statements for the year ending December 31, 2019 were audited by other auditors whose report dated May 5, 2020 included an unqualified opinion of those statements.

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

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



Akiva Manne, CPA  
March 24, 2021

**GREEN HOMES USA FRANCHISING, LLC**  
**BALANCE SHEET**

<u>ASSETS</u>	<u>DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash	\$ 62,007	\$ 179,067
Accounts receivable	18,250	15,000
Due from related parties	1,292	—
Prepaid commission	10,600	15,000
Total Current Assets	92,149	209,067
Prepaid commission, net of current	80,400	85,000
Total Assets	\$ 172,549	\$ 294,067
<u>LIABILITIES AND MEMBER'S (DEFICIT)</u>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 31,441	\$ 26,639
Deferred franchise fees	53,000	75,000
Due to related party	18,032	18,032
Total Current Liabilities	102,473	119,671
Deferred franchise fees, net of current	402,000	425,000
Member's (Deficit)	(331,924)	(250,604)
Total Liabilities and Member's (Deficit)	\$ 172,549	\$ 294,067

See notes to financial statements

**GREEN HOMES USA FRANCHISING, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBER'S (DEFICIT)**

	<u>YEARS ENDING DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Franchise fees	\$ 93,000	\$ —
Other income	3,283	—
Total Revenue	<u>96,283</u>	<u>—</u>
 <b>Operating Expenses</b>	 <u>177,603</u>	 <u>(250,604)</u>
 <b>Net (Loss)</b>	 (81,320)	 (250,604)
 <b>Member's (Deficit) - Beginning</b>	 <u>(250,604)</u>	 <u>—</u>
 <b>Member's (Deficit) - Ending</b>	 <u><u>\$ (331,924)</u></u>	 <u><u>\$ (250,604)</u></u>

See notes to financial statements

**GREEN HOMES USA FRANCHISING, LLC**  
**STATEMENT OF CASH FLOWS**

	YEARS ENDING DECEMBER 31	
	2020	2019
<b>Cash flows from operating activities:</b>		
<b>Net (Loss)</b>	\$ (81,320)	\$ (250,604)
<b>Adjustments to reconcile net loss to cash provided (used) by operating activities:</b>		
<b>Changes in operating assets and liabilities;</b>		
Accounts receivable	(3,250)	(15,000)
Due from related parties	(1,292)	—
Prepaid commission	9,000	(100,000)
Accounts payable and accrued expenses	4,802	26,639
Deferred franchisee fees	(45,000)	500,000
<b>Net cash provided by operating activities</b>	<u>(117,060)</u>	<u>161,035</u>
 <b>Cash Flows Provided By Financing Activities:</b>		
Issuance of note payable	<u>—</u>	<u>18,032</u>
 <b>Net Increase (Decrease) in Cash</b>	<b>(117,060)</b>	<b>179,067</b>
 <b>Cash - Beginning of Year</b>	<u>179,067</u>	<u>—</u>
 <b>Cash - End of Year</b>	<u><u>\$ 62,007</u></u>	<u><u>\$ 179,067</u></u>

See notes to financial statements

**GREEN HOMES USA FRANCHISING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. THE COMPANY**

Greens Homes USA Franchising, LLC (the "Company"), is a wholly owned subsidiary of Green Homes USA Holdings, Inc. (the "Parent"), and was formed in February 2018, as a Delaware limited liability company for the purpose of offering GH master franchises and individual units throughout the U.S. under license agreements from Green Homes USA, IP, LLC.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Franchise Arrangements**-The Company's master franchise arrangements generally includes a license which provides for payments of initial fees and continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a distinctive proprietary system for the establishment, development, and operation of home construction services under the licensed marks specified in the franchise agreement, using the Company's system for a specified number of years.

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

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

**Taxes on Income**-The Company has elected to be taxed as a limited liability corporation for federal and state income tax purposes. As a single member limited liability company income and expenses for the Company pass through directly to its parent and is reported on its income tax returns.

**3. REVENUE RECOGNITION**

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

**GREEN HOMES USA FRANCHISING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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

The Company adopted the standard commencing as of January 1, 2019. Area development franchisee fees are amortized over the life span of the franchise agreement. Any unrecognized fees paid are classified as a deferred revenue liability on the balance sheet. Likewise, commissions paid are amortized over the life span of the franchise agreement. Any unrecognized fees paid are classified as deferred franchise fee expense on the balance sheet.

**4. LICENSE AGREEMENT**

The Company entered into a 20-year licensing agreement with Green Homes USA IP, LLC, which is related to the Company through common ownership. The license granted the Company a non-exclusive, non-assignable right and license for the use of certain trademarks, service marks, trade names, trade dress, designs and logos, and all goodwill symbolized thereby (collectively “the Marks”), which have been used in connection with the goods and services offered by the GH Builders franchise system and businesses operated thereunder. The licensing agreement shall renew automatically for successive yearly periods until either party provides 30 days written notice to the other party notifying that it wishes to terminate the Agreement. As of December 31, 2020 and 2019, no licensing fee has been charged to the Company.

**5. RELATED PARTY TRANSACTIONS**

The Company has entered into a consulting agreement with a party related through common ownership, under which the related party provides management, operations sales and training service to the Company. During the year ended December 31, 2020 and 2019 the Company paid the related party \$80,790 and \$122,978, respectively.

The Company entered into loan agreement with a party related through common ownership. The balance due on the note as of December 31, 2020 and 2019 was \$18,032. The note does not require interest or principal payments until January 2023, at which time it is payable in 36 monthly payments of \$515, including interest at .75%.

**6. COVID-19 AND THE PAYCHECK PROTECTION PROGRAM**

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

**7. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through March 24, 2021, the date the financial statements were available to be issued.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FOR THE PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Green Homes USA Franchising, LLC

We have audited the accompanying financial statements of Green Homes USA Franchising, LLC (a Delaware limited liability company and a wholly-owned subsidiary of Green Homes USA Holdings, Inc.), which comprise the balance sheet as of January 31, 2019, and the related statements of operations and member's deficit and cash flows for the period from February 28, 2018 (inception) through January 31, 2019, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Homes USA Franchising, LLC as of January 31, 2019, and the results of its operations and its cash flows for the period from February 28, 2018 (inception) through January 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
March 5, 2019

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEET**  
**JANUARY 31, 2019**

**ASSETS**

Current assets:	
Cash	\$ <u>138,841</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>138,841</u></b>

**LIABILITIES AND MEMBER'S DEFICIT**

Current liabilities:	
Deferred franchise fee	\$ 250,000
Commitments and contingencies (Note 2)	
Member's deficit	<u>(111,159)</u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b>\$ <u>138,841</u></b>

See accompanying notes to financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF OPERATIONS AND MEMBER'S DEFICIT**  
**FOR THE PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

Revenues	\$ -
General and administrative expenses	<u>111,159</u>
Net loss	(111,159)
Member's deficit - beginning	<u>-</u>
<b>MEMBER'S DEFICIT - ENDING</b>	<b><u><u>\$ (111,159)</u></u></b>

See accompanying notes to financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

Cash flows from operating activities:	
Net loss	\$ (111,159)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Deferred franchise fee	<u>250,000</u>
Net cash provided by operating activities	<u>138,841</u>
Net increase in cash	138,841
Cash - beginning	<u>-</u>
<b>CASH - ENDING</b>	<b><u><u>\$ 138,841</u></u></b>

See accompanying notes to financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Green Homes USA Franchising, LLC (the "Company"), a wholly-owned subsidiary of Green Homes USA Holdings, Inc. (the "Parent"), was formed on February 28, 2018, as a Delaware limited liability company for the purpose of offering and selling GH Green Homes master and individual franchises throughout the U.S. under a license agreement entered into with Green Homes USA IP, LLC.

The Company sells master franchises to business owners or investors in designated territories to solicit, screen, recruit, and qualify prospective franchisees, and provide continuous training and support to franchisees.

The Company also offers individual franchises for construction businesses that provide energy-efficient green home construction services.

Since the Company is a limited liability company, the member is not liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

Recently adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognitions standards in accounting principles generally accepted in the United States of America ("U.S. GAAP"), including industry-specific standards, when it becomes effective. This standard is effective for years beginning after December 15, 2018. The standard permits the use of either the retrospective or cumulative transition method. The Company is currently completing its initial assessment and evaluation of the effects ASC 606 will have on the Company's financial statements and related disclosures.

The Company does not expect the adoption of ASC 606 to have a significant impact on the recognition of franchise royalties. The adoption of ASC 606 may result in a deferral of the recognition of all or a portion of initial franchise fees, territory fees, area development and renewal fees over the term of the underlying franchise agreement. The Company will be required to assess whether pre-opening activities contain separate performance obligations that are consistent with the criteria in ASC 606 to be accounted for separately from the license of its intellectual property and the amount of consideration to be allocated to those distinct performance obligations. In addition, the Company expects, at a minimum, the primary impact of adoption will be expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Royalties and business territory fees from master franchisees ("Masters") will be recognized based on each Master's reported sales.

Initial territory and franchise fees from Masters are deferred until the Company has performed substantially all of the initial services pursuant to the master franchise agreements.

Royalties from individual franchisees will be based on each individual franchisee's sales. Such revenue is recognized in the period of the corresponding sales.

Initial franchise fees from individual franchisees are recognized when all material services or conditions pursuant to the franchise agreements have been substantially performed or satisfied.

All other fees are to be earned as services are rendered.

The Company will defer those direct and incremental costs associated with the sale of master and individual franchises for which revenue is deferred. Deferred costs will be charged to earnings when the related deferred franchise fees are recognized in income.

Income taxes

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB Accounting Standards Codification 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period, including the technical merits of those positions. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

The Company is a single-member limited liability company and is considered to be a disregarded entity for tax purposes. As such, its activities are combined with its Parent and are reflected on the Parent's income tax return. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Subsequent events

The Company has evaluated subsequent events through March 5, 2019, the date that these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 2.     LICENSE AGREEMENT**

The Company entered into a 20-year licensing agreement (the "Agreement") with Green Homes USA IP, LLC (the "Licensor"), which is related to the Company through common ownership. The Licensor granted the Company a non-exclusive, non-assignable right and license for the use of certain trademarks, service marks, trade names, trade dress, designs and logos, and all goodwill symbolized thereby (collectively, the "Marks"), which have been used in connection with the goods and services offered by the Green Homes USA franchise system and businesses operated thereunder. The licensing agreement shall renew automatically for successive yearly periods until either party provides 30 days' written notice to the other party notifying the other party that it wishes to terminate the Agreement. As of January 31, 2019, no licensing fees have been charged to the Company.

**NOTE 3.     DEFERRED FRANCHISE FEE**

A master franchise fee received and unearned at the balance sheet date is included in "Deferred franchise fee" in the accompanying balance sheet and amounted to \$250,000 at January 31, 2019.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FOR THE PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Green Homes USA Franchising, LLC

We have audited the accompanying financial statements of Green Homes USA Franchising, LLC (a Delaware limited liability company and a wholly-owned subsidiary of Green Homes USA Holdings, Inc.), which comprise the balance sheet as of January 31, 2019, and the related statements of operations and member's deficit and cash flows for the period from February 28, 2018 (inception) through January 31, 2019, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Homes USA Franchising, LLC as of January 31, 2019, and the results of its operations and its cash flows for the period from February 28, 2018 (inception) through January 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
March 5, 2019

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEET**  
**JANUARY 31, 2019**

**ASSETS**

Current assets:	
Cash	\$ <u>138,841</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>138,841</u></b>

**LIABILITIES AND MEMBER'S DEFICIT**

Current liabilities:	
Deferred franchise fee	\$ 250,000
Commitments and contingencies (Note 2)	
Member's deficit	<u>(111,159)</u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b>\$ <u>138,841</u></b>

See accompanying notes to financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF OPERATIONS AND MEMBER'S DEFICIT**  
**FOR THE PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

Revenues	\$ -
General and administrative expenses	<u>111,159</u>
Net loss	(111,159)
Member's deficit - beginning	<u>-</u>
<b>MEMBER'S DEFICIT - ENDING</b>	<b><u>\$ (111,159)</u></b>

See accompanying notes to financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM FEBRUARY 28, 2018 (INCEPTION)**  
**THROUGH JANUARY 31, 2019**

Cash flows from operating activities:	
Net loss	\$ (111,159)
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Deferred franchise fee	<u>250,000</u>
Net cash provided by operating activities	<u>138,841</u>
Net increase in cash	138,841
Cash - beginning	<u>-</u>
<b>CASH - ENDING</b>	<b><u>\$ 138,841</u></b>

See accompanying notes to financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Green Homes USA Franchising, LLC (the "Company"), a wholly-owned subsidiary of Green Homes USA Holdings, Inc. (the "Parent"), was formed on February 28, 2018, as a Delaware limited liability company for the purpose of offering and selling GH Green Homes master and individual franchises throughout the U.S. under a license agreement entered into with Green Homes USA IP, LLC.

The Company sells master franchises to business owners or investors in designated territories to solicit, screen, recruit, and qualify prospective franchisees, and provide continuous training and support to franchisees.

The Company also offers individual franchises for construction businesses that provide energy-efficient green home construction services.

Since the Company is a limited liability company, the member is not liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

Recently adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition standards in accounting principles generally accepted in the United States of America ("U.S. GAAP"), including industry-specific standards, when it becomes effective. This standard is effective for years beginning after December 15, 2018. The standard permits the use of either the retrospective or cumulative transition method. The Company is currently completing its initial assessment and evaluation of the effects ASC606 will have on the Company's financial statements and related disclosures.

The Company does not expect the adoption of ASC 606 to have a significant impact on the recognition of franchise royalties. The adoption of ASC 606 may result in a deferral of the recognition of all or a portion of initial franchise fees, territory fees, area development and renewal fees over the term of the underlying franchise agreement. The Company will be required to assess whether pre-opening activities contain separate performance obligations that are consistent with the criteria in ASC 606 to be accounted for separately from the license of its intellectual property and the amount of consideration to be allocated to those distinct performance obligations. In addition, the Company expects, at a minimum, the primary impact of adoption will be expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Royalties and business territory fees from master franchisees ("Masters") will be recognized based on each Master's reported sales.

Initial territory and franchise fees from Masters are deferred until the Company has performed substantially all of the initial services pursuant to the master franchise agreements.

Royalties from individual franchisees will be based on each individual franchisee's sales. Such revenue is recognized in the period of the corresponding sales.

Initial franchise fees from individual franchisees are recognized when all material services or conditions pursuant to the franchise agreements have been substantially performed or satisfied.

All other fees are to be earned as services are rendered.

The Company will defer those direct and incremental costs associated with the sale of master and individual franchises for which revenue is deferred. Deferred costs will be charged to earnings when the related deferred franchise fees are recognized in income.

Income taxes

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB Accounting Standards Codification 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period, including the technical merits of those positions. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

The Company is a single-member limited liability company and is considered to be a disregarded entity for tax purposes. As such, its activities are combined with its Parent and are reflected on the Parent's income tax return. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Subsequent events

The Company has evaluated subsequent events through March 5, 2019, the date that these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

**GREEN HOMES USA FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 31, 2019**

**NOTE 2.     LICENSE AGREEMENT**

The Company entered into a 20-year licensing agreement (the "Agreement") with Green Homes USA IP, LLC (the "Licensor"), which is related to the Company through common ownership. The Licensor granted the Company a non-exclusive, non-assignable right and license for the use of certain trademarks, service marks, trade names, trade dress, designs and logos, and all goodwill symbolized thereby (collectively, the "Marks"), which have been used in connection with the goods and services offered by the Green Homes USA franchise system and businesses operated thereunder. The licensing agreement shall renew automatically for successive yearly periods until either party provides 30 days' written notice to the other party notifying the other party that it wishes to terminate the Agreement. As of January 31, 2019, no licensing fees have been charged to the Company.

**NOTE 3.     DEFERRED FRANCHISE FEE**

A master franchise fee received and unearned at the balance sheet date is included in "Deferred franchise fee" in the accompanying balance sheet and amounted to \$250,000 at January 31, 2019.



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT D**  
FRANCHISE AGREEMENT



MAJEMCO INC.

## GH FRANCHISE AGREEMENT

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Franchisee Name

# GH FRANCHISE AGREEMENT

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GH FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is entered into on \_\_\_\_\_, 20 (“Effective Date”), by and between MAJEMCO INC., a NEW YORK CORPORATION with a principal place of business located at 7 W. Cross Street, Unit 7B, Hawthorne, New York 10532, (the “Franchisor”) and \_\_\_\_\_ (the “Franchisee”).

**RECITALS**

WHEREAS, Franchisor, pursuant to a Master Franchise Agreement with Green Homes USA Franchising, LLC has licensed a distinctive and proprietary system (the “System”) for the establishment, development and operation of a home construction and contracting business (each, a “GH Business”) that provides energy efficient green home construction services (the “Approved Services and Products”) under the Licensed Marks (defined below) (each, a “GH Business”);

WHEREAS, the System and, therefore, each GH Business, is identified by the Licensed Marks and distinctive trade dress, service offerings, business formats, equipment, products, supplies, operating procedures, programs, methods, procedures, and marketing and advertising standards, all of which are part of the System and all of which Franchisor may modify from time to time;

WHEREAS, Franchisor’s rights in and to the System are subject to and conditioned upon the Master Franchise Agreement between Franchisor as Master Franchisee and Green Homes USA Franchising, LLC as Master Franchisor, this Agreement is subject to the terms and conditions of the Master Franchise Agreement; and

WHEREAS, Franchisee desires to obtain the non-exclusive license and right to use the System in the development and operation of a GH Business within a designated operating territory and pursuant to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties do hereby agree, as follows:

**ARTICLE 1**  
**DEFINITIONS**

Supplementing the terms and definitions contained in the foregoing “Recitals”:

“**Accounting Period**” is the period of time selected and determined by Franchisor for the required measurement and reporting of financial information and payment of financial obligations by Franchisee. The applicable measurement period will be determined by Franchisor from time to time with respect to Franchisee’s obligations to report financial information and data to Franchisor (including Gross Sales) and Franchisee’s payment of all fees, including, but not limited to, Royalty Fees, Advertising Contributions, Technology Fees, and other on-going fees. The “**Accounting Period**” shall be a monthly period commencing not later than the earlier

of the (a) Scheduled Business Commencement Date, or (b) the Actual Business Commencement Date of the Franchised Business and shall continue each and every month thereafter throughout the Term of this Agreement. As to the Technology Fee and all other fees that are payable and due monthly, the Accounting Period shall be a monthly period commencing not later than the earlier of the (a) Scheduled Business Commencement Date, or (b) the Actual Business Commencement Date of the Franchised Business and shall continue each and every month thereafter throughout the Term of this Agreement and any applicable renewal term.

**“Actual Business Commencement Date”** refers to and means the first day of the month immediately following Franchisee’s completion of Franchisor’s initial Training Program as said Training program is designated and determined by Franchisor.

**“Advertising Contributions”** refers to and means any and all obligations of Franchisee to contribute to or pay fees to Franchisor, Franchisor’s affiliate and/or designees as set forth in this Agreement including, but not limited to, the Brand Development Fund Fee (Article 9.A).

**“Alternative Channels of Distribution”** refers to and means retail and/or wholesale based sales and/or distribution outlets based on the world wide web, print catalogs, and mail order outlets.

**“Ancillary Agreements”** refers to and means, individually and collectively, each and every agreement between: (a) Franchisor and Franchisee but, not including this Agreement; (b) Franchisor and each of Franchisee’s Owners, whether individually and/or collectively; and (c) Franchisor and each Spouse of Franchisee’s Owners, whether individually and/or collectively. Without limitation to the foregoing, the term Ancillary Agreements includes the Franchise Owner and Spouse Agreement and Guaranty, Joinder Agreement, Lease Agreement Rider, Collateral Assignment of Lease and the Assignment of Telephone Numbers and Digital Media Accounts, as said agreements, individually and/or collectively, may have been entered into between the foregoing parties.

**“Annual Conference Attendance Fee”** refers to and means an annual conference fee to be paid by Franchisee to Franchisor in an amount determined by Franchisor but not to exceed Seven Hundred Fifty Dollars (\$750) annually.

**“Annual Online Training”** refers to a series of online training courses or webinars that Franchisor may require Franchisee to complete on an annual basis.

**“Annual Online Training Fee”** refers to the fee that Franchisee shall pay in connection with the Annual Online Training Fee associated with each Annual Online Training. Presently, the Annual online Training Fee is One Hundred Fifty Dollars (\$150) per Online Annual Training.

**“Annual System Conference”** refers to and means a conference that may be established and organized by Franchisor for the purpose of facilitating networking among GH Business franchisees, and general education. Franchisor shall designate and determine whether or not an Annual System Conference shall occur and, if one is established in any particular year, the dates, content and location of the Annual System Conference. The Annual System Conference shall be for a duration of not more than three consecutive days per calendar year. Franchisee is responsible

for all costs and expenses associated with Franchisee's travel to and attendance at the Annual System Conference.

**“Approved Services and Products”** shall have the meaning defined in the “Recitals” section of this Agreement and shall further refer to and mean refers to and means those products and services that Franchisor authorizes for sale by GH Businesses. Franchisor shall exclusively designate and determine the Approved Services and Products and Franchisor, in Franchisor's Reasonable Business Judgment, may change, modify, reduce or supplement the Approved Services and Products that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Operations Manual, subject to changes that Franchisor may make from time to time and Franchisor's right to change and modify the Approved Services and Products, shall designate the Approved Services and Products that must be offered and sold by the Franchised Business. The Franchised Business may only offer and sell the Approved Services and Products.

**“Assigned Area”** refers to and means the operating area and areas or designated area and areas of current and future GH Businesses other than the Operating Territory of Franchisee's GH Business. Franchisor shall exclusively determine Assigned Areas.

**“Assignment of Telephone Numbers and Digital Media Accounts”** refers to and means the Assignment of Telephone Numbers and Digital Media Accounts agreement attached to this Agreement as Exhibit 6.

**“Brand Development Fund”** shall have the meaning defined and set forth in Article 9.A. of this Agreement.

**“Brand Development Fund Fee”** shall have the meaning defined and set forth in Article 9.A. of this Agreement.

**“Business Management System”** refers to and means the software, internet, web based and/or cloud based system or systems, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by Franchisor, in Franchisor's Reasonable Business Judgment, as being required for use by the Franchised Business. Franchisor reserves the right to modify and designate alternative Business Management Systems as Franchisor determines in Franchisor's Reasonable Business Judgment. At all times, Franchisor shall possess direct live access and storage-based access to the Business Management System for the Franchised Business and to Franchisee's Business Management System Data.

**“Business Management System Data”** refers to and means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered (whether by Franchisor or Franchisee) into the Business Management System utilized by Franchisee; (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of the Franchised Business.

**“Business Management System Fee”** refers to the monthly fee Franchisee shall pay for the Business Management System. Currently, the Business Management System is Two Hundred Fifty Dollars (\$250) per month, but Franchisor reserves the right to increase this fee up to One Hundred Dollars (\$100) per month in each calendar year.

**“Competitive Business”** refers to and means any business that is the same as or similar to a GH Business including, but not limited to, any business that offers and/or provides services and/or products relating to a residential construction and/or residential contractor business that is the same as or similar to a GH Business

**“Confidential Information”** refers to and means all of Franchisor’s and/or Franchisor’s affiliates’ trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date of this Agreement and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of GH Businesses; (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by GH Businesses; (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of GH Businesses; (d) customer lists and information related to GH Businesses and the Franchised Business; (e) Business Management System Data; (f) current and future information contained in the Operations Manual; and (g) Know-How.

**“Confidentiality Agreement”** refers to and means the sample form of “Confidentiality Agreement” attached to this Agreement as Exhibit 4.

**“Controlling Interest”** a Controlling Interest shall exist for the following individuals, Owners, partners and/or entities: (a) (If Franchisee is a corporation) a controlling interest shall exist for such shareholders and Owners of the voting shares of stock of Franchisee as (i) shall permit voting control of Franchisee on any issue and/or (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (b) (If Franchisee is a general partnership) a controlling interest shall exist for such partners and Owners that possess a managing partnership interest or such percentage of the general partnership interests in Franchisee as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (c) (If Franchisee is a limited partnership) a controlling interest shall exist for such partners and Owners that possess a general partnership interest; and (d) (If Franchisee is a limited liability company) a controlling interest shall exist for such members and Owners that possess a percentage of the membership interests as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power.

**“Copyrights”** refers to and means all works and materials for which Franchisor or any affiliate of Franchisor has secured common law or registered copyright protection and Franchisor uses and/or

allows GH Business franchisees to use in the operation of a GH Business, whether as of the Effective Date of this Agreement or any time in the future.

“**Corporate Entity**” refers to and means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

“**Customer Vouchers**” refers to and means any and all gift cards, vouchers, receipts, cards and other evidence of a pre-paid purchase transaction or credit that Franchisor authorizes concerning a GH Business.

“**Direct Solicitation**” refers to and means “communications and/or contacts occurring through in person contact, telephone, mail, electronic mail, direct mail, distributed print media, Digital Media, Marketing Media, Media Distribution and/or marketing directed toward customers, potential customers or referral sources of a GH Business.

“**Digital Media**” refers to and means any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, and YouTube, and Google+, and including world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to, GH Businesses, the Franchised Business, the Licensed Marks, the System and/or Franchisor. Digital Media further includes the System Website, web pages and website subdomains (including those related to, associated with and/or a part of the System Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, sub-domains and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

“**Due Date**” shall have the meaning defined and set forth in Article 5.B. of this Agreement.

“**Effective Date**” shall be the date set forth, defined and referred to in the first paragraph of this Agreement.

“**Franchise Disclosure Questionnaire and Representations Statement**” refers to and means the form of “Franchise Disclosure Questionnaire and Representations Statement” attached to this Agreement as Exhibit 3.

“**Franchise Owner and Spouse Agreement and Guaranty**” refers to and means the form of agreement attached to this Agreement as Exhibit 1. The Franchise Owner and Spouse Agreement and Guaranty is an agreement and guarantee individually, jointly and severally entered into by the Owners and Spouses of Franchisee.

“**Franchised Business**” refers to and means the GH Business that Franchisee shall develop and

is required to establish, maintain and operate as part of the System and in accordance with the terms, conditions and obligations set forth in this Agreement and the Operations Manual.

**“Franchisee’s Operations Center”** refers to and means the Operations Center from which Franchisee establishes, operates and manages the Franchised Business. Franchisee’s Operations Center must be located within Franchisee’s Operating Territory, must be approved by Franchisor and shall, further, have the meaning defined and set forth in Article 2.A. of this Agreement. Franchisee’s Operations Center must be located within the Operating Territory at a location and facility approved, in writing, by Franchisor, in Franchisor’s Reasonable Business Judgment.

**“Franchisor’s Reasonable Business Judgment”** refers to, means and relates to any and all decisions, actions and choices made by Franchisor concerning or relating to this Agreement, the System, GH Businesses and the Franchised Business where Franchisor undertakes or makes such decision with the intention of benefitting or acting in a way that could benefit the System including, as examples and without limitation, enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining operating territory markets, minimizing potential customer confusion as to the location of GH Businesses, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. Franchisee agrees that when a decision, determination, action and/or choice is made by Franchisor in Franchisor’s Reasonable Business Judgment that such decision, determination, action or choice made by Franchisor shall take precedence and prevail, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee agrees that in connection with any decision, determination, action and/or choice made by Franchisor in Franchisor’s Reasonable Business Judgment that: (a) Franchisor possesses a legitimate interest in seeking to maximize Franchisor’s profits; (b) Franchisor shall not be required to consider Franchisee’s individual economic or business interests as compared to the overall System; and (c) should Franchisor economically benefit from such decision, determination, action and/or choice that such economic benefit to Franchisor shall not be relevant to demonstrating that Franchisor did not exercise reasonable business judgment with regard to Franchisor’s obligations under this Agreement and/or with regard to the System. Franchisee agrees that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee’s or such third party’s judgment for Franchisor’s Reasonable Business Judgment. Franchisee further agrees that should Franchisee challenge Franchisor’s Reasonable Business Judgment in any legal proceeding that Franchisee shall possess the burden of demonstrating, by clear and convincing evidence, that Franchisor failed to exercise Franchisor’s Reasonable Business Judgment.

**“GAAP”** refers to and means United States Generally Accepted Accounting Principles.

**“GH Business(s)”** shall have the meaning defined in the Recitals section of this Agreement and, without limitation to the Recitals section definition of “GH Businesses”, shall further include, refer to and mean: every business and all businesses owned and/or operated by Franchisor, Franchisor’s affiliates and/or authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

**“Gross Sales”** refers to and means the total dollar sales from all business and customers of the Franchised Business and includes the total gross amount of revenues and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by Franchisee in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by Franchisee or any other person or Corporate Entity from business conducted or which started in, on, from or through the Franchised Business and/or Operating Territory, whether such business is/was conducted in compliance with or in violation of the terms of this Agreement. Supplementing the foregoing, Gross Sales further includes the total gross amount of revenues and sales from whatever source derived from and/or derived by Franchisee (including any person and/or Corporate Entity acting on behalf of Franchisee) from business conducted within and/or outside the Operating Territory that is related to the Franchised Business and/or a Competitive Business located and/or operated within the Operating Territory, outside the Operating Territory, and/or otherwise (the foregoing does not constitute approval for Franchisee’s operation of a Competitive Business and/or the operation of a GH Business outside of the Operating Territory). Gross sales do not include sales or use taxes collected by Franchisee.

**“Immediate Family”** refers to and means the spouse of a person and any other member of the household of such person, including, without limitation, children of such person.

**“IP Claim”** shall have the meaning defined and set forth in Article 11.E of this Agreement.

**“Joinder Agreement”** refers to and means the form “Joinder Agreement” attached to this Agreement as Exhibit 2.

**“Know-How”** refers to means Franchisor’s trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of a GH Business including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the Confidential Information.

**“Licensed Marks”** refers to and means the trademarks, service marks, emblems and indicia of origin, including the “GH” trademark, the GH logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by Franchisor in connection with the identification of GH Businesses and the Approved Services and Products, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by Franchisor in Franchisor’s Reasonable Business Judgment.

**“Managers”** refers to and means the Managing Owner plus all assistant managers of the Franchised Business and all other employees, independent contractors, consultants, directors, officers and board members who may possess access to the Confidential Information.

**“Managing Owner”** if Franchisee is a partnership or Corporate Entity, the Managing Owner shall be the Owner responsible for the day-to-day oversight, management and operation of the

Franchised Business. The Managing Owner must possess and maintain an ownership and equity interest in the Franchisee such that said individual owns, holds and controls not less than 25% of the equity and ownership interests in Franchisee. At all times, the Managing Owner must manage the operations of the Franchised Business.

**Marketing Media**” refers to and means all communications, whether written, oral, digital, or otherwise utilized for and/or designed for the purpose of marketing, advertising and/or promoting Franchisee’s GH Business including, but not limited to, Direct Solicitations, Web Based Media, Digital Media, social media, print publications, print mailers, email communications and public relations.

**Media Distribution**” refers to and means methods, by any means, for the publication, transmission, dissemination, distribution and/or delivery of Marketing Media.

**Noncompliance Fee**” refers to and means a fee payable by Franchisee in an amount equal to the amount of fees, costs and expenses that Franchisor incurs respecting the enforcement of Franchisor’s rights under this Agreement in response to a default by Franchisee and/or Franchisee’s breach of the terms or conditions of this Agreement. Said costs and expenses shall include any and all reasonable administrative fees, legal fees, mediation and mediator fees, arbitration and arbitrator fees, legal disbursements, mediation disbursements, arbitration disbursements, consultant fees, expert fees, accounting fees and filing fees. Recoverable legal fees also includes legal fees and charges incurred by Franchisor with Franchisor’s outside legal counsel and the reasonable costs incurred by Franchisor as to Franchisor’s in-house legal staff..

**Notice Period**” shall have the meaning defined and set forth in Article 16.A of this Agreement.

**Open Area**” refers to a geographic territory and area that (a) is not an Assigned Area; and (b) is located within a ten (10) mile radius of Franchisee’s Operating Territory.

**Operating Manager**” refers to and means the Manager designated by Franchisee or Franchisee’s Managing Owner that is charged with the obligation and responsibility to supervise and manage (on-site at Franchisee’s Operations Center) the day-to-day operations of the Franchised Business. At all times, the Operating Manager must: (a) meet all of Franchisor’s minimum training and brand quality control standards and criteria for managers as may be set forth in the Operations Manual; (b) successfully complete Franchisor’s initial training program; (c) sign the Confidentiality Agreement; and (d) agree, in writing, to assume responsibility for the on-site management and supervision of the Franchised Business.

**Operating Territory**” refers to and means the territory identified and described in Schedule 1 attached to and made a part of this Agreement. Franchisor, in Franchisor’s Reasonable Business Judgment and discretion, shall determine the Operating Territory. Franchisor’s designation of Franchisee’s Operating Territory and whether or not Franchisee’s Operating Territory is a Partial Operating Territory, a Standard Operating Territory, or a Standard Operating Territory that has been supplemented with an additional Partial Operating Territory is set forth in Schedule “2” attached to and made a part of this Agreement.

**“Operations Center(s)”** refers to and means the fixed administrative offices and/or facilities from which GH Businesses are established, operated and managed.

**“Operations Manual”** refers to and means, individually and collectively, the manual(s) designated by Franchisor and relating to the development and/or operations of GH Businesses including, but not limited to, the policies, procedures and requirements for the development and operation of GH Businesses. The Operations Manual may consist of one or more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by Franchisor from time to time in Franchisor’s Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to Franchisor’s modification from time to time and based on Franchisor’s Reasonable Business Judgment, the Operations Manual shall, among other things, designate the Approved Services and Products that must be offered and provided by the Franchised Business. Only Approved Services and Products may be offered and sold by the Franchised Business. Only System Equipment and Supplies may be utilized by Franchisee in the operations of the Franchised Business.

**“Out of Territory Service”** refers to and means the provision of Approved Services and Products within an “Open Area” and in accordance with the Territory Rules.

**“Out of Territory Service Request”** refers to and means a written documentation that is prepared and submitted in accordance with Franchisor’s standards and specifications wherein Franchisee: (a) identifies the name and contact information of a prospective customer located in an Open Area that has requested the services of Franchisee’s GH Business; (b) identifies the date for the proposed services and/or products to be provided by the Franchised Business; and (c) requests Franchisor’s written notification either approving or disapproving Franchisee’s request to provide Approved Services and Products on behalf of the prospective Open Area customer.

**“Owner”** refers to and means collectively, individually and jointly: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company, (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s). Franchisee’s Owners are identified in Schedule 3 to this Agreement.

**“Partial Operating Territory”** refers to and means an Operating Territory comprised of a geographic area that contains approximately 37,500 households. Franchisor, in Franchisor’s Reasonable Business Judgment, shall exclusively determine what constitutes a Partial Operating Territory and the calculation of the approximate number of households located within a Partial Operating Territory. The determination as to the approximate number of households within a Partial Operating Territory is made by Franchisor as of the Effective Date of this Agreement based on U.S. Census Bureau data or other publicly available data that Franchisor believes to be more reliable. The number of households will be determined in the aggregate and calculated

based on raw data and without regard to demographics or other qualifying factors and is not subject to future adjustment.

“**Performance and Royalty Report**” shall have the meaning defined and set forth in Article 5.B. of this Agreement.

“**Post-Term Restricted Period**” refers to and means the twenty-four (24) month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee Transfers this Agreement to another person or Corporate Entity. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Post-Term Restricted Period” means the eighteen (18) month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee Transfers this Agreement to another person or Corporate Entity.

“**Prohibited Activities**” shall have the meaning defined and set forth in Article 6.D. of this Agreement.

“**Published Content**” refers to and means any and all information, data, articles, blog posts, press releases, frequently asked questions, special offers, product information, service information, web posts, videos and other information relating to or concerning the Franchised Business, the System, or the Licensed Marks that is or was made available by Franchisee or Franchisee’s agents to the public in print or electronic media that is published, listed, made available, uploaded on, downloaded to or posted to Digital Media.

“**Renewal Fee**” shall have the meaning defined and set forth in Article 15.A. of this Agreement.

“**Renewal Term**” refers to and means the ten (10) year period that commences on the expiration of the Term and continues, unless earlier terminated pursuant to the terms of the then applicable GH Business renewal franchise agreement, for the ten (10) year period thereafter. The Renewal Term applies only if Franchisee is entitled to invoke and does invoke Franchisee’s renewal rights in accordance with the terms of this Agreement including, but not limited to, Article 15 of this Agreement and the applicable GH Business renewal franchise agreement.

“**Reserved Rights**” shall have the meaning defined and set forth in Article 2.D. of this Agreement.

“**Restricted Territory**” refers to and means the geographic area: (a) comprising Franchisee’s Operating Territory; (b) comprising a twenty-five (25) mile radius surrounding Franchisee’s Operating Territory (or, if Franchisee is not granted or designated an operating territory, then a twenty-five (25) mile radius surrounding Franchisee’s Operations Center); (c) comprising each of the operating territories, respectively, of other GH Businesses that are in operation or under development during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within Franchisee’s Operating Territory plus a twenty-five (25) mile radius surrounding Franchisee’s Operating

Territory or, if Franchisee is not granted or designated an operating territory, then a twenty-five (25) mile radius surrounding Franchisee's Operations Center.

**"Royalty Fee(s)"** shall have the meaning defined and set forth in Article 5.B. of this Agreement. If any federal, state or local tax other than an income tax is imposed upon the Royalty Fee paid by Franchisee to Franchisor which, Franchisor cannot directly and, dollar for dollar, offset against taxes required to be paid by Franchisor under any applicable federal or state laws, Franchisee must compensate Franchisor in the manner prescribed by Franchisor so that the net amount or net rate received by Franchisor is not less than that which has been established by this Agreement and which was due to Franchisor on the effective date of this Agreement.

**"Royalty Rate"** shall have the meaning defined and set forth in Article 5.B. of this Agreement.

**"Scheduled Business Commencement Date"** refers to and means the date that occurs on the nine (9) month anniversary of the Effective Date of this Agreement.

**"Spouse"** refers to and means the legal spouse of an Owner as of the Effective Date.

**"Standard Operating Territory"** Refers to and means an Operating Territory comprised of a geographic area that includes approximately 150,000 households. Franchisor, in Franchisor's Reasonable Business Judgment, maintains the sole and exclusive discretion as to what constitutes a Standard Operating Territory and the calculation of the approximate number of households located within a Standard Operating Territory. The determination as to the approximate number of households within a Standard Operating Territory is made by Franchisor as of the Effective Date of this Agreement based on U.S. Census Bureau data or other publicly available data that Franchisor believes to be more reliable. The number of households be determined in the aggregate and calculated based on raw data and without regard to demographics or other qualifying factors and is not subject to future adjustment.

**"Supplemental Training"** shall have the meaning defined and set forth in Article 4.A. of this Agreement.

**"Supplemental Training Fee"** shall have the meaning defined and set forth in Article 4.A. of this Agreement.

**"Supplier Evaluation Fee"** refers to and means the fee determined by Franchisor, in Franchisor's Reasonable Business Judgment, and based upon the fees and/or expenses incurred by Franchisor in connection with the evaluation of a request by Franchisee for Franchisor's consideration and/or review of a potential supplier. Under no circumstance is Franchisor required to approve of suppliers requested by Franchisee.

**"System"** shall have the meaning defined in the "Recitals" section of this Agreement and is further supplemented, as follows: without limitation to the Recitals section of this Agreement and supplementing the definition and meaning of the term "System", System shall be defined to further include and mean: (a) the Approved Services and Products, System Equipment and Supplies and the services, procedures and systems that are designated by Franchisor, whether presently

or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a GH Business; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a GH Business; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by Franchisor in Franchisor's Reasonable Business Judgment.

**“System Equipment and Supplies”** refers to and means the equipment and supplies designated by Franchisor as required for use in connection with Franchisee's GH Business and the Approved Services and Products. Without limitation to the foregoing, the System Equipment and Supplies shall include branded, non-branded and third-party branded equipment and supplies designated by us for use in the day-to-day operations of the Franchised Business and GH Businesses: products, building equipment, building supplies, building designs, installation kits, uniforms, stationary, sales slips, receipts, customer notices and other forms and materials, designated by us in the Operations Manual and/or otherwise in writing and, as may be modified and supplemented by us from time to time in our Reasonable Business Judgment. System Equipment and Supplies shall further include those products that we authorize for sale to customers of GH Businesses.

**“System Website”** refers to and means the web page and/or pages located on the world wide web at the GHBuildersUSA.com URL (uniform resource locator) and shall further include all webpages and subdomains (including those that are franchisee and/or geography specific) that are a part of the System Website, or as designated by Franchisor being associated with the URL of the System Website and/or GH Businesses.

**“Term”** refers to and means the period of time set forth and defined in Article 2.B. of this Agreement and, the Renewal Term if Franchisee invokes Franchisee's renewal rights in accordance with the terms of this Agreement.

**“Territory Rules”** shall have the meaning defined and set forth in Article 3.J. of this Agreement.

**“Trade Dress”** refers to and means the GH Business designs, images, marketing materials, packaging, branding and/or branding images which Franchisor authorizes and requires Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by Franchisor from time to time.

**“Training Program”** shall have the meaning defined and set forth in Article “4.A” of this Agreement.

**“Transfer”** refers to and means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien

or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.

“**Transfer Fee**” shall have the meaning defined in Article 14.C.(11) of this Agreement. The Transfer Fee is a fixed sum of Ten Thousand Dollars (\$10,000).

## **ARTICLE 2** **GRANT OF FRANCHISE**

### **2.A. GRANT OF FRANCHISE**

Franchisee has requested that Franchisor grant to Franchisee the non-exclusive license and right to develop, own and operate a GH Business within a specified territory. In reliance on the representations made by Franchisee and/or Franchisee’s Owners in any submitted application and during the application process, including, without limitation, the Franchise Disclosure Questionnaire and Representations Statement attached to this Agreement as Exhibit 3 and, subject to the terms and conditions of this Agreement, Franchisee’s request has been approved by Franchisor, subject to the following terms and conditions:

- (1) During the Term of this Agreement and subject to the rights of Franchisor including, but not limited to, the Reserved Rights, Franchisor grants to Franchisee and Franchisee accepts, the non-exclusive license, right and obligation to develop and operate a GH Business within the Operating Territory;
- (2) If, as of the Effective Date, Franchisee has selected a proposed Operations Center that Franchisor approves as Franchisee’s Operations Center, then the location of Franchisee’s Operations Center shall be identified in Schedule 2 of this Agreement;
- (3) If, as of the Effective Date, Franchisee has not selected a proposed Operations Center location that is approved by Franchisor in Schedule 2 to this Agreement, and/or Schedule 2 to this Agreement is left incomplete as to the specific location of Franchisee’s Operations Center, Franchisee must locate, identify and secure an Operations Center for the Franchised Business in accordance with the terms of this Agreement, including the requirement that Franchisee must obtain Franchisor’s approval of Franchisee’s Operations Center. If, after the Effective Date, Franchisee proposes and Franchisor approves of Franchisee’s proposed Operations Center, such approval must be in writing and must be evidenced by Franchisor’s execution of Exhibit 5 with a specific Operations Center location designated and identified in Exhibit 5;
- (4) Franchisee must manage the Franchised Business from Franchisee’s Operations Center located within Franchisee’s Operating Territory;

(5) Franchisee may only operate the Franchised Business within Franchisee's Operating Territory and, without limitation to the foregoing, Franchisee may only offer and sell the Approved Services and Products within Franchisee's Operating Territory and in accordance with the requirements set forth in the Operations Manual;

(6) Except as otherwise provided in this Agreement including, but not limited to, the Reserved Rights, provided that, at all times Franchisee is and remains in compliance with all of the terms and provisions of this Agreement, during the Term of this Agreement, neither Franchisor nor any affiliate of Franchisor will establish or operate, or grant a franchise to any third-party to operate, a GH Business using the Licensed Marks and System within Franchisee's Operating Territory (provided that an Operating Territory has been designated and approved by Franchisor in accordance with the terms of this Agreement); and

(7) The foregoing rights granted in this Article 2.A. are subject to and contingent upon each and every, term and condition of this Agreement, the rights of any prior user, and are non-exclusive and subordinate to the Reserved Rights.

## **2.B. TERM**

Unless previously terminated pursuant to the terms of this Agreement, the term of this Agreement will be for a period of 10 years, commencing as of the Effective Date (the "Term").

## **2.C. OWNERS AND SPOUSE AGREEMENT, INDIVIDUAL GUARANTEES, CONFIDENTIALITY AND RESTRICTIVE COVENANTS**

If Franchisee is, at any time, a Corporate Entity, Franchisee agrees that each Owner and their respective Spouse shall execute, sign and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and, in doing so, among other things, will jointly and severally guarantee Franchisee's obligations and personally bind themselves to confidentiality and non-competition covenants and restrictions. Without limitation to and as a supplement to the foregoing, each Owner shall be bound by the provisions, obligations and responsibilities set forth in this Agreement by executing the Joinder Agreement attached to this Agreement as Exhibit 2.

## **2.D. RESERVATION OF RIGHTS**

Franchisor on behalf of itself, its affiliates and its assigns retains all rights, on any and all terms and conditions that Franchisor deems advisable and without any compensation or consideration to Franchisee to engage in the following activities (the "Reserved Rights"): (a) operate and grant to others the right to operate a franchised business, GH Business and/or other businesses using the System and Licensed Marks at locations outside Franchisee's Operating Territory; (b) acquire or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive Businesses, and after such acquisition, merger or affiliation to own and operate and to franchise or license others to own and operate and to continue to own and operate such businesses, including Competitive Businesses (but not utilizing the Licensed Marks) within Franchisee's Operating Territory; (c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive Businesses, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and

operate such businesses, including Competitive Businesses (but not utilizing the Licensed Marks) within Franchisee's Operating Territory; (d) use the Licensed Marks and System to distribute the Approved Services and Products or products and services similar to the Approved Services and Products in Alternative Channels of Distribution within or outside Franchisee's Operating Territory; and (e) use the Licensed Marks and System and to license others to use the Licensed Marks and System to engage in all other activities not expressly prohibited by this Agreement.

## **2.E. MODIFICATION OF SYSTEM**

Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right, at all times, to supplement, modify, alter and/or amend the System. Franchisee shall promptly comply with all such modifications to the System whether such modification(s) results in the addition, subtraction, modification and/or enhancement to any and/or all components of the System. Franchisor shall provide Franchisee with a reasonable time period to comply with any change or modification to the System which shall be communicated in writing by Franchisor to Franchisee, including, but not limited to, modifications, updates, amendments and changes made by the Franchisor to the Operations Manual. Franchisor's modifications to the System shall not materially alter Franchisee's fundamental rights under this Agreement.

## **2.F. OWNERSHIP OF CORPORATE ENTITY**

If Franchisee is a Corporate Entity, Franchisee represents that the information contained in Schedule 3 to this Agreement is true and accurate.

# **ARTICLE 3 FRANCHISEE'S DEVELOPMENT, COMMENCEMENT AND OPERATION OF THE FRANCHISED BUSINESS**

## **3.A. COMMENCEMENT OF THE FRANCHISED BUSINESS**

Franchisee must develop and open the Franchised Business to the public and, commence the day-to-day operations of the Franchised Business, on or before the Scheduled Business Commencement Date. Notwithstanding the foregoing, Franchisee agrees that prior to opening and commencing the operations of the Franchised Business, Franchisee must, as determined by Franchisor: (a) be in compliance with the terms and conditions of this Agreement; (b) have satisfied the pre-opening obligations designated by Franchisor in the Operations Manual; (c) have completed and satisfied the training obligations designated by Franchisor; and (d) obtained Franchisor's written consent to open.

## **3.B. OPERATIONS OF THE FRANCHISED BUSINESS**

At all times, the Franchised Business shall: (a) be exclusively operated from an approved Operations Center located within the Operating Territory; (b) exclusively offer, sell and provide the Approved Services and Products; (c) ensure that the Approved Services and Products are only offered and provided by Franchisee through employees and/or Owners that have, to Franchisor's satisfaction, completed the training requirements and Training Programs required by Franchisor; (d) exclusively utilize, maintain and stock in inventory the System Equipment and Supplies in such quantities and as designated by Franchisor; (e) exclusively purchase the System Equipment and Supplies from the supplier and/or suppliers, vendor and/or vendors approved by Franchisor and designated by Franchisor, in Franchisor's Reasonable Business Judgment; (f) be exclusively managed and operated by Franchisee or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner; and (g) be

operated in conformity with the Operations Manual as such Operations Manual exists as of the Effective Date of this Agreement and as the Operations Manual may be modified and supplemented from time to time in the future by Franchisor, in Franchisor's Reasonable Business Judgment. At all times Franchisee must maintain the necessary licenses and permits and those licenses and permits recommended and/or required by Franchisor in connection with Franchisee's ownership and operation of the Franchised Business.

### **3.C. FRANCHISEE'S OPERATIONS CENTER**

At all times Franchisee must operate the Franchised Business from an Operations Center that conforms to Franchisor's standards and specifications and such other requirements as set forth in the Operations Manual. Franchisee must obtain Franchisor's written approval of the location of Franchisee's Operations Center. If permitted by applicable laws, rules and regulations including, but not limited to, local zoning laws and regulations (to be independently verified by Franchisee) Franchisee may designate Franchisee's personal residence as Franchisee's Operations Center provided that such residence is located within the Operating Territory. Otherwise, Franchisee must develop Franchisee's Operations Center from a commercial location located within the Operating Territory. As applicable, Franchisor will furnish Franchisee with Franchisor's then-current preliminary plans and specifications for an Operations Center.

Franchisee shall develop, operate and manage the Franchised Business from an Operations Center, that: (a) was identified and evaluated by Franchisee; (b) complies with the terms and conditions of this Agreement; (c) satisfies and meets Franchisor's standards and specifications; (d) is timely presented by Franchisee to Franchisor for approval as Franchisee's proposed Operations Center; (e) is approved by Franchisor as Franchisee's Operations Center; (f) is timely secured by Franchisee within one hundred and twenty (120) days of the Effective Date of this Agreement, as evidenced by a binding lease with a duration equal to the full Term of this Agreement; (g) is and, at all times, shall be exclusively dedicated to the operation of the Franchised Business; and (h) otherwise meets the terms and conditions of this Agreement and Franchisor's standards and specifications.

Franchisee will not lease, purchase or otherwise acquire a proposed Operations Center until such information as Franchisor may require as to the proposed Operations Center has been provided to Franchisor by Franchisee and, Franchisor has approved the location in accordance with the terms and conditions of this Agreement. Franchisor shall respond to Franchisee's request for approval of a proposed Operations Center within a reasonable time period but not exceeding thirty (30) days following Franchisor's receipt, from Franchisee, of complete written information about Franchisee's proposed Operations Center. If Franchisor rejects or disapproves Franchisee's proposed Operations Center, Franchisee must nevertheless identify and obtain Franchisor's approval of a proposed Operations Center within the time requirements set forth in this Agreement. Franchisor's disapproval of a proposed Operations Center shall not serve as a basis to extend any deadline or requirement set forth in this Agreement.

Franchisor's approval of Franchisee's proposed Operations Center is not and does not constitute a representation or warranty by Franchisor of any kind other than that Franchisor does not object to or disapprove of Franchisee's proposed Operations Center. No provision of this Agreement shall be construed or interpreted to impose an obligation on Franchisor to locate an Operations Center for the Franchised Business, to assist Franchisee in the selection of a suitable Operations Center for the Franchised Business or to provide assistance to the Franchisee in the purchase or lease of an

Operations Center.

**3.D. FURNITURE, FIXTURES, EQUIPMENT AND SIGNS**

Franchisee agrees to use in the construction and operation of Franchisee's Operations Center only those types of construction and decorating materials, fixtures, equipment, furniture, and signs that Franchisor has approved or designated in the Operations Manual for Franchised Business as meeting Franchisor's specifications and standards for appearance, function and performance. Franchisee shall purchase approved or designated types of construction and decorating materials, fixtures, equipment, furniture and signs including, but not limited to, System Equipment and Supplies, only from suppliers approved or designated by Franchisor (which may include Franchisor and/or its affiliates) from time-to-time in writing and/or in the Operations Manual.

**3.E. ON-GOING PURCHASE OF EQUIPMENT AND SUPPLIES**

At all times during the Term of this Agreement and in connection with the day-to-day operations of the Franchised Business, Franchisee shall exclusively utilize the System Equipment and Supplies and Franchisee shall exclusively purchase the System Equipment and Supplies from the supplier and/or suppliers and vendor and/or vendors designated by Franchisor from time-to-time. Franchisee expressly acknowledges and agrees that control over the nature, quality, branding and source of the System Equipment and Supplies is critical to the System and that irrespective of the availability of substitute products, supplies, equipment and/or sources of supply, Franchisee shall only utilize the System Equipment and Supplies as designated by Franchisor and only from those suppliers designated and approved by Franchisor. Franchisee further acknowledges and agrees that in many instances Franchisor and/or Franchisor's affiliates may be and/or may become the sole and exclusive supplier of the System Equipment and Supplies.

**3.F. BUSINESS MANAGEMENT SYSTEM**

At all times, Franchisee shall exclusively utilize the Business Management System(s) designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified, supplemented or replaced by Franchisor from time to time. Franchisee cannot substitute or replace the Business Management System in favor of any substitutes or other systems. Franchisee shall pay the then-current Business Management System Fee on a monthly basis in the same manner as the Royalty Fee. To the extent that the Business Management System is hosted, maintained, licensed or operated by third-party suppliers Franchisee shall purchase, license and maintain such Business Management System and/or systems from such third-party suppliers designated by Franchisor and subject to Franchisor's standards and specifications. To the extent that the Business Management System(s) designated is/are internet or cloud-based systems with accounts and data (including accounts and data associated with the Franchised Business) stored off-site, Franchisor, in Franchisor's Reasonable Business Judgment, may require that Franchisee's license, utilization and use of the Business Management System occur through accounts registered to Franchisor, controlled by Franchisor or licensed through Franchisor. To the extent that the Business Management System(s) is/are stored locally on computer systems maintained by Franchisee, then Franchisee shall provide Franchisor with internet and complete remote access to such systems. Franchisor may be and/or become the exclusive supplier and/or reseller of the Business Management System.

Franchisee shall be responsible for initial license fees, training fees and continuing monthly license

fees required for continued and mandatory access and utilization of the Business Management System. Such fees shall be designated and determined by Franchisor, in Franchisor's Reasonable Business Judgment or by the suppliers designated by Franchisor and approved by Franchisor in Franchisor's Reasonable Business Judgment, and shall be paid to Franchisor and/or to the third-party supplier(s) approved by Franchisor. Franchisee must complete training, purchase and license the Business Management System(s) no later than forty-five (45) days prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date.

Supplementing and without limitation to the foregoing, Franchisee acknowledges that the Business Management System will contain proprietary and confidential information owned by Franchisor and related to the System, and that:

- (1) Franchisee shall use the Business Management System and the Business Management System Data exclusive benefit of the Franchised Business and in accordance with the terms of this Agreement and Franchisor's standards and specifications as set forth in the Operations Manual;
- (2) All rights in and to the Business Management System are non-transferable and non-assignable to Franchisee and shall be utilized by Franchisee subject to the terms and conditions of this Agreement, Business Management System licenses that Franchisor may approve of and otherwise as determined by Franchisor in Franchisor's Reasonable Business Judgment;
- (3) As between Franchisee and Franchisor, Franchisor is and shall be the exclusive owner of the Business Management System Data, except that Franchisee shall store and maintain such data in accordance with all applicable local, state and federal privacy, data collection and solicitation laws. Among other things, upon expiration or termination of this Agreement for any reason, Franchisee shall preserve and maintain the Business Management System data for the purpose of transferring such data to Franchisor;
- (4) At all times, Franchisee shall provide and permit Franchisor to maintain direct and independent access to the Business Management System and the Business Management System Data and to duplicate and evaluate data the Business Management System Data If applicable, upon Franchisor's request, Franchisee shall electronically transfer and transmit to Franchisor all Business Management System Data;
- (5) When instructed by Franchisor, Franchisee shall upgrade, replace and modify the Business Management System;
- (6) Franchisee shall promptly disclose to Franchisor all ideas and suggestions for modifications or enhancements to the Business Management System, to the configuration and templates associated with the Business Management System and that Franchisor shall have the right to use such ideas and suggestions and that Franchisee shall not receive or obtain any ownership rights or interests in any modifications or enhancements to the Business Management Software;

(7) Other than permitting access to employees of the Franchised Business for the purpose of conducting the authorized operations of the Franchised Business, Franchisee shall not permit nor allow any third party to access, utilize or duplicate the Business Management System or the Business Management System Data without Franchisor's prior written consent;

(8) Franchisee shall keep and maintain the Business Management System and the Business Management System Data as secret and confidential and Franchisee shall maintain security precautions to maintain the confidentiality and secrecy of the Business Management and to prevent the unauthorized access or use;

(9) Franchisee shall keep and maintain the Management Software System and all information, data and templates stored, entered and/or maintained thereon as confidential, as containing trade secrets of Franchisor that we have entrusted to Franchisee in confidence to use only as Franchisor authorizes; and

(10) In no event shall Franchisor be liable to Franchisee for any damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to Franchisee's use or, Franchisee's inability to use, the Business Management System even if Franchisor has been advised of the possibility of such damages, or for any claim by any other party including the software manufacturer. The foregoing limitations of liability are intended to apply without regard to whether other provisions of the Agreement have been breached or proven ineffective.

### **3.G. DIGITAL MEDIA, SYSTEM WEBSITE AND TELEPHONE NUMBERS**

Franchisee acknowledges the significance of Digital Media to the System and necessity for Franchisor's control over Digital Media. Between Franchisor and Franchisee, Franchisor is the absolute owner of the Digital Media. Franchisee shall not utilize, access or open accounts regarding or related to Digital Media unless expressly approved by Franchisor in writing which approval Franchisor may withhold, condition or limit as determined by Franchisor in Franchisor's Reasonable Business Judgment and which approval, if given, shall be limited to the marketing and promotion of the Franchised Business in accordance with Franchisor's standards and specifications. Upon expiration or termination of this Agreement for any reason, any prior authorization by Franchisor as to Franchisee's right to utilize the Digital Media and/or otherwise as to any rights of Franchisee in or to the Digital Media shall be automatically terminated and, at Franchisor's election, the right to any and all accounts and/or sites (if any) associated with Digital Media utilized by Franchisee shall be transferred to Franchisor. Under no circumstance shall Franchisee utilize the Digital Media for purposes of or with the effect of libeling or disparaging another nor shall Franchisee violate any copyrights – as to such actions as between Franchisee and any third party, Franchisee is exclusively responsible for disparagement, libel and/or copyright infringement if Franchisee published and/or caused such content to be published.

Franchisee agrees that Digital Media and/or Published Content, if permitted by Franchisor, must be approved by Franchisor prior to publication or use in any form. Digital Media and Published content that is approved by Franchisor or that otherwise is acceptable to Franchisor as meeting Franchisor's standards shall be owned by Franchisor. As between Franchisor and Franchisee, any and all interest

and right in or to the Digital Media and/or Published Content shall, at all times, be and is the exclusive property of Franchisor both during the Term of this Agreement and upon the expiration or termination of this Agreement. Franchisee agrees that the System Website and all improvements and modifications made to the System Website, Digital Media, and Published Content is and shall be the exclusive property of Franchisor. During the Term of this Agreement and subject to Franchisee's compliance with the terms and conditions of this Agreement, the System Website, shall include information related to the Franchised Business as shall be determined and designated by Franchisor in Franchisor's Reasonable Judgment.

Franchisee agrees that in the event of the termination of this Agreement, for any reason, that the accounts related to all telephone numbers associated with the Franchised Business and all rights in and to the telephone numbers associated with the Franchised Business, shall, at Franchisor's election, be transferred to Franchisor.

Without limitation to the foregoing, Franchisee shall, upon the request of Franchisor, execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Exhibit 6. Upon the request of Franchisor, Franchisee shall execute, update, and/or re-execute the Assignment of Telephone Numbers and Digital Media agreement upon the request of Franchisor. As between Franchisor and all third parties, Franchisee does hereby represent and acknowledge that such third-party is authorized to rely on the Assignment of Telephone Numbers and Digital Media agreement, irrespective of any dispute and/or controversy between Franchisor and Franchisee and irrespective of any contrary instructions of Franchisee.

### **3.H. RELOCATION OF FRANCHISEE'S OPERATIONS CENTER**

Under no circumstance shall Franchisee relocate Franchisee's Operations Center to a facility or location located outside the Operating Territory. To the extent that Franchisee wishes to relocate Franchisee's Operations Center to a suitable commercial facility located within the Operating Territory then Franchisee must obtain Franchisor's prior written consent which shall not be unreasonably withheld provided that Franchisee is in compliance with the terms and conditions of this Agreement and provided that the new location and/or facility meets Franchisor's then current standards and specifications.

### **3.I. OUT OF TERRITORY SERVICE**

The license and rights granted to Franchisee in this Agreement are limited to, among other things, the Operating Territory, the grant of franchise rights set forth in Article 2.A. of this Agreement, and the reservation of rights set forth in Article 2.D. of this Agreement. Subject to the existence of an Open Area and Franchisee's compliance with following rules and requirements ("Territory Rules"), Franchisee may provide the Approved Services and Products on behalf of customers located within an Open Area:

#### Territory Rules

- (1) Franchisee must conduct the operations of the Franchised Business from within Franchisee's Operating Territory and Franchisee must provide the Approved Services and Products on behalf of customers located within Franchisee's Operating Territory. The marketing of the Franchised Business must be targeted to Franchisee's Operating Territory

and, at all times, must conform and comply with, among other things, the restrictions set forth in Article 9.F of this Agreement;

(2) Provided that Franchisee: (i) does not engage in any Direct Solicitation of customers or potential customers outside of Franchisee's Operating Territory or within the Operating Territory of another GH Business, (ii) Franchisee does not otherwise violate the restrictions set forth in Article 9.F of this Agreement, and (iii) in each instance Franchisee provides Franchisor with an Out of Territory Service Request that, in writing, is approved by Franchisor, Franchisee's GH Business may, on a non-exclusive basis, provide Approved Services and Products to a customer within an Open Area. Franchisee acknowledges and agrees that Franchisee must obtain Franchisor's approval in each and every instance and that Franchisor may reject or disapprove of Franchisee's Out of Territory Service Request in Franchisor's Reasonable Business Judgment;

(3) Once an Open Area becomes an Assigned Area, Franchisee shall cease communicating with customers previously serviced by Franchisee in the Open Area and Franchisee shall turnover to Franchisor (for the benefit of another GH Business) all information and records related to the Approved Services and Products provided within the Open Area.

Nothing contained in this Article 3.I shall expand either the non-exclusive franchise rights granted to franchisee in Article 2 of this Agreement or, Franchisee's Operating Territory and, in the event of any inconsistency or conflict between the terms of this Article 3.I and Article 2, Article 2 shall take precedence and govern.

#### **ARTICLE 4** **TRAINING AND OPERATING ASSISTANCE**

##### **4.A. INITIAL TRAINING, SUPPLEMENTAL TRAINING AND SYSTEM-WIDE TRAINING**

(1) Within forty-five (45) days of the earlier of the Scheduled Business Commencement Date or the Actual Business Commencement Date, Franchisee's Managing Owner and one manager must complete, to Franchisor's satisfaction, Franchisor's initial training program (the "Training Program").

Franchisor will provide Franchisee (comprised of Franchisee's Managing Owner, and one designated manager) with Franchisor's Training Program. If Franchisee would like more than two individuals to attend the initial Training Program, subject to Franchisor's approval, Franchisee shall pay to Franchisor an additional fee of Three Hundred Dollars (\$300) per additional person per day attending the Training Program. Prior to opening and commencing the operations of the Franchised Business, the Managing Owner and other personnel as designated or determined by Franchisor, must attend and successfully complete the Training Program designated by Franchisor. The training is conducted remotely through on-line web based conferencing. Following completion of the initial Training Program, Franchisee shall be responsible for the ongoing training of Franchisee's employees, staff and all other employees of the Franchised Business. Said on-going training must conform to Franchisor's standards and specifications. The Training Program shall be structured, configured and established by Franchisor from time to time. The Training Program may be structured so that it is offered and completed by Franchisee in various phases which may require participation in interactive

Webinar type sessions and on- site training at the training site designated by the Franchisor.

(2) Franchisee (or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner) and Manager, at Franchisee's sole cost and expense, must attend and successfully complete all refresher training courses or system-wide training courses, additional training programs and seminars as Franchisor periodically may designate or offer in Franchisor's Reasonable Business Judgment, including any Annual Online Training program for all system franchisees. Franchisee acknowledges and agrees that Franchisee will be required to complete any Annual Online Training designated by Franchisor and further agrees to pay the then-current Annual Online Training Fee for each training attended. Franchisor provides instructors and training materials for those programs and seminars, but Franchisor reserves the right to assess Franchisee reasonable charges for such training. Franchisee is responsible for all expenses Franchisee and Franchisee's employee incur in connection with attendance and participation in these programs and seminars, including, without limitation, the cost of transportation, lodging, meals and any salaries and other wages.

(3) Franchisee shall pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, lodging, food, automobile rental, travel costs and all other expenses for those persons who, on behalf of Franchisee, attend and participate in the Training Program. If the Training Program is provided at the Franchised Business by a representative of Franchisor (provided that Franchisor, in Franchisor's sole discretion, elects to do so), then the Franchisee will pay for the reasonable travel costs, lodging, food, automobile rental and other expenses incurred by Franchisor's representative in connection with such training.

(4) Subject to Franchisor's approval and agreement, Franchisor may offer supplemental training to Franchisee at Franchisee's Operations Center (hereinafter referred to as "Supplemental Training"). Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right to reject or approve of any request by Franchisee for Supplemental Training. If Franchisor does agree to offer and provide Supplemental Training, Franchisee shall pay to Franchisor a supplemental training fee at the rate of Three Hundred Dollars (\$300) per on-site trainer per day plus reimbursement of the travel and hotel accommodation expenses that Franchisor's trainers reasonably incur (the "Supplemental Training Fee"). Franchisee agrees that if Franchisee is in breach of this Agreement due to the operations of the Franchised Business, Franchisor may require that Franchisee participate in and pay for Supplemental Training.

(5) If the Franchised Business experiences turnover, each newly hired Manager must, prior to being able to work in the Franchised Business, complete at Franchisee's expense, Franchisor's initial Training Program at a location and facility designated by Franchisor. In connection with such training, if training occurs (subject to Franchisor's discretion) at a GH Operations Center or such other training facility designated by Franchisor, Franchisee shall pay to Franchisor a training fee of Three Hundred Dollars (\$300) per trainee, per day for each Manager attending Franchisor's Training Program. Notwithstanding the foregoing, Franchisor, in Franchisor's sole discretion, may treat such training as Supplemental Training and provide the Training Program on-site at Franchisee's Operations Center wherein

Franchisee shall pay to franchisor the fees and reimburse Franchisor of the expenses set forth in Article 4.A.(4), above.

(6) Franchisor, in Franchisor's Reasonable Business Judgment must approve of all individuals attending and participating in the Training Program and all Supplemental Training programs. All participants in the Training Program must qualify as either an Owner or Operating Manager and, prior to training, among other things, must have executed the Franchise Owner and Spouse Agreement and Guaranty or the Confidentiality Agreement, respectively.

#### **4.B. OPERATING ASSISTANCE**

From time to time as determined by Franchisor in Franchisor's Reasonable Business Judgment, Franchisor shall advise Franchisee of those applicable standards, procedures and System requirements in connection with Franchisee's operation of the Franchised Business. Operating assistance may, as determined by Franchisor, in Franchisor's sole discretion, consist of:

- (1) Establishing and communicating to franchisee operating procedures, improvements to the System and modifications to the System in connection with the Franchisee's operation of the Franchised Business, the Approved Services and Products, equipment to be purchased and utilized by Franchisee and those systems and procedures to be utilized by Franchisee in connection with Franchisee's training of service employees and Franchisee's marketing and promotion of the Franchised Business;
- (2) Establishing and communicating additional and/or modified Approved Services and Products that may be authorized for GH Businesses;
- (3) Modifying the Approved Services and Products authorized for GH Businesses;
- (4) Establishing and communicating marketing and promotion standards and base campaigns that are authorized for use by franchisees in connection with the operation and promotion of GH Businesses;
- (5) Establishing and communicating advertising and promotional programs and standards for use by franchisees in connection with the operation and promotion of GH Businesses;
- (6) Approving or disapproving of Franchisee's requests to utilize marketing and promotion materials and media not previously authorized by Franchisor;
- (7) Establishing and communicating administrative and general operating procedures for use by franchisees in connection with the operation of GH Businesses;
- (8) Establishing, updating, revising and communicating a list(s) of approved suppliers of products, supplies, equipment, software systems and marketing related services including, but not limited to the System Equipment and Supplies, as Franchisor deems appropriate and as may be otherwise designated by Franchisor in Franchisor's Reasonable Business Judgment;

- (9) Coordinating an Annual System Conference for System franchisees that are in good standing with Franchisor. Franchisee shall be responsible for all expenses of its personnel attending the annual meeting including travel, meals and lodging. Franchisee shall be required to pay to Franchisor an Annual Conference Attendance Fee. Franchisee agrees that if Franchisee fails to attend the Annual System Conference that Franchisor shall, nevertheless, charge and Franchisee shall pay the Annual Conference Attendance Fee – even if Franchisor waives such fee for franchisees who attend the Annual System Conference. No more than two individuals may attend the Annual System Conference on behalf of Franchisee; and
- (10) Establish and communicate guidance to Franchisee in the form of the Operations Manual and as Franchisor, in Franchisor’s sole discretion, deems appropriate in the form bulletins or other written materials, telephonic consultations and/or consultations at the offices of Franchisor.

#### **4.C. OPERATIONS MANUAL**

Franchisor shall loan to Franchisee during the term of the franchise one copy (in digital format or in print, as determined by Franchisor) of the Operations Manual. The Operations Manual contains mandatory and suggested specifications, standards and operating procedures that Franchisor prescribes for GH Businesses and information relative to other obligations of Franchisee. Franchisee must operate the Franchised Business in accordance with the specifications and requirements set forth in the Operations Manual and as same may be modified, supplemented and/or changed by Franchisor from time to time. Franchisor has the right to add to, and otherwise modify, the Operations Manual to reflect changes in the Approved Services and Products, GH Business System Equipment and Supplies, specifications, standards and operating procedures of a GH Business. Franchisee must keep its copy of the Operations Manual current and in a secure location at Franchisee’s Operations Center. If the Operations Manual is provided to Franchisee in electronic format, Franchisee shall not permit third party access to the Operations Manual. The master copy of the Operations Manual that Franchisor maintains at Franchisor’s principal office controls if there is a dispute relative to the contents of the Operations Manual. Franchisee shall have a reasonable period of time to implement the changes in the System required by changes to the Operations Manual. Franchisor shall give Franchisee written notice of the changes required and the period of time within which the changes must be implemented by Franchisee. Without limitation to the foregoing, Franchisee may only offer and sell the Approved Services and Products and utilize the System Equipment and Supplies as designated by Franchisor, in Franchisor’s Reasonable Business Judgment, in the Operations Manual and in accordance with the terms, specifications and requirements set forth in the Operations Manual and as Franchisor may supplement and modify the Operations Manual from time to time or as Franchisor may otherwise designate in writing.

### **ARTICLE 5**

#### **FEES**

##### **5.A. INITIAL FRANCHISE FEE**

Upon execution of this Agreement Franchisee shall pay to Franchisor a non-recurring initial franchisee fee (the “Initial Franchise Fee”) of Sixty Thousand Dollars (\$60,000) for a Standard Operating Territory or Fifteen Thousand Dollars (\$15,000) for a Partial Operating Territory. If, at

the time of executing this Agreement, Franchisee elects to increase the size of Franchisee's Standard Operating Territory and Franchisor, in Franchisor's Reasonable Business Judgment, approves of Franchisee's request, then the Initial Franchise Fee for Franchisee's Standard Operating Territory shall be increased by Five Thousand Dollars (\$5,000) for each additional Zone added to Franchisee's Standard Operating Territory.

Classification of Franchisee's Operating Territory as a Standard Operating Territory, a Partial Operating Territory, a Standard Operating Territory that has been supplemented by one Zone, or a Standard Operating Territory that has been supplemented by two Zones, and, the corresponding Initial Franchise Fee, is set forth in Schedule "2" attached to this Agreement. The Initial Franchise Fee is fully earned by Franchisor upon execution of this Agreement and is not refundable.

## **5.B. ROYALTY FEES**

Throughout the Term of this Agreement, Franchisee shall pay to Franchisor a continuing monthly non-refundable royalty fee (the "Royalty Fee") in an amount equal to a percentage (the "Royalty Rate") of Franchisee's monthly Gross Sales. The Royalty Rate shall be five percent (5%) of Franchisee's monthly Gross Sales. The Royalty Fee shall be calculated on a monthly basis for each respective monthly Accounting Period.

The Royalty Fee is on-going and is payable in cash and calculation of the on-going Royalty Fee to be paid monthly (or based on such other Accounting Period designated by Franchisor) shall be on-going based on the Gross Sales for the previous monthly Accounting Period for each and every month throughout the Term of this Agreement. Royalty Fee payments will be paid monthly and sent by ACH and/or electronic funds transfer, due on the fifth of each monthly Accounting Period (for the preceding month and each month thereafter throughout the entire Term of this Agreement) or such other specific day of the month that Franchisor designates from time to time or for such other period that Franchisor may designate (the "Due Date") (the term Due Date is further defined in Article 1 of this Agreement). Upon the request of Franchisor and in no event not later than thirty (30) days prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date, Franchisee shall execute Franchisor's designated ACH Authorization form and such other authorization agreements, in the form proscribed by Franchisor, for preauthorized payment of Royalty Fees, and other amounts due from Franchisee under this Agreement, by electronic transfer of funds from Franchisee's bank account to the bank account that Franchisor designates. As of the Effective Date, Franchisor's current ACH Authorization that must be executed and complied with by Franchisee is attached hereto as Exhibit 8. Franchisor may require Franchisee to pay the Royalty Fees and other amounts due under this Agreement by means other than ACH and/or automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor's payment instructions.

On the Due Date each month, Franchisee shall report by telephone, electronic means, or in written form, as Franchisor directs, a performance and royalty report itemizing actual sales achieved by the Franchised Business and any deductions therefrom to arrive at the Gross Sales for the preceding monthly Accounting Period and other business and financial performance data designated by Franchisor (the "Performance and Royalty Report") and any other reports required under this Agreement. Franchisor shall have the right to verify such royalty payments from time to time, as it deems necessary in any reasonable manner. If Franchisee fails to have sufficient funds in its account or otherwise fails to pay any royalties due as of the Due Date, Franchisee shall owe, in addition to

such royalties, a late charge equivalent to the lesser of five percent (5%) per month of any late royalty payment or Fifty Dollars (\$50); provided, however, in no event shall Franchisee be required to pay a late fee at a rate greater than the maximum commercial contract interest rate permitted by applicable law. Further, if Franchisee fails to submit an accurate Performance and Royalty Report by the Due Date of each month for the preceding month, Franchisee must pay, in addition to royalties, a late charge in the amount of Fifty Dollars (\$50). Franchisor may require Franchisee to pay the Royalty Fees and other amounts due under this Agreement by means other than automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor's payment instructions.

#### **5.D. INTEREST, COLLECTION COSTS AND ATTORNEY FEES**

All unpaid obligations due from Franchisee to Franchisor under this Agreement (of any nature) shall automatically bear interest from the date due until paid at the lesser of: (a) twelve percent (12%) per annum, or (b) the maximum rate allowed by applicable law. However, if such past due obligation remains unpaid for more than thirty

(30) days, then the amount of the unpaid and past due obligation will bear simple interest at the lesser of eighteen percent (18%) simple interest per annum or the maximum legal rate allowable by applicable law. Furthermore, Franchisee will pay Franchisor for any and all costs incurred by Franchisor in the collection of such unpaid and past due obligations including, but not limited to, reasonable attorneys' fees.

Franchisee acknowledges that this Article 5.D. does not constitute Franchisor's agreement to accept payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 16.

#### **5.E. APPLICATION OF PAYMENTS**

Franchisor has sole discretion to apply any payments received from Franchisee or to offset any indebtedness of Franchisee to Franchisor to any past due indebtedness of Franchisee for Royalty Fees, Advertising Contributions, purchases from Franchisor or its affiliates, interest or any other indebtedness of Franchisee to Franchisor or its affiliates.

#### **5.F. WITHHOLDING PAYMENTS UNLAWFUL**

Franchisee agrees that under no circumstance is Franchisee entitled to withhold payments due to Franchisor under this Agreement. Among other things and without limitation to the foregoing, Franchisee expressly agrees that any claim by Franchisee as to the alleged non-performance of Franchisor's obligations shall not permit and/or entitle Franchisee to withhold payments due Franchisor under this Agreement.

#### **5.G GREEN HOME CERTIFICATE FEE.**

Franchisee shall pay a fee of One Hundred Fifty Dollars (\$150) for each green home certificate provided by Franchisor (the "Certification Fee"). Such payment shall be due upon Franchisor's completion of the audit of the home as specified in the Operations Manual.

**ARTICLE 6**  
**FRANCHISEE'S AND FRANCHISEE'S OWNERS**  
**RESTRICTIVE COVENANTS AND OBLIGATIONS**

**6.A. NECESSITY FOR RESTRICTIVE COVENANTS**

Franchisee agrees that only through the course of entering into this Agreement is Franchisee being provided with access to the System, Franchisor's training, use of the Licensed Marks and access to the Operations Manual and Confidential Information. Franchisee agrees that competition by Franchisee, Owners, Spouses and Immediate Family Members could jeopardize the entire System and cause irreparable harm to Franchisor and franchisees of GH Businesses. Accordingly, Franchisee and Franchisee's Owners (and Spouses) agree to comply with the restrictive covenants set forth in this Article 6 and throughout this Agreement.

**6.B. RESTRICTIVE COVENANTS: KNOW-HOW**

Franchisee agrees that Franchisee: (a) shall not use the Know-How in any business or capacity other than the operation of the Franchised Business pursuant to this Agreement; (b) shall maintain the confidentiality of the Know-how at all times; (c) shall not make unauthorized copies of documents containing any Know-How; (d) shall take all reasonable steps that Franchisor requires from time to time to prevent unauthorized use or disclosure of the Know-How; and (e) shall stop using the Know-How immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1 and (b) Franchisee's directors, officers, employees and agents where disclosure of the Know-How was necessary for the operation of the Franchised Business and where such director, officer, employee and/or agent previously executed and delivered to Franchisor the Confidentiality Agreement.

**6.C. RESTRICTIVE COVENANTS: CONFIDENTIAL INFORMATION**

Franchisee agrees that Franchisee: (a) shall not use the Confidential Information in any business or capacity other than the GH Business operated by Franchisee; (b) shall maintain the confidentiality of the Confidential Information at all times; (c) shall not make unauthorized copies of documents containing any Confidential Information; (d) shall take such reasonable steps as Franchisor may ask of Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (e) shall stop using the Confidential Information immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1; and (b) Franchisee's directors, officers, employees and agents where disclosure of the Confidential Information was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and delivered to Franchisor the Confidentiality Agreement in the form attached to this Agreement as Exhibit 4.

**6.D. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND IN-TERM NON-COMPETITION OBLIGATIONS**

Franchisee agrees that during the Term of this Agreement, Franchisee shall not engage in the following activities (the “Prohibited Activities”): (a) owning and/or having any legal or equitable interest (whether as an individual proprietor, owner, partner, member or shareholder of a Corporate Entity, or in any similar capacity) in a Competitive Business (other than owning an interest of three percent (3%) or less in a publicly traded company that is a Competitive Business); (b) operating, managing, funding and/or performing services (whether as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or in any similar capacity) for a Competitive Business; (c) diverting or attempting to divert any business or customers from Franchisor (or one of Franchisor’s affiliates or franchisees); and/or (d) inducing any customer or client of Franchisor (or of one of Franchisor’s affiliates or franchisees) or of Franchisee to any other person or business that is not a GH Business. Franchisee acknowledges that if Franchisee were to engage in the Prohibited Activities that such actions would be unfair, would constitute unfair competition and would cause harm to Franchisor, the System and other GH Business franchisees. Franchisee agrees that the foregoing covenants and obligations shall also apply to Franchisee’s Owners and Spouses and that Franchisee’s Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1.

#### **6.E. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND POST-TERMINATION NON-COMPETITION OBLIGATIONS**

Franchisee agrees that during the Post-Term Restricted Period Franchisee will not engage in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers/clients who are located within the Restricted Territory. If Franchisee is engaged in any Prohibited Activities during the Post-Term Restricted Period, Franchisee agrees that Franchisee’s Post-Term Restricted Period will be extended by the period of time during which Franchisee was engaging in the Prohibited Activity (any such extension of time will not be construed as a waiver of Franchisee’s breach or otherwise impair any of Franchisor’s rights or remedies relating to Franchisee’s breach). Franchisee agrees that the foregoing covenants and obligations shall also apply to Franchisee’s Owners and Spouses and that Franchisee’s Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1. Franchisee agrees that this restriction is fair and reasonable and that if Franchisee did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm Franchisor and the System.

#### **6.F. IMMEDIATE FAMILY MEMBERS.**

Franchisee acknowledges, agrees and represents that should Franchisee circumvent the restrictive covenants and obligations due to Franchisor under this Article 6 by disclosing Confidential Information and Know-how to an immediate family member (*i.e.*, parent, sibling, child, or grandchild) that Franchisor will and the System will be irreparably harmed. Franchisee acknowledges that if Franchisee or one of Franchisee’s Owners did disclose the Know-how to an immediate family member and the immediate family member of Franchisee or an Owner used the Confidential Information or Know-How to engage in activities that, for Franchisee, qualify as Prohibited Activities as defined above, that Franchisor and the System will be irreparably harmed. Franchisee agrees that as between Franchisee and Franchisor that Franchisee and Franchisee’s

Owners are in a better position to know if Franchisee permitted and/or provided an immediate family member with access to the Confidential Information and/or Know-How. Therefore, Franchisee agrees that Franchisee will be presumed to have violated the terms of this Agreement and, in particular, the restrictive covenants and obligations set forth in this Article 6 if any member of Franchisee's immediate family or the immediate family of an Owner (a) engages in any Prohibited Activities during any period of time during which Franchisee is prohibited from engaging in the Prohibited Activities or (b) uses or discloses the Confidential Information and/or Know-how. However, Franchisee may rebut this presumption by providing evidence conclusively demonstrating that neither Franchisee nor Franchisee's Owner(s) did not disclose the Confidential Information and Know-How and did not permit disclosure of the Confidential Information or Know-How to the family member of Franchisee or Franchisee's Owners. Franchisee agrees that the foregoing covenants, obligations, representations and burden of proof shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1.

#### **6.G. REASONABLENESS OF RESTRICTIVE COVENANTS AND OBLIGATIONS**

Franchisee agrees that: (a) the terms of this Article 6 are reasonable both in time and in scope of geographic area; and (b) Franchisee has sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Article 6. **Franchisee hereby waives any right to challenge the terms of this Article 6 as being overly broad, unreasonable or otherwise unenforceable.** Although Franchisee and Franchisor both believe that the restrictive covenants and obligations of this Article 6 to be reasonable in terms of scope, duration and geographic area, Franchisor may at any time unilaterally modify the terms of this Article 6 (provided that such modification is in writing and signed by Franchisor) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Post-Term Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon Franchisee under this Article 6 to ensure that the terms and covenants are enforceable under applicable law.

#### **6.H. BREACH OF RESTRICTIVE COVENANTS AND OBLIGATIONS**

Franchisee agrees that Franchisee's failure and/or Franchisee's Owner(s) failure to comply with the restrictive covenants and obligations set forth in this Article 6 will cause irreparable harm to Franchisor and/or other GH Business franchisees for which there is no adequate remedy at law. Therefore, Franchisee agrees that any violation of these Article 6 covenants and obligations by either Franchisee and/or any Owner(s) will entitle Franchisor to injunctive relief. Franchisee agrees that Franchisor may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of Franchisee, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the Franchisee and Franchisor agree that the amount of the bond shall not exceed One Thousand Dollars (\$1,000). Franchisor's remedies under this Article 6.H. are not exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**6.I. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS AND CUSTOMER INFORMATION**

Franchisee agrees that with regard to the Franchised Business all customer lists and their contents and information represent Confidential Information and constitute an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term of this Agreement and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods and products conceived or developed by Franchisee and Franchisee's affiliates, Owners, agents, and employees relating to the development and operation of GH Businesses. Franchisee hereby assigns to Franchisor and Franchisee agrees to procure from Franchisee's Owners, affiliates and employees' assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 6.I. Franchisor shall have no obligation to make any lump sum or on-going payments to Franchisee or Franchisee's Owners, affiliates or employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee will not use nor will Franchisee allow any other person or entity to use any such concept, method or product without obtaining Franchisor's prior written approval.

**ARTICLE 7  
OPERATING STANDARDS**

**7.A. OPERATIONS AND MAINTENANCE OF BRAND STANDARDS**

At all times, Franchisee and the Franchised Business shall, as designated by Franchisor in the Operations Manual and/or as otherwise designated by Franchisor in writing and, as may be modified by Franchisor from time-to-time: (a) exclusively offer and sell the Approved Services and Products; (b) exclusively purchase and utilize the System Equipment and Supplies; (c) maintain a complete and updated inventory and supply of System Equipment and Supplies; (d) maintain, update, replenish and replace Franchisee's System Equipment and Supplies; and (e) maintain, update, replenish and recondition Franchisee's Operations Center.

**7.B. MAINTENANCE, UPDATES AND UPGRADES**

At all times, Franchisee shall update, upgrade, maintain, replenish, replace and recondition Franchisee's System Equipment and Supplies, Service Vehicle(s), and, if applicable, Franchisee's Operations Center as specified by Franchisor in the Operations Manual and/or otherwise in writing, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time-to-time. Notwithstanding the foregoing, Franchisee expressly agrees that the foregoing obligations relate to brand standards and specifications associated with the Licensed Marks and the Approved Services and Products and that, at all times, Franchisee is and shall exclusively remain responsible for conditions involving the safety of customers and employees in connection with the operations of the Franchised Business.

**7.C. DAMAGE CAUSED BY CASUALTY**

If Franchisee's Operations Center, Service Vehicle(s) and/or System Equipment and Supplies is and/or are damaged or destroyed by fire or any other casualty, Franchisee must, as soon as practicable but in no event later than one (1) month after such casualty, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue until completion of the repairs or reconstruction, in order to restore Franchisee's Operations Center, Service Vehicle(s) and System

Equipment and Supplies, as applicable, to its original condition before casualty.

**7.D. ALTERATIONS TO THE FRANCHISEE'S OPERATIONS CENTER, SERVICE VEHICLES, AND FRANCHISEE'S EQUIPMENT AND SUPPLIES**

Franchisee shall not make any material alterations to Franchisee's System Equipment and Supplies, Franchisee's Service Vehicles or, Franchisee's Operations Center, System Equipment and Supplies, or Service Vehicles.

**7.E. UNIFORM IMAGE, STANDARDS, SPECIFICATIONS, PRODUCT PREPARATION, SERVICE DELIVERY AND PRODUCT REQUIREMENTS**

To ensure that the highest degree of uniformity, quality and service is maintained (as determined by Franchisor in Franchisor's Reasonable Business Judgment), Franchisee must use Franchisee's best efforts to operate the Franchised Business in strict conformity with the methods, standards and specifications of Franchisor as set forth in the Operations Manual and as Franchisor may, in Franchisor's Reasonable Business Judgment, otherwise prescribe in writing and modify from time-to-time.

Supplementing and without limitation to the foregoing, Franchisee agrees that Franchisee, in strict conformity with the methods, standards and specifications of Franchisor as set forth in the Operations Manual and as Franchisor may, in Franchisor's Reasonable Business Judgment, otherwise prescribe in writing and modify from time-to-time, shall:

- (1) Exclusively offer and sell the Approved Services and Products;
- (2) Exclusively utilize the System Equipment and Supplies and only those methods, procedures, production systems, and delivery systems as designated by Franchisor;
- (3) Exclusively utilize the System Equipment and Supplies, equipment, supplies, materials, uniforms, and forms as designated by Franchisor;
- (4) Exclusively utilize packaging, signs, goods, uniforms, and other materials displaying the Licensed Marks as designated by Franchisor, and obtain such items from suppliers designated by Franchisor;
- (5) Provide prompt, courteous, and efficient service to customers;
- (6) Maintain ordinary and regular business hours as required by Franchisor;
- (7) Adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in dealing with customers and suppliers of the Franchised Business;
- (8) Conduct all advertising and promotion of the Franchised Business in strict compliance with Franchisor's standards and specifications and to the highest standards of ethical advertising;

- (9) Refrain from any business or advertising practice that may be injurious to the goodwill associated with Franchisor, GH Businesses, the System, and the Licensed Marks;
- (10) Not deviate from the standards that Franchisor sets for the operation of the Franchised Business;
- (11) Promptly respond to all customer and potential customer inquiries and complaints to achieve high levels of customer satisfaction and reviews;
- (12) Honor and implement refund policies established by Franchisor from time to time in Franchisor's Reasonable Business Judgment;
- (13) Honor, implement and offer Customer Vouchers as authorized and designated by Franchisor;
- (14) Maintain and display at visible locations designated by Franchisor displays and signs informing customers and the public that *"This GH Business is independently owned operated and managed by [insert name of Franchisee] pursuant to a license agreement"* or such other signage as designated by Franchisor;
- (15) Adopt, implement, and abide by the System and all changes made to the System (as designated by Franchisor in Franchisor's Reasonable Business Judgment) including, without limitation, the Approved Services and Products and the System Equipment and Supplies;
- (16) Maintain a fully trained competent staff capable of rendering courteous quality service;
- (17) Ensure that all of Franchisee's employees wear uniform designated by Franchisor and adhere to Franchisor's brand standards;
- (18) Not promote any other businesses at the Franchised Business and/or from Franchisee's Operations Center;
- (19) Comply with all laws applicable to the operation of the Franchised Business, including, without limitation, all health laws, wage and hour laws, labor department, workers compensation and unemployment laws and rules;
- (20) Comply with all statutes and rules regarding the maintenance and security of customer information, customer data, customer privacy, credit card transactions and other financial obligations involving customers of the Franchised Business;
- (21) Stock, maintain and replenish System Equipment and Supplies in such supply as to realize, service and promote the Franchised Business to its full potential;
- (22) Exclusively use, at all times, only those supplies, products, equipment, software systems, business management systems, customer relationship management systems

(whether hard drive based, networked, or cloud based) and supplies designated by Franchisor including, without limitation, the System Equipment and Supplies, the Approved Services and Products, and the Business Management System, and purchase same exclusively from Franchisor and/or Franchisor's designated suppliers;

- (23) Ensure that all services and products sold by the Franchised Business are limited to the Approved Services and Products;
- (24) Permit Franchisor or Franchisor's agents, at any reasonable time, to inspect Franchisee's Operations Center and test, sample, and evaluate the services and products provided by the Franchised Business to evaluate whether or not same meet and comply with Franchisor's standards and specifications;
- (25) Designate and maintain an Operating Manager who, in addition to the Managing Owner (a) completed Franchisor's Initial Training Program, (b) works on-site at Franchisee's Operations Center, (c) signed and duly executed the Confidentiality Agreement, and (d) consistently demonstrates his or her ability to satisfy the performance requirements of the System related to confidentiality, brand protection, the purchase, maintenance, and utilization of the System Equipment and Supplies, and service standards respecting the Approved Services and Products;
- (26) Install and maintain in connection with the operations of the Franchised Business, all equipment, supplies and systems, as designated by Franchisor including, without limitation, point of sale systems, the Business Management System, computer systems, security systems, System Equipment and Supplies, and telecommunications equipment designated by Franchisor, and provide and permit Franchisor to maintain, direct and independent access to such systems and monitor the Franchised Business;
- (27) Implement and maintain, at Franchisee's expense, a bookkeeping, accounting, and record keeping system conforming to the requirements and formats Franchisor prescribes; and
- (28) Grant and give full and complete on demand and continuous instantaneous access to Franchisee's business and financial records including, without limitation, Franchisee's point of sale systems, the Business Management System utilized by Franchisee, and Franchisee's Business Management System Data.

#### **7.G. APPROVED SERVICES, PRODUCTS, EQUIPMENT AND SUPPLIERS**

Franchisee agrees that, among other things, the products and services to be offered and sold by the Franchised Business, the supplies, suppliers and equipment utilized by the Franchised Business, the methods for monitoring customer satisfaction and, the methods for marketing and promoting the Franchised Business must conform to Franchisor's System standards and specifications as determined by Franchisor, in Franchisor's Reasonable Business Judgment, as designated by Franchisor in the Operations Manual and/or as otherwise designated by Franchisor in writing and, as modified by Franchisor from time-to-time. Without limitation to the foregoing, Franchisee agrees

that:

- (1) The Franchised Business shall exclusively offer to the public the Approved Services and Products to customers located within Franchisee's Operating Territory;
- (2) The Franchised Business will exclusively: (a) offer and serve the Approved Services and Products; (b) provide the Approved Services and Products in accordance with the System's standards and specifications; (c) exclusively purchase and utilize System Equipment and Supplies from Franchisor or Franchisor's designated suppliers; (d) exclusively purchase and utilize equipment, supplies, promotional materials, point of sale systems and Business Management System(s) designated by Franchisor and subject to Franchisor's specifications; (e) Purchase displays, point of sale displays, uniforms, supplies, marketing materials and promotional materials (including but not limited to System Equipment and Supplies) as designated by Franchisor and only from Franchisor or Franchisor's approved supplier(s); and (f) Purchase from distributors and other suppliers approved by Franchisor all other materials, goods, and supplies (including but not limited to System Equipment and Supplies) used in preparing, offering, selling, promoting, and serving the Approved Services and Products;
- (3) Franchisor has and will periodically approve suppliers and distributors of the equipment, materials, supplies and products (including but not limited to System Equipment and Supplies) that meet Franchisor's standards, specifications, and requirements including, without limitation, standards, specifications, and requirements relating to the equipment and supplies to be utilized by the Franchised Business;
- (4) Franchisor, in Franchisor's Reasonable Business Judgment, may, from time to time, modify the list of approved brands, suppliers and distributors of System Equipment and Supplies, Service Vehicles, and approved equipment, supplies and services to be utilized by the Franchised Business and Franchisee shall, after receipt in writing of such modification, not reorder any brand and/or purchase from any supplier or distributor that is no longer designated or approved by Franchisor;
- (5) Franchisor reserves the right to designate, from time to time, a single supplier and/or distributor for any services, products, equipment, supplies, or materials including, but not limited to, the System Equipment and Supplies and Service Vehicles and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier and/or distributor may be Franchisor and/or Franchisor's affiliates. Franchisor and its affiliates may receive payments from suppliers and/or distributors on account of such supplier's or distributor's dealings with Franchisee and other franchisees and may use all amounts so received without restriction and for any purpose Franchisor and its affiliates deem appropriate; and
- (6) If Franchisee proposes or requests that Franchisor consider the approval of products, services, equipment, supplies, suppliers and/or distributors for use in the Franchised Business where such products, services, equipment, supplies, suppliers and/or distributors are not presently, at the time of Franchisee's request, approved for use in the

System, Franchisee must: (a) provide Franchisor with a written request where Franchisee specifies the product, service, equipment, supply, supplier and/or distributor, the reason for Franchisee's request; (b) timely submit to Franchisor such information, reports, specifications, and samples as Franchisor, in Franchisor's Reasonable Business Judgment requests; (c) pay to Franchisor a Supplier Evaluation Fee per requested product, service, equipment, supply, supplier and/or distributor to be considered including, but not limited to, the Supplier Evaluation Fees that Franchisor, in Franchisor's Reasonable Business Judgment, establishes and assesses based on, among other things, the administrative costs and time associated with evaluating, assessing and testing the proposed product, service, equipment, supply, supplier and/or distributor including, but not limited to Franchisor's internal employees and independent third-parties engaged and/or retained by Franchisor for evaluation and testing. The foregoing fees and payments shall be paid by Franchisee to Franchisor within fourteen (14) days of the date of Franchisor's invoice. Upon Franchisee's compliance with the foregoing, within sixty (60) days of the completion of all inspections and evaluations, Franchisor shall notify Franchisee of Franchisor's approval or disapproval which shall be determined by Franchisor in Franchisor's Reasonable Business Judgment. Under no circumstance shall the foregoing be construed as implying that Franchisor is required to approve alternative suppliers.

#### **7.H. MARKET RESEARCH AND TESTING**

Franchisor may conduct market research and testing to evaluate, modify, test and/or sample the services, products, equipment and supplies authorized by Franchisor and to determine consumer trends and the viability of certain services and products. Franchisee agrees to participate in Franchisor's market research programs that may be conducted by Franchisor in its discretion, by test marketing services and/or products from the Franchised Business. Franchisee agrees to provide Franchisor with timely reports and other relevant information regarding such market research. Franchisee agrees to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell the products and/or services.

#### **7.I. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES**

(1) Franchisee shall secure and maintain in full force all required licenses, permits and certificates relating to the operation of the Franchised Business, and Franchisee must operate the Franchised Business in full compliance with all applicable laws, ordinances, codes and regulations.

(2) Franchisee must immediately notify Franchisor in writing of any of the following concerning Franchisee, the Franchised Business, Franchisee's Operations Center and/or Franchisee's Service Vehicle(s): (a) any cause of action, claim, lawsuit, proceeding, and investigation; (b) issuance of any order, writ, injunction, award, and/or decree by any court, agency, or other governmental entity; and (c) any notice of violation of any law, ordinance, code, permit, or regulation.

(3) All advertising and promotion by Franchisee must be completely factual and conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business practice, advertising practice, or personal conduct that may be injurious to Franchisor, the System, GH Businesses, and the Licensed Marks. Franchisor, in Franchisor's

sole discretion, shall possess, among other things, the unilateral right to reject any and all advertising relating to the Franchised Business, Franchisor, the System, GH Businesses and/or using the Licensed Marks.

(4) Franchisee and Owners agree to comply with, and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each Owner certify, represent, and warrant that Franchisee's or any Owner's property or interests is not subject to being "blocked" under any of the Anti-Terrorism Laws, and Franchisee and each Owner are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee further certifies that Franchisee and each Owner are not listed on the Annex to Executive Order 13244 (the Annex is available at <http://www.treasury.gov>) and will not become so listed, hire any person so listed, or have dealings with any person so listed. Franchisee agrees to immediately notify Franchisor if Franchisee or any Owner become so listed. "Anti-Terrorism Laws" refers to and means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing, or in any way relating to, terrorist acts and acts of war. If Franchisee, an Owner, or Franchisee's employees violate any of the Anti-Terrorism Laws and/or become listed on the Annex to Executive Order 13244, then Franchisor may terminate this Agreement immediately without prior notice to Franchisee.

#### **7.J. MANAGEMENT OF THE FRANCHISED BUSINESS**

(1) Franchisee acknowledges that critical to the success of the Franchised Business is the active, continuing and substantial personal involvement and hands-on supervision of Franchisee's Managing Owner. At all times, Franchisee's GH Business must be under the active, continuing and substantial personal involvement and hands-on supervision of Franchisee's Managing Owner. The Managing Owner must at all times be actively involved in the operation of the Franchised Business unless Franchisee delegates management functions to an authorized Operating Manager who, among other things, satisfactorily completed Franchisor's Initial Training program and has otherwise meet the criteria and conditions for qualification as an Operating manager. If the Operating Manager is a family member of Franchisee and/or an Owner then the Operating Manager must also sign and agree to be bound by the terms of the Franchise Owner and Spouse Agreement and Guaranty.

(2) Franchisee must, at all times, faithfully, honestly and diligently perform its obligations hereunder, and continuously exert its best efforts to promote and enhance the business of the Franchised Business and the goodwill of the Licensed Marks.

(3) If, at any time, the Franchised Business is not being managed by a Managing Owner or Operating Manager who satisfactorily completed the Training Program, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee. Franchisor's appointment of a manager of the Franchised Business does not relieve Franchisee of its obligations or constitute a waiver of Franchisor's right to terminate the Franchise pursuant to Article 16. Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products,

materials, supplies or services purchased by the Franchised Business while it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time.

(4) Franchisee will at all times maintain sufficient working capital to fulfill its obligations under this Agreement.

## **ARTICLE 8** **INSURANCE**

Franchisee must procure and maintain in full force at all times during the Term of this Agreement, at Franchisee's sole expense, on a primary rather than a participatory basis with Franchisor, an insurance policy or policies protecting Franchisee as named insured and naming, as additional insureds, Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchisor against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Franchised Business. The policy or policies must be written by a responsible carrier or carriers with an AM Best Rating of at least A-, VII and reasonably acceptable to Franchisor.

The currently required insurance policies, insurance coverage requirements, and insurance coverage amounts are designated and set forth in the Operations Manual. Franchisor may, in Franchisor's Reasonable Business Judgment, periodically change the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Notwithstanding the immediately foregoing sentence, Franchisor shall not increase such minimum coverage more than once every two (2) years. All public liability and property damages policies must contain a provision that Franchisor is entitled to recover under these policies on any loss occasioned to Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees of Franchisor by reason of the negligence of Franchisee and/or Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees.

By the earlier of ninety (90) days after the Effective Date or prior to the commencement of the Training Program, Franchisee must deliver, or cause to be delivered, to Franchisor a copy of the certificates of insurance demonstrating Franchisee's compliance with this Article 8. All insurance policies required must expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to, or cancellation of, any insurance policy Franchisee is required to maintain in accordance with this Agreement.

In the event Franchisee fails, for any reason, to procure or maintain the insurance required by this Agreement, then Franchisor has the right and authority (but not the obligation) to immediately procure insurance and charge all costs, fees, and expenses associated with same to Franchisee, which such charges, together with a reasonable administrative fee for Franchisor's expenses in so acting, shall be immediately payable by Franchisee to Franchisor upon demand. The foregoing remedies are

in addition to any other remedies Franchisor may have under this Agreement, at law, or inequity.

**ARTICLE 9**  
**BRAND DEVELOPMENT AND MARKETING**

Franchisor is not required to conduct any marketing on behalf of Franchisee or the System.

**9.A. BRAND DEVELOPMENT FUND**

At all times during the Term of this Agreement, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, Franchisor may institute, implement, maintain, delegate and administer a brand development fund (the "Brand Development Fund"). The following shall apply to the Brand Development Fund at all times throughout the Term:

- (1) Franchisee shall pay, on the Due Date, a mandatory and continuing fee to the Brand Development Fund in an amount equal to a percentage of Gross Sales (as determined and designated by Franchisor in Franchisor's Reasonable Business Judgment) for each monthly Accounting Period (the "Brand Development Fund Fee"), provided, however, Franchisee will not be required to contribute more than Two Percent (2%) of the Gross Sales of the Franchised Business for each monthly Accounting Period. For the remainder of the first calendar year of the Term, the Brand Development Fund Fee shall be equal to one percent (1%) of Gross Sales;
- (2) Franchisor will provide Franchisee with written notice of the percentage of Gross Sales that Franchisee is required to contribute to the Brand Development Fund. Upon such written notice to Franchisee, the percentage of Gross Sales to be paid by Franchisee to the Brand Development Fund will be applicable for each and every monthly Accounting Period thereafter during the Term until otherwise designated by Franchisor in writing. The Brand Development Fund Fee shall be paid to Franchisor on the Due Date and in accordance with the payment terms and method set forth in Article 5.B for the payment of Royalty Fees;
- (3) Franchisor, in Franchisor's Reasonable Business Judgment, shall direct all advertising, media placement, marketing and public relations programs and activities financed by the Brand Development Fund, with sole discretion over the strategic direction, creative concepts, materials, and endorsements used by the Brand Development Fund, and the geographic, market, and media placement and allocation thereof. Without limiting the foregoing, the Brand Development Fund may also be utilized for evaluation and monitoring of the Business Management Systems, maintenance and upgrades to the System Website, and development of Digital Media;
- (4) Franchisee agrees that the purpose of the advertising, media, marketing and activities financed by the Brand Development Fund is and shall be for the general enhancement of the System brand as associated with the Licensed Marks and general public brand recognition and awareness of the Licensed Marks. The Brand Development Fund will not be utilized to directly or indirectly market or promote the Franchised Business or, unless otherwise directed by Franchisor, in Franchisor's Reasonable Business Judgment, pay for

media placements that may benefit or include any media market that includes Franchisee's Operations Center or Operating Territory;

(5) Franchisee agrees that the Brand Development Fund may be used to pay various costs and expenses of Franchisor for such reasonable salaries, wages, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration, activities and/or the brand awareness goals of the Brand Development Fund including expenses incurred by Franchisor for advertising, marketing, product and service testing, product and service development, maintenance, evaluation and monitoring of the Business Management Systems, upgrades to the System Website, development of Digital Media and creative development that is internally administered or prepared by Franchisor and other marketing activities made by Franchisor, provided, however, that salary expenses for Franchisor's personnel paid by the Brand Development Fund shall be commensurate with the amount of that time spent by such personnel on Brand Development Fund matters. Franchisor shall not use contributions to the Brand Development Fund to defray any of Franchisor's general operating expenses, except for such reasonable costs and overhead as Franchisor may incur in activities reasonably related to the administration and activities of the Brand Development Fund and creation or conduct of its marketing programs including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Development Fund. Franchisor may spend in a fiscal year an amount greater or less than the aggregate contributions of all GH Businesses to the Brand Development Fund in that year;

(6) Franchisee agrees to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Development Fund;

(7) GH Businesses owned by Franchisor or Franchisor's affiliates are not required to pay any Brand Development Fund Fee or contribute to or make any contribution to the Brand Development Fund;

(8) Franchisee and Franchisor acknowledge and agree that (a) the Brand Development Fund is not a trust, (b) Franchisor is not a trustee or fiduciary of the Brand Development Fund, and (c) Franchisor may deposit and maintain any and all funds of the Brand Development Fund Fee in Franchisor's general accounts. Brand Development Fund Fees are not required to be segregated from other assets or accounts of Franchisor. The Brand Development Fund is not required to expend Brand Development Fund Fees in the year that they are collected and the Brand Development Fund may borrow from Franchisor or other lenders at standard commercial interest rates to cover deficits of the Brand Development Fund, and Franchisor may cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. All interest earned on monies contributed to the Brand Development Fund will be used to pay costs of the Brand Development Fund before other assets of the Brand Development Fund are expended. A summary statement of monies collected and costs incurred by the Brand Development Fund for Franchisor's immediately preceding fiscal year shall be made available to Franchisee upon Franchisee's written request. Franchisor will have the right to cause the Brand Development Fund to be incorporated or operated through an entity separate from Franchisor at such time as

Franchisor deems appropriate, and such successor entity shall have all rights and duties of Franchisor pursuant to this Article 9.A(8);

(9) Although Franchisor will endeavor to utilize the Brand Development Fund to develop advertising and marketing materials and programs, Franchisor undertakes no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Development Fund by GH Businesses operating in that geographic area or that any GH Businesses will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising and marketing materials. Franchisor may use the Brand Development Fund to promote or benefit any type of GH Businesses in the System. Franchisor may use the Brand Development Fund to promote or benefit GH Businesses located within a particular region of the United States. Franchisee agrees that Franchisee's failure to derive any such benefit will not serve as a basis for a reduction or elimination of its obligation to contribute to the Brand Development Fund. Franchisee agrees that the failure (whether with or without Franchisor's permission) of any other franchisee to make the appropriate amount of contributions to the Brand Development Fund shall not in any way release Franchisee from or reduce Franchisee's obligations under this Article 9, such obligations being separate and independent obligations of Franchisee under this Agreement. Except as expressly provided in this Article 9, Franchisor assumes no direct or indirect liability, responsibility, or obligation to Franchisee with respect to the maintenance, direction, and/or administration of the Brand Development Fund; and

(10) Franchisor, in Franchisor's Reasonable Business Judgment, may establish a council to provide guidance respecting the administration of the Brand Development Fund and marketing matters concerning the Brand Development Fund. The council shall only serve in an advisory capacity and Franchisor shall select members of the council which may be comprised of employees of Franchisor, Franchisor, franchisees of the System and third-parties.

#### **9.B. FRANCHISEE LOCAL MARKETING**

Franchisee must spend on a monthly basis an amount not less than 1% of monthly Gross Sales on local marketing, including public relations, in the Operating Territory (or Franchisee's market if an Operating Territory was not designated) each monthly Accounting Period. On or before the first Friday of each month (or such other dates as may be specified by Franchisor), Franchisee must provide Franchisor with an accurate accounting of Franchisee's local marketing expenditures, public relations and marketing activities during the immediately preceding monthly Accounting Period. However, if Franchisee's cumulative Gross Sales in the preceding calendar year (i.e. Gross Sales reported from for the monthly Accounting Periods from January – December in the preceding year) exceeds Two Million Dollars (\$2,000,000), Franchisee shall not be required to spend or report on a minimum advertising expenditure for the then-current calendar year. Franchisor shall determine Franchisee's eligibility for waiver of the local advertising requirement annually upon Franchisee's submission of all required reports containing Gross Sales data for the calendar year. Franchisee agrees to provide to Franchisor such other periodic reports and records of such local marketing as may be requested by Franchisor. If the Franchisee's expenditures for local marketing activities do not aggregate the required percentage of Franchisee's Gross Sales annually, Franchisee must contribute the deficiency on local marketing as directed by Franchisor. Franchisee agrees that all local

marketing and other marketing efforts of Franchisee must be pre-approved, in writing by Franchisor. Franchisor reserves all rights to reject any and all marketing efforts requested by Franchisee. Franchisee agrees that:

(1) Franchisee shall provide Franchisor with monthly reports documenting Franchisee's advertising initiatives (which must be approved by Franchisor and consistent with Franchisor's standards and specifications) and expenditures, including Profit and Loss Statements, advertising return on investment calculations and other documentation as Franchisor may request to evaluate Franchisee's local marketing and local marketing expenditures. Franchisee agrees that all of Franchisee's marketing efforts must be focused on media and marketing directed toward Franchisee's Operating Territory, and Franchisee shall not direct Franchisee's marketing and promotion efforts with the purpose of soliciting and/or attracting customers from outside of Franchisee's Operating Territory;

(2) Prior to the opening of the Franchised Business, Franchisee shall submit to Franchisor, Franchisee's grand opening marketing plan for review and approval by Franchisor. Franchisee shall only utilize those portions of its grand opening marketing approved by Franchisor. In accordance with Franchisee's grand opening marketing plan, provided same is approved by Franchisor, Franchisee will spend a minimum of \$5,000 on the marketing and promotion of the grand opening of the Franchised Business prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date. Franchisee will provide Franchisor a written accounting of Franchisee's expenditures for grand opening marketing within thirty (30) days prior to the anticipated grand opening of the Franchised Business; and

(3) Franchisee hereby grants to Franchisor the right, without compensation to Franchisee, to use Franchisee's name, address, photograph, and biographical information in any publication related to the System, including in relation to the sale of other GH Businesses.

### **9.C. REQUIRED FRANCHISOR APPROVAL OF ALL MARKETING**

All marketing and promotion of the Franchised Business and all marketing media utilized by Franchisee in the marketing and/or promotion of the Franchised Business must be professional and must conform to Franchisor's standards and specifications as set forth in the Operations Manual or as otherwise directed by Franchisor in writing. Before Franchisee uses any local marketing and promotional materials and/or media not prepared by or previously approved by Franchisor in writing, Franchisee shall submit samples of such materials to Franchisor for approval, which shall be at the discretion of Franchisor, in Franchisor's Reasonable Business Judgment. Provided that Franchisee has satisfied the notification requirements set forth in this Agreement, if Franchisor does not notify Franchisee that Franchisor disapproves the materials within fifteen (15) days from the date Franchisor receives the materials, then Franchisee may commence using the materials. However, Franchisor may still disapprove such materials by notice to Franchisee, and Franchisee must then cease using such materials upon receipt of such notice. Franchisee must not use any advertising or promotional materials that Franchisor has disapproved.

#### **9.D. WAIVERS OR DEFERRALS**

On written request from Franchisee with reasons supporting such request, Franchisor may, at Franchisor's sole discretion and on conditions Franchisor deems appropriate, temporarily waive or defer the obligations of Franchisee under the Brand Development Fund. In no event shall such waiver or deferral extend beyond six (6) months. However, at the end of any waiver or deferral period, Franchisee may resubmit a request for waiver or deferral of its obligations under the Brand Development Fund. Under no circumstance shall Franchisor be under any obligation to grant any waiver of deferral. Franchisor may reject Franchisee's request for a waiver or deferral based on any reason or no reason at all.

#### **9.E. DIGITAL MEDIA AND WEBSITE PROHIBITIONS**

Franchisee agrees that Franchisee's use of Digital Media shall be subject to and require Franchisor's express written consent which shall and may be withheld by Franchisor for any or no reason at all. Without limitation to the foregoing, Franchisee possess no right or authority to utilize Digital Media and Franchisee agrees that Franchisor reserves all rights respecting the marketing, sale and distribution of Approved Services and Products through Digital Media. Franchisee agrees that all Digital Media and Digital Media accounts associated with and/or relating to the Franchised Business and/or the System shall, upon demand of Franchisor, be transferred to Franchisor. Upon execution of this Agreement and any and all future dates demanded by Franchisor, Franchisee shall execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts Agreement attached to this Agreement as Exhibit 6. Franchisee agree that the foregoing shall not be interpreted or construed as permitting Franchisee to establish, designate, utilize and/or otherwise establish accounts as to Digital Media respecting and/or concerning the Franchised Business and/or the System.

#### **9.F. NO MARKETING OUTSIDE FRANCHISEE'S OPERATING TERRITORY**

Franchisee agrees that Franchisee's marketing and Marketing Media must be directed toward Franchisee's Operating Territory and that under no circumstance shall Franchisee cause, authorize or engage in any Media Distribution to customers, potential customers and/or customer referral sources outside of Franchisee's Operating Territory, unless: (a) such Media Distribution is a joint distribution with other GH Businesses authorized by Franchisor in writing; and (b) Franchisor, in Franchisor's Reasonable Business Judgment, otherwise agrees to same in writing.

### **ARTICLE 10**

#### **RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION**

##### **10.A. INDEPENDENT CONTRACTORS**

Franchisor and Franchisee acknowledge and agree that this Agreement does not create a fiduciary relationship between Franchisor and Franchisee, Franchisor and Franchisee are independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose. The parties' relationship is strictly a franchisor and franchisee relationship.

Franchisee agrees that Franchisee is the sole employer of the employees of the Franchised Business. Franchisee has the sole right to select, hire and discharge Franchisee's employees. Franchisee is responsible for all decisions regarding hiring, firing, training, supervising, disciplining, scheduling

and paying wages to, and withholding and paying taxes for Franchisee's employees. Franchisee, each Owner, each Spouse, and Franchisee's officers, directors, manager, agents, representatives, independent contractors and employees shall not be construed, considered, or represented as Franchisor's employees, representatives, or agents. Franchisee agrees that there is no joint employer relationship between Franchisor and Franchisee or Franchisee's employees. Franchisee's compliance with all federal, state and local labor laws rules and regulations shall be exclusively determined and managed by Franchisee. To the extent that the Operations Manual includes information, specifications, procedures, criteria and/or requirements as to employees of the Franchised Business, such requirements shall be interpreted exclusively for the purpose of maintaining brand standards associated with the System, to protect the good will associated with the System, and to ensure System uniformity requirements and standards concerning the Approved Services and Products, and under no circumstance shall same relate to the employer-employee relationship. As to the foregoing issue of "joint employer" and the non-existence thereof, in the event of any inconsistency or conflict between this Agreement and the Operations Manual, the terms of this Agreement shall take precedence and govern.

Franchisee must conspicuously identify itself at the premises of the Franchised Business and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of a GH Business under a franchise from Franchisor, and Franchisee must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Franchisor requires.

Franchisee must not employ any Licensed Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation. Franchisee must not employ any Licensed Mark in a manner that is likely to result in liability of Franchisor for any indebtedness, action, inaction, or obligation of Franchisee.

Franchisor and Franchisee shall not make any express or implied agreements, guaranties or representations, or incur any debt, in the name, or on behalf, of the other. Franchisor and Franchisee shall not represent that their relationship is anything other than franchisor and franchisee. Franchisor and Franchisee shall not be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business, whether or not caused by Franchisee's negligent, willful act or failure to act.

Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Franchised Business or its assets, or upon Franchisor in connection with sales made, services performed or business conducted by Franchisee.

#### **10.B. INDEMNIFICATION BY FRANCHISEE**

Franchisee and each Owner shall indemnify, defend through counsel acceptable to Franchisor, and hold Franchisor, Franchisor's affiliates, and their respective officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisor Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigation, hearing, and/or damages arising out of, or relating to, Franchisee's Operations Center, Franchisee's Operations

Center, and/or the Franchised Business (including, without limitation, the ownership and operation of the Franchised Business), unless such loss, expense, claim, cause of action, lawsuit, liability, tax, cost, demand, proceeding, or damage is solely due to Franchisor's gross negligence, and Franchisee shall pay all of the Franchisor Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisor Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisor Indemnified Parties is named as a party, including, without limitation, reasonable accountant fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses. At the expense and risk of Franchisee and each Owner, Franchisor may elect to assume (but is not obligated to undertake) the defense and/or settlement of any action, lawsuit, proceeding, claim, or demand. Such an election by Franchisor to assume its defense shall not diminish the obligation of Franchisee and each Owner to indemnify, defend and hold harmless Franchisor. Franchisee and each Owner acknowledge and agree that the terms of this Article 10.B shall survive the termination, expiration or Transfer of this Agreement.

Under no circumstances are the Franchisor Indemnified Parties required or obligated to seek recovery from third parties or otherwise mitigate their respective losses in order to maintain a claim against Franchisee or any Owner. Franchisee and each of the Owners agree that Franchisor's failure to pursue recovery or mitigate loss in no way reduces the amounts recoverable from Franchisee or any Owner.

## **ARTICLE 11**

### **LICENSED MARKS AND SYSTEM; INNOVATIONS TO SYSTEM**

#### **11.A. OWNERSHIP AND GOODWILL**

Franchisee agrees that Franchisor is the owner of all right, title and interest in and to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System. Except as otherwise specifically provided in this Agreement, Franchisee further agrees that Franchisee possesses no interest or right, whatsoever, in or to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System, and Franchisee's right to use the Licensed Marks and the System is derived solely from this Agreement. Any unauthorized use of the Licensed Marks and/or the System by Franchisee or any of Franchisee's affiliates shall constitute an infringement of the rights of Franchisor in and to the Licensed Marks and/or the System. Franchisee agrees that all usage of the Licensed Marks and/or the System by Franchisee, and all goodwill associated with the Licensed Marks and System, shall exclusively benefit Franchisor without granting any goodwill interests or rights to Franchisee except for Franchisee's non-exclusive interest and limited right to use the Licensed Marks and the System in the operation of the Franchised Business, subject to the terms and conditions of this Agreement. Franchisee shall not, at any time during the Term or after the expiration, termination or Transfer of this Agreement, contest the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System, and at no time shall Franchisee assist any other person in contesting the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System. Franchisee and each Owner shall not take any action that prejudices or interferes with the validity of

Franchisor's rights with respect to Licensed Marks, the System, Web Based Media, PublishedContent, and/or the goodwill associated with the Licensed Marks and the System.

#### **11.B. USE OF THE LICENSED MARKS**

Franchisee agrees that the Licensed Marks shall be the sole identification of the Franchised Business. Franchisee must operate, advertise and market the Franchised Business only under the Licensed Marks as designated and specified by Franchisor in Franchisor's Reasonable Business Judgment. Franchisee shall not use the Licensed Marks as part of its corporate or other legal name, and Franchisee shall not use the Licensed Marks with modifying words, terms, designs, or symbols, or in any modified form. Franchisee shall comply with Franchisor's instructions in filing and maintaining their requisite trade name or fictitious name registrations as may be required by applicable law.

#### **11.C. NOTIFICATION OF INFRINGEMENT AND CLAIMS**

Franchisee must notify Franchisor immediately in writing of any apparent infringement of, or challenge to, Franchisee's use of any Licensed Mark and/or the System or of any claim by any person claiming any rights in any manner with respect to the Licensed Mark, the System, or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee must not communicate with any person other than Franchisor and its counsel in connection with any infringement, challenge, or claim by any third party to the Licensed Marks and/or the System. Franchisor and/or Franchisor's licensor shall possess sole and complete discretion, in Franchisor's Reasonable Business Judgment, to take any action and/or to refrain from taking action, Franchisor and/or Franchisor's licensor deems appropriate, including, without limitation, the right to exclusively control any litigation or administrative proceeding arising out of, or relating to, any infringement, challenge, claim or otherwise relating to any Licensed Mark and/or the System. Franchisee agrees to execute all documents, render assistance, and take all actions as may be necessary or advisable to protect and maintain the interests of Franchisor and/or Franchisor's licensor in any litigation or administrative proceeding or to otherwise protect and maintain, as directed by Franchisor, the interests of Franchisor and/or Franchisor's licensor in the Licensed Marks. Franchisor will reimburse Franchisee for reasonable direct expenses incurred by Franchisee in assisting Franchisor in any such litigation or administrative proceeding provided Franchisee timely notifies Franchisor of such litigation or administrative proceeding, and Franchisee complies with the written instructions of Franchisor respecting any such litigation or administrative proceeding.

#### **11.D. DISCONTINUANCE OF USE OF LICENSED MARKS**

Franchisee agrees that at any time should Franchisor determine, in Franchisor's sole discretion and based on Franchisor's Reasonable Business Judgment, that it is advisable for Franchisor, the System, and/or Franchisee to replace, modify, substitute, and/or discontinue use of any of Licensed Marks, then Franchisee shall comply with Franchisor's determination and instructions as to the replacement, modification, substitution, and/or discontinuance of such Licensed Mark(s). Franchisee shall comply within the foregoing requirements within a reasonable time period after notice by Franchisor. If Franchisee is required to take action pursuant to instruction by Franchisor pursuant to this Article 11.D or, if Franchisee is otherwise required to replace, modify, substitute, and/or discontinue use of any of Licensed Marks, the sole liability and obligation of Franchisor to Franchisee shall be to reimburse Franchisee for the reasonable and direct costs incurred by Franchisee in complying with this obligation, which Franchisee shall document to the satisfaction of Franchisor. Franchisor maintains the exclusive right, in Franchisor's Reasonable Business Judgment, to, in whole or in part,

replace, modify, substitute and/or discontinue any and all features and/or components of the Licensed Marks and/or the System at any time.

#### **11.E. INDEMNIFICATION OF FRANCHISEE**

If Franchisee is sued in a legal proceeding or is threatened with legal action and/or a notice of infringement by a third party where the claims and/or causes of action directly relate to a third-party claiming trademark infringement, unfair competition, and/or trademark dilution as a result of Franchisee's use of the Licensed Marks in accordance with the terms of this Agreement and the System (the "IP Claim"), then Franchisor shall indemnify Franchisee for the reasonable and direct costs incurred by Franchisee and/or a judgment entered against Franchisee, provided: (i) Franchisee immediately notified Franchisor of the IP Claim by a written notice sent to Franchisor via priority overnight courier; (ii) Franchisee provided and afforded Franchisor the absolute opportunity and right to defend against the IP Claim and to select and appoint legal counsel of Franchisor's choosing; and (iii) Franchisee utilized the Licensed Marks in accordance with the terms of this Agreement and the System. Franchisee agrees that time is of the essence with respect to notifying Franchisor of the IP Claim in accordance with this Agreement, including this Article 11.E.

#### **11.F. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS AND CUSTOMER INFORMATION**

Franchisee agrees that with regard to the Franchised Business, all customer lists, including the contents and information contained in all customer lists, constitute Confidential Information and an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term, and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods, and products conceived or developed by Franchisee, any Owner, and/or Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees relating to the development and operation of GH Businesses and the System. Franchisee hereby assigns to Franchisor, and Franchisee agrees to procure an assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 11.F from each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees. Franchisor shall have no obligation to tender any lump sum payment, on-going payments, or any other consideration to Franchisee, any Owner, each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee shall not use, or allow any other person or entity to use, any such concept, method, technique, or product without obtaining Franchisor's prior written approval.

### **ARTICLE 12 RECORDS AND REPORTS**

#### **12.A. MAINTENANCE AND PRESERVATION OF RECORDS.**

Franchisee shall maintain during the Term, and preserve for at least three (3) years from the dates of their preparation, full, complete and accurate books, records, and accounts from the Franchised Business. Such records shall be maintained and preserved in the form and manner by Franchisor in

the Operations Manual or otherwise in writing.

## **12.B REPORTING OBLIGATIONS.**

Franchisee shall comply with the following reporting obligations:

- (1) Franchisee shall submit to Franchisor, in the form Franchisor reasonably prescribes, an unaudited monthly profit and loss statement and balance sheet for the Franchised Business within sixty (60) days after the end of each month during the Term. If Franchisee fails to submit the profit and loss statement and balance sheet within the time period specified in this Article 12, Franchisor will assess a late fee in the amount of One Hundred Dollars (\$100) against Franchisee. Because Franchisor's administrative, incidental and indirect costs, expenses and damages would be difficult, if not impossible to ascertain in the event such documentation is not timely tendered by Franchisee to Franchisor, the foregoing late charge was negotiated by the parties as liquidated damages and not a penalty. Payment of such late fee shall not constitute a cure of Franchisee's reporting obligations under this Article 12.B, and such payment shall not relieve Franchisee of its reporting obligations under this Agreement;
- (2) Franchisee shall provide to Franchisor annual financial statements for Franchisee reviewed by an independent certified public accountant in accordance with GAAP within ninety (90) days after the end of Franchisee's fiscal year. Franchisor reserves the right to require such financial statements to be audited by an independent certified public accountant satisfactory to Franchisor at Franchisee's cost and expense. The annual financial statements of Franchisee must reconcile Gross Sales per GAAP to Gross Sales per this Agreement;
- (3) Franchisee shall provide to Franchisor, Franchisee's annual federal, state and local tax returns as same are prepared and submitted to the applicable federal, state and local entities. Said tax returns shall be submitted to Franchisor within forty-five (45) days of Franchisee or Franchisee's agent filing such returns with the applicable federal, state and local entities; and
- (4) Franchisee shall timely submit to Franchisor, any other forms, reports, records, information, and data as Franchisor may reasonably request.

## **ARTICLE 13 INSPECTION AND AUDITS**

### **13.A. FRANCHISOR'S RIGHT TO INSPECT OPERATIONS CENTER, SERVICE VEHICLES AND SYSTEM EQUIPMENT AND SUPPLIES**

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to inspect Franchisee's Operations Center, Service Vehicles and System Equipment and Supplies. Franchisee shall fully cooperate with representatives of Franchisor making any inspection and permit such representatives of Franchisor to take photographs, movies, or videotapes of Franchisee's Operations Center, Service Vehicles, customer service visits and interview employees and customers of the Franchised Business, so long as Franchisee's ability to operate the Franchised Business is not materially and unreasonably impeded. Franchisee has the right to request and receive copies of all reports, transcripts, videotapes, recordings, photographs, and media made in the course of the

inspection within ten (10) days after Franchisor's said request.

**13.B. FRANCHISOR'S RIGHT TO EXAMINE BOOKS AND RECORDS**

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to examine or audit, or cause to be examined or audited by a third party, the business records, cash control devices, bookkeeping and accounting records, bank statements, sales and income tax records and returns, and other books, statements, and records of the Franchised Business and Franchisee. Franchisee shall maintain complete and accurate copies all such books, statements, records and supporting documents at all times at Franchisee's Operations Center. Franchisee must fully cooperate with Franchisor, representatives of Franchisor, and third parties hired by Franchisor to conduct any such examination or audit. If the audit results in a finding that Franchisee failed to comply with the terms of the Franchise Agreement, Franchisee must pay Franchisor for the costs it incurs in conducting. These costs include, fees for accountants, attorneys, administrative staff, travel, meals and lodging expenses

**ARTICLE 14**  
**TRANSFER OF INTEREST**

**14.A. BY THE FRANCHISOR**

At all times, Franchisor possesses and maintains the sole, absolute and unilateral right to Transfer and/or assign Franchisor's rights and obligations under this Agreement and the Ancillary Agreements, in whole and/or in part (for any purpose and in any form of transaction as may be designated and/or elected by Franchisor, in Franchisor's sole discretion) to any person, entity, Corporate Entity and/or third-party without the consent of Franchisee and without the approval of Franchisee or any other party. Nothing contained in this Agreement shall prevent, prohibit, restrict, hinder, enjoin or otherwise restrain Franchisor from selling, transferring, conveying, or assigning this Agreement and the Ancillary Agreements, and/or Franchisor's rights and obligations under this Agreement and the Ancillary Agreements, to any person, entity, Corporate Entity or other third party. Franchisor has an unrestricted and unequivocal right to Transfer and/or assign any of its rights or obligations under this Agreement and the Ancillary Agreements, in whole or in part, in Franchisor's sole discretion. In the event Franchisor Transfers and/or assigns this Agreement and/or the Ancillary Agreements, and/or any or all of Franchisor's rights and obligations set forth in this Agreement and/or the Ancillary Agreements, to a person, an entity, Corporate Entity, or other third party, this Agreement and the Ancillary Agreements, shall survive, remain in full force and effect, and inure to the benefit of the purchaser, transferee, conveyee, and/or assignee of this Agreement and/or the Ancillary Agreements and/or Franchisor's rights and obligations under this Agreement and/or the Ancillary Agreements.

**14.B. FRANCHISEE MAY NOT TRANSFER WITHOUT FRANCHISOR APPROVAL**

Franchisee agrees, and, Franchisee represents and warrants that Franchisee's Owners understand and agree, that the rights and duties set forth in this Agreement are personal to Franchisee and each Owner. Therefore, Franchisee agrees that:

- (1) No ownership interest of any Owner in Franchisee may be Transferred without the prior written consent of Franchisor;
  
- (2) No obligations, rights or interest of Franchisee in (a) this Agreement, (b) the lease or ownership

interests in Franchisee's Operations Center, (c) the Franchised Business, or (d) all or substantially all of the assets of the Franchised Business may be Transferred without the prior written consent of Franchisor. This restriction shall not prohibit Franchisee from granting a mortgage, charge, lien, or security interest in the assets of the Franchised Business or this Agreement for the exclusive purpose of securing financing for the initial development (occurring prior to the Actual Business Commencement Date) of the Franchised Business;

- (3) Without limitation to the foregoing, any Transfer by Franchisee respecting and/or relating to this Agreement and/or the Franchised Business and/or assets associated with the Franchised Business will require the prior written consent of Franchisor where such Transfer occurs by virtue of: (a) divorce or legal dissolution of marriage; (b) insolvency; (c) dissolution of a Corporate Entity; (d) last will and testament; (e) intestate succession; or (f) declaration of, or transfer in trust;
- (4) Any purported Transfer without the written consent of Franchisor, or otherwise in violation of this Agreement including, but not limited to this Article 14.B. shall constitute a breach of this Agreement and shall convey to the transferee no rights or interests in this Agreement; and
- (5) In the event of a Transfer of this Agreement that is approved by Franchisor, Franchisee shall not be relieved of Franchisee's obligations under this Agreement whether said obligations accrued and/or arose prior to and/or after the date of Transfer.

#### **14.C. CONDITIONS FOR APPROVAL OF TRANSFER**

Provided Franchisee and each Owner and Spouse, respectively, are in substantial compliance with this Agreement and the Ancillary Agreements, and Franchisor does not elect to exercise Franchisor's right of first refusal as set forth in Article 14.F below, Franchisor shall not unreasonably withhold its approval of a Transfer by Franchisee or an Owner. The proposed transferee (including such assignee's owner(s) and spouse(s) if the proposed transferee is a Corporate Entity) must be of good moral character, have sufficient business experience, aptitude and financial resources to own and operate a GH Business, and otherwise meet Franchisor's then applicable standards for franchisees as determined by Franchisor in its sole, but reasonable discretion. Furthermore, the proposed transferee and the proposed transferee's owners and spouses may not own or operate, or intend to own or operate, a Competitive Business. Franchisee agrees that Franchisor may condition approval of a Transfer upon Franchisee's satisfaction (either before, or contemporaneously with, the effective date of the Transfer) of the following:

- (1) Franchisee must provide written notice to Franchisor of the proposed Transfer of this Agreement at least thirty (30) days prior to the Transfer, and Franchisee must have also satisfied the obligations set forth in Article 14.F below;
- (2) All accrued monetary obligations of Franchisee and all other outstanding obligations to Franchisor and/or Franchisor's affiliates under this Agreement and the Ancillary Agreements must be satisfied in a timely manner, and Franchisee must satisfy all trade, supplier, and vendor accounts and other debts, of whatever nature or kind, in a timely manner;
- (3) Franchisee, each Owner, and each Spouse must not be in default or material breach of this Agreement or the Ancillary Agreements;

- (4) The transferee shall be bound by all terms and conditions of this Agreement, and each owner of the transferee and their respective spouses shall personally execute the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1. Each owner of the transferee shall also be required to execute the Joinder Agreement in the form attached to this Agreement as Exhibit 2 and such further agreements designated by Franchisor whereby the proposed transferee assumes each and every obligation and responsibility of Franchisee as set forth in this Agreement;
- (5) All obligations of Franchisee under this Agreement and the Ancillary Agreements shall be assumed by the transferee, each individual owner of transferee, and their respective spouses in a manner satisfactory to Franchisor;
- (6) Franchisee, each Owner, and each Spouse must execute the General Release attached to this Agreement as Exhibit 7 releasing Franchisor, Franchisor's Affiliates and Franchisor's past and present officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on, or before, the effective date of the Transfer;
- (7) If the proposed Transfer includes or entails the Transfer of this Agreement, substantially all of the assets of the Franchised Business, a controlling interest in Franchisee, or is one of a series of Transfers which in the aggregate Transfers substantially all of the assets of the Franchised Business or a controlling interest in Franchisee, then, at the election of Franchisor and upon notice from Franchisor to Franchisee, the transferee may be required to execute (and/or, upon Franchisee's request, shall cause all interested parties to execute) for a term ending on the expiration date of the original Term of this Agreement, the then-current standard form franchise agreement offered to new franchisees of GH Businesses and any other agreements as Franchisor requires. Such agreements shall supersede this Agreement and its associated agreement in all respects, and the terms of Franchisor's then-current agreements may differ from the terms in this Agreement, provided that such agreements shall provide for the same Royalty Fee, Advertising Contributions, and all other financial or monetary obligations established in this Agreement;
- (8) The transferee, at its expense, must improve, modify, refurbish, renovate, remodel, and/or otherwise upgrade Franchisee's Operations Center to conform to the then-current standards and specifications of Franchisor, and the transferee must complete such improvements, modifications, refurbishments, renovations, remodeling, and/or upgrading within the time period Franchisor reasonably specifies;
- (9) Franchisee, each Owner, and each Spouse shall remain liable for all obligations to Franchisor set forth in this Agreement;
- (10) At the transferee's expense, the transferee, and the transferee's managing owner, managers and/or any other applicable employees of transferee's GH Business must complete any training programs then in effect for franchisees of GH Businesses upon terms and conditions set forth in this Agreement or as Franchisor otherwise reasonably requires;

- (11) Franchisee must pay the Transfer Fee to Franchisor;
- (12) Franchisor's approval of the material terms and conditions of the Transfer, and Franchisor determines in Franchisor's Reasonable Business Judgment that the price and terms of payment are not so burdensome as to be detrimental to the future operations of the Franchised Business by the transferee;
- (13) Transferee's employees, directors, officers, independent contractors, and agents who will have access to Confidential Information shall execute the Confidentiality Agreement attached hereto as Exhibit 4;
- (14) Franchisee entering into an agreement with Franchisor agreeing to subordinate any obligations of transferee to make installment payments of the purchase price to Franchisee to the transferee's obligations to Franchisor, including, without limitation, transferee's obligations with respect to Royalty Fees, Advertising Contributions;
- (15) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer indicates only that the transferee meets, or Franchisor waived, the criteria established by Franchisor for franchisees as of the time of such transfer, and Franchisor's approval thereof does not constitute a warranty or guaranty by Franchisor, express or implied, of the suitability of the terms of sale, successful operation, or profitability of the Franchised Business;
- (16) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer at issue does not constitute Franchisor's approval of future or other Transfers or the waiver of the requirement that Franchisor must approve such future or other Transfers in accordance with this Agreement;
- (17) The Transfer must be made in compliance with all applicable laws;
- (18) The Transfer of the Franchised Business, the lease for Franchisee's Operations Center (if applicable), and the assets of the Franchised Business shall be made only in conjunction with a Transfer of this Agreement, approved by Franchisor in accordance with and subject to this Article 14 and the terms and conditions of this Agreement; and
- (19) Franchisor's consent to a Transfer of any interest that is subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against Franchisee or deemed a waiver of Franchisor's right to demand strict and exact compliance with this Agreement by the transferee.

#### **14.D. DEATH OR DISABILITY OF FRANCHISEE OR AN OWNER**

- (1) If Franchisee is an individual and not a Corporate Entity, upon the death or permanent disability of Franchisee, the executor, administrator, conservator or other personal representative of Franchisee, must appoint a manager that meets the equivalent of an Operating Manager within a reasonable time, which shall not exceed thirty (30) days from

the date of death or permanent disability. The appointed manager (as applicable) must serve and qualify as an Operating Manager and attend and successfully complete the Training Program within sixty (60) days of the appointment. If Franchisee's GH Business is not being managed by a Franchisor approved Operating Manager (as applicable) within thirty (30) days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's GH Business for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Operating Manager is able to assume the management and operation of Franchisee's GH Business. Franchisor's appointment of a manager for Franchisee's GH Business does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's GH Business may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's GH Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's GH Business. Franchisor has the right to charge a reasonable fee for such management services and may cease to provide management services at any time.

(2) If Franchisee is a Corporate Entity, upon the death or permanent disability of Franchisee's Managing Owner, the remaining Owners within a reasonable time, which shall not exceed thirty (30) days from the date of death or permanent disability must appoint a new Managing Owner that is approved by Franchisor. The appointed Managing Owner must attend and successfully complete the Training Program within sixty (60) days of the appointment. If Franchisee's GH Business is not being managed by a Franchisor approved Managing Owner (as applicable) within thirty (30) days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's GH Business for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Managing Owner is able to assume the management and operation of Franchisee's GH Business. Franchisor's appointment of a manager for Franchisee's GH Business does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's GH Business may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's GH Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's GH Business. Franchisor has the right to charge a reasonable fee for such management services and may cease to provide management services at any time. Notwithstanding the foregoing, if Franchisee is a Corporate Entity and the Managing Owner is the only Owner of Franchisee, then Article 14.D(1) shall apply as if the Managing Owner were the sole individual Franchisee.

(3) Upon the death of Franchisee or any Owner, the executor, administrator, conservator or other personal representative of that deceased person must transfer his interest to a person Franchisor approves within a reasonable time, not to exceed twelve (12) months from the date of death.

(4) If Franchisee is an individual, then in the event of the death or permanent

disability of Franchisee, this Agreement may be Transferred to any designated person, heir or beneficiary without the payment of the Transfer Fee. Notwithstanding the immediately foregoing sentence, the Transfer of this Agreement to such transferee of Franchisee shall be subject to the applicable terms and conditions of this Article 14, and the Transfer shall not be valid or effective until Franchisor has received the properly executed legal documents, which Franchisor's attorneys deem necessary to properly and legally document such Transfer of this Agreement. Furthermore, said transferee must agree to be unconditionally bound by the terms and conditions of this Agreement, personally guarantee the performance of Franchisee's obligations under this Agreement, and execute the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and the Joinder Agreement attached to this Agreement as Exhibit 2.

#### **14.E. TRANSFER TO WHOLLY OWNED CORPORATE ENTITY**

In the event Franchisee is an individual/are individuals, this Agreement may be Transferred by Franchisee to a Corporate Entity (the "Assignee Corporate Entity"), provided that: (a) Franchisee has provided Franchisor with thirty (30) days prior written notice of the proposed Assignment of this Agreement; (b) Franchisee (individually, jointly and severally as to each individual Franchisee) signs and agrees to be bound by the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and the Joinder Agreement attached to this Agreement as Exhibit 2; (c) the Spouse of each Franchisee (individually, jointly and severally as to each individual Spouse) sign and be bound by the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1; (d) Franchisee has provided Franchisor with true and accurate copies of corporate formation documents related to the Assignee Corporate Entity and the ownership of the Assignee Corporate Entity and has further provided Franchisor with all additional documentation as Franchisee may request concerning the proposed assignment and/or Assignee Corporate Entity; and (e) Franchisee is otherwise in compliance with the terms and conditions of this Agreement and any Ancillary Agreements. Franchisee agrees that an assignment to an Assignee Corporate Entity shall not relieve Franchisee of Franchisee's individual obligations under this Agreement as such obligations existed between Franchisee and Franchisor prior to the date of any assignment to the Assignee Corporate Entity.

#### **14.F. FRANCHISOR'S RIGHT OF FIRST REFUSAL**

If Franchisee or an Owner desires to engage, in whole or in part, in a Transfer of Franchisee, this Agreement, Franchisee's GH Business, Franchisee's Operations Center, and/or Franchisee's Operations Center, then Franchisee or such Owner (as applicable) must obtain a bona fide, signed written offer from the fully disclosed purchaser (the "Offer") and submit an exact copy of the Offer to Franchisor. Franchisor shall have thirty (30) days after receipt of the Offer to decide whether Franchisor will purchase the interest in Franchisee, Franchisee's GH Business, Franchisee's Operations Center, and/or Franchisee's Operations Center for the same price and upon the same terms contained in the Offer (however, Franchisor may substitute cash for any form of payment proposed in the Offer). If Franchisor notifies Franchisee that Franchisor intends to purchase the interest within said thirty (30) day period, Franchisee or Owner (as applicable) must sell the interest to Franchisor. Franchisor will have at least an additional sixty (60) days to prepare for closing. Franchisor shall be entitled to receive from Franchisee or Owner (as applicable) all customary representations and warranties given by Franchisee or Owner (as applicable) as the seller of the assets and/or the ownership interest or, at Franchisor's election, the representations and warranties

contained in the offer. If Franchisor does not exercise its right of first refusal, Franchisee or Owner (as applicable) may complete the Transfer to the purchaser pursuant to and in accordance with the terms of the Offer, provided that separate and apart from this Article 14.F right of first refusal, Franchisee complies with the terms of this Article 14. However, if the sale to the purchaser is not completed within one hundred twenty (120) days after delivery of the Offer to Franchisor, or there is a material change in the terms of the sale, Franchisor will again have the right of first refusal specified in this Article 14.F. Franchisor's right of first refusal in this Article 14.F shall not apply to any Transfer pursuant to Article 14.E of this Agreement.

## **ARTICLE 15**

### **RENEWAL OF FRANCHISE**

#### **15.A. FRANCHISEE'S RIGHT TO RENEW**

Subject to Franchisee's satisfaction of the terms and conditions of this Article 15, Franchisee possesses the option to renew the franchise for Franchisee's GH Business for one additional ten (10) year Renewal Term, provided that:

- (1) Franchisee has complied with the terms and conditions of this Agreement and, without limitation to the foregoing, has operated Franchisee's GH Business in conformity with the System and has not otherwise breached this Agreement at any time;
- (2) Franchisee maintains possession of Franchisee's Operations Center and/or a substitute thereof that is approved by Franchisor and located within the Operating Territory;
- (3) Franchisee agrees to update the condition, appearance and functionality of Franchisee's Operations Center and to otherwise modify Franchisee's Operations Center in compliance with specifications and standards then applicable for new GH Businesses;
- (4) Franchisee pays the Renewal Fee; and
- (5) Franchisee complies with the terms and conditions of Article 15.

#### **15.B. NOTICE OF RENEWAL AND NON-RENEWAL**

Franchisee must give Franchisor written notice of Franchisee's election to renew this Agreement not less than one hundred and eighty (180) days before the end of the Term.

#### **15.C. RENEWAL FRANCHISE AGREEMENT**

Subject to the satisfaction of the conditions set forth in this Article 15, to renew the franchise license and to obtain the right to continue to operate the Franchised Business (a) Franchisor and Franchisee execute and become parties to Franchisor's then current franchise agreement and Franchisor's then current ancillary agreements that Franchisor then designates and customarily uses in the grant of franchises for GH Businesses at the time of renewal, and (b) each Owner and Spouse must execute and become parties to an individual personal guarantee similar to the Franchise Owner and Spouse Agreement and Guaranty attached hereto as Exhibit 1 and an agreement similar to the Joinder Agreement attached hereto as Exhibit 2. The terms of the renewal franchise agreement and ancillary agreements may differ from the terms of this Agreement and the Ancillary Agreements, including, without limitation, requiring higher advertising contributions and higher royalty fees. Franchisee,

each Owner and each Spouse may be required to execute further documents, instruments or agreements that Franchisor customarily requires in the grant of franchises for GH Businesses at the time of renewal. Failure by Franchisee, each Owner, and/or each Spouse to execute the foregoing documents, instruments, and agreements within thirty (30) days after delivery to Franchisee shall be deemed an election by Franchisee not to renew the franchise.

#### **15.D. CONDITIONS FOR RENEWAL**

In addition to the conditions and requirements stated above in this Article 15, each and every one of the following conditions and requirements must be satisfied by Franchisee before and at the time of renewal:

- (1) Franchisee, each Owner and each Spouse (as applicable) must not be in material default of any provision of this Agreement, any amendment or successor agreement, and any of the Ancillary Agreements; and Franchisee must have substantially and timely complied with all the terms and conditions of all agreements with Franchisor and Franchisor's affiliates;
- (2) Franchisee must have timely satisfied all monetary obligations owed by Franchisee to Franchisor and under this Agreement, the Ancillary Agreements, and any other agreement between Franchisee and any of Franchisor's affiliates;
- (3) Franchisee must present satisfactory evidence that Franchisee has the right to remain in possession of Franchisee's Operations Center or obtain Franchisor's approval for a new Operations Center within the Operating Territory (if any) for the operation of the Franchisee's GH Business for the duration of the Renewal Term of this Agreement;
- (4) Based upon an assessment of Franchisee's needs conducted by Franchisor prior to renewal, Franchisee must undertake such additional training, if any, as necessary to comply with Franchisor's then-current training requirements; and
- (5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 7 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal, state or local laws, rules, regulations, or orders. If precluded by law from giving a general release, Franchisee shall execute an estoppel statement.

### **ARTICLE 16 DEFAULTS AND REMEDIES**

#### **16.A. TERMINATION BY FRANCHISOR**

- (1) **Automatic Termination** - Franchisee shall be in default of this Agreement, and Franchisee's rights under this Agreement shall be automatically and immediately terminated, without notice to Franchisee and without providing Franchisee any opportunity to cure, upon the occurrence of any one or more of the following actions, inactions, events, and/or circumstances:

- (a) Franchisee becomes insolvent;
- (b) Franchisee makes a general assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors;
- (c) Franchisee admits in writing Franchisee's inability to pay its debts as they mature;
- (d) Franchisee gives notice to any governmental body or agency of insolvency, pending insolvency, suspension of operations and/or pending suspension of operations;
- (e) Franchisee files a voluntary petition in bankruptcy;
- (f) Franchisee is adjudicated bankrupt or insolvent;
- (g) An involuntary petition in bankruptcy is filed against Franchisee;
- (h) Franchisee files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any applicable federal and/or state law relative to bankruptcy, insolvency or similar relief for debtors;
- (i) A court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Franchisee seeking any relief described in Article 16.A(1)(h), and (1) Franchisee acquiesces in the entry of such order, judgment or decree (the term "acquiesce" as used in this Article 16.A(1)(i) shall include, without limitation, Franchisee's failure to file a petition or motion to vacate or discharge any order, judgment or decree within sixty (60) days after entry of such order, judgment or decree), or (2) such order, judgment or decree shall remain for an aggregate of sixty (60) days, whether or not consecutive, from the date of entry thereof;
- (j) Franchisee seeks, consents to, or acquiesces in, the appointment of any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee;
- (k) A bill in equity or other proceeding for the appointment of any trustee, receiver, conservator, custodian or liquidator of Franchisee for Franchisee's business or any assets of Franchisee is filed and Franchisee consents to same; A court of competent jurisdiction appoints or orders any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee and such appointment or order remains for an aggregate of sixty (60) days, whether or not consecutive, from the date of entry thereof;
- (l) Franchisee initiates proceedings for a composition with creditors under any state or federal law or such a proceeding is initiated against Franchisee;

- (m) This Agreement, or any of Franchisee's rights under this Agreement, is levied upon under any attachment or execution;
  - (n) Execution is levied upon or against Franchisee's business or any assets of Franchisee;
  - (o) A final judgment against Franchisee remains of record or unsatisfied for thirty (30) days or more, unless an appeal and/or supersedeas bond is filed;
  - (p) Franchisee is dissolved;
  - (q) A cause of action or lawsuit to foreclose any lien or mortgage against Franchisee's Operations Center if Franchisee is the fee simple owner of Franchisee's Operations Center;
  - (r) A cause of action or lawsuit to foreclose any lien against equipment used in the operation of Franchisee's GH Business or located at Franchisee's Operations Center is instituted against Franchisee and not dismissed within sixty (60) days after the summons is served on Franchisee;
  - (s) Real or personal property of Franchisee utilized in the operation of Franchisee's GH Business is sold after levy thereupon by any sheriff, marshal or other law enforcement officer;
  - (t) Upon termination by Franchisor pursuant to Article 16.A(2) of this Agreement; and/or
  - (u) Upon termination by Franchisor pursuant to Article 16.A(3) of this Agreement.
- (2) **Automatic Termination Upon Written Notice** - Franchisee shall be in default of this Agreement and Franchisee's rights under this Agreement may be terminated by Franchisor, in Franchisor's sole discretion, upon written notice from Franchisor to Franchisee of any one of the following events and/or the occurrence of any one or more of the following actions, events and/or circumstances with such termination effective on the date of Franchisor's notice:
- (a) Franchisee breaches a material term or provision of this Agreement or if pursuant to the terms of this Agreement, Franchisee is permitted to cure such breach and fails to time cure pursuant to this Agreement;
  - (b) Franchisee abandons, surrenders and/or fails to continuously and actively operate Franchisee's GH Business, unless prevented by casualty if such casualty is repaired or otherwise remedied in accordance with Article 7.D;
  - (c) Franchisee fails or refuses on more than three (3) occasions during the Term to timely submit to Franchisor any records, reports, videotapes, recordings, books, accounts, statements, data, documentation or other information in accordance with

this Agreement;

- (d) Franchisee fails or refuses on more than three (3) occasions during the Term to timely pay when due the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, and/or monetary obligation payable to Franchisor pursuant to this Agreement;
- (e) Franchisee materially misrepresents or omits information in Franchisee's Disclosure Questionnaire and Representations Agreement attached hereto as Exhibit 3, Franchisee maintains records, reports, books, accounts, statements, data, documentation or other information in accordance with this Agreement that are misleading, fraudulent or inaccurate, or Franchisee provides Franchisor with records, reports, books, accounts, statements, data, documentation or other information that are with misleading, fraudulent or inaccurate;
- (f) Franchisee attempts to Transfer, or any purported Transfer of, this Agreement or any of Franchisee's rights under this Agreement to a third party without Franchisor's prior written consent and/or otherwise not in accordance with this Agreement;
- (g) Franchisee discloses, divulges, and/or communicates to any unauthorized person or entity, the Operations Manual and/or any contents of, or any information contained in, the Operations Manual;
- (h) Franchisee discloses, divulges, and/or communicates to any unauthorized person or entity any Confidential Information;
- (i) Franchisee fails or refuses on more than three (3) occasions to substantially comply with any of the requirements imposed by this Agreement or the Operations Manuals;
- (j) Franchisee materially breaches, or is in material default of this Agreement or engages in any other activity that injures, harms, damages, or otherwise has a material adverse effect on Franchisor, the System, the Licensed Marks, GH Businesses, Franchisee's GH Business, or the goodwill, brand, and reputation associated therewith;
- (k) Franchisee, an Owner, and/or a Spouse (as applicable) breaches, or is in default of, any of the Ancillary Agreements, including, without limitation, the Franchise Owner and Spouse Agreement and Guaranty attached hereto as Exhibit 1 and the Joinder Agreement attached hereto as Exhibit 2;
- (l) Conviction of Franchisee and/or an Owner of a felony or Franchisee or an Owner pleading guilty or nolo contendere to a felony;
- (m) Franchisee and/or an Owner engages in dishonest or unethical conduct that results, in Franchisor's Reasonable Business Judgment, in embarrassment to Franchisor, the System, the Licensed Marks, GH Businesses, Franchisee's GH Business, and the

goodwill, brand, and reputation associated therewith;

- (n) If any inspection of Franchisee's records, reports, books, accounts, statements, data, documentation or other information discloses an understatement of payments payable to Franchisor under this Agreement of five percent (5%) or more, including, without limitation, payment of the Royalty Fee and/or the Advertising Contribution;
- (o) Franchisee uses products, and/or supplies not approved by Franchisor, including, without limitation, the System Equipment and Supplies and/or the Approved Services and Products;
- (p) Franchisee fails to complete the Training Program to Franchisor's reasonable satisfaction;
- (q) Franchisee engages in conduct which, in Franchisor's Reasonable Business Judgment, may adversely affect the goodwill of Franchisor, the System, the Licensed Marks, GH Businesses and/or Franchisee's GH Business;
- (r) An immediate threat or danger to public health or safety resulting from the operation of Franchisee's GH Business;
- (s) Franchisee loses the right or ability to occupy Franchisee's Operations Center due to Franchisee's default of the underlying breach, material breach of the underlying lease, or Franchisee's failure to elect any option to renew the underlying lease;
- (t) Franchisee and/or an Owner fails to comply with Anti-Terrorism Laws or become listed on the Annex to Executive Order 13244;
- (u) Franchisee fails to: (1) immediately notify Franchisor of any known breach of the Confidentiality Agreement by any person or entity; (2) immediately notify Franchisor of facts and information that would cause a reasonable person to believe that a person or entity violated the Confidentiality Agreement and/or is in the process of violating the Confidentiality Agreement; and/or (3) take reasonable steps (including notice to Franchisor and Franchisee's consultation with Franchisor's legal counsel) to prevent any person or entity from violating the terms of the Confidentiality Agreement;
- (v) Franchisee misappropriates, misuses, or makes any unauthorized use of the Licensed Marks, the Confidential Information, and/or the System, Franchisee materially impairs the goodwill associated with the Licensed Marks, and/or Franchisee applies for registration of the Licensed Marks anywhere in the world;
- (w) Franchisee fails, refuses, and/or is unable to pay the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, and/or monetary obligation payable to Franchisor pursuant to this Agreement within ten (10) calendar days following written notice of same from Franchisor;

- (x) Franchisee and/or Franchisee's affiliate fails, refuses, and/or is unable to pay any payment, fee, financial obligation, and/or monetary obligation payable to Franchisor and/or Franchisor's Affiliates pursuant to this Agreement and/or any other agreement between or among Franchisor, Franchisor's Affiliate, Franchisee and/or Franchisee's affiliates or Owners within ten (10) calendar days following written notice of same from Franchisor and/or Franchisor's Affiliate; and/or
  - (y) Franchisee fails or refuses, without legal justification, on more than three (3) occasions to timely pay any supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items for the use of, operation of, and/or associated with, Franchisee's GH Business, including, without limitation, the System Equipment and Supplies and/or the Approved Services and Products.
- (3) **Termination After Cure Period** - Franchisee shall be in default of this Agreement, and Franchisee's rights under this Agreement shall be terminated, upon thirty (30) calendar days written notice (specifying the default of this Agreement and/or the actions, inactions, failures, circumstances, and/or events that must be cured by Franchisee) to Franchisee (the "Notice Period") upon the occurrence of any one or more of the following actions, inactions, events, and/or circumstances with such termination effective upon expiration of the Notice Period, unless cured by Franchisee within the Notice Period:
- (a) Franchisee fails or refuses to comply with any term and condition of this Agreement or any other agreement between or among Franchisor, Franchisor's Affiliates, Franchisee and/or Franchisee's Owners or affiliates;
  - (b) Franchisee fails to develop, open, operate and maintain Franchisee's GH Business in accordance with this Agreement and throughout the Term;
  - (c) Franchisee fails to develop, open and operate Franchisee's GH Business on or before the Scheduled Business Commencement Date;
  - (d) Franchisee operates Franchisee's GH Business in any manner that violates any federal, state, or local law, rule, regulation, ordinance, permit or code;
  - (e) Franchisee fails to maintain, or suffers cancellation of, any insurance policy required under this Agreement;
  - (f) Franchisee fails or refuses to comply with any specification, standard or operating procedure designated by Franchisor or otherwise set forth in the Operations Manual;
  - (g) Franchisee fails or refuses, without legal justification, to pay any supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items for the use of, operation of, and/or associated with, Franchisee's GH Business, including, without limitation, the System Equipment and Supplies and/or the Approved Services and Products;

- (h) Franchisee fails or refuses, within one hundred twenty (120) calendar days of the Effective Date to obtain and secure a signed lease agreement or fee simple ownership interest in a business location in accordance with this Agreement and, that is approved by Franchisor as Franchisee's Operations Center; and/or
- (i) Franchisee fails to timely satisfy and pay all vendors, suppliers and/or contractors in connection with the development and/or construction of the GH Business.

The foregoing events of default set forth in this Article 16.A(3) shall exclude events of default that are otherwise governed by and/or events of default under Article 16.A(1) or Article 16.A(2). In the event of any inconsistency or conflict between the provisions of this Article 16.A(3) with Article 16.A(1), Article 16.A(1) shall take precedence and govern. In the event of any inconsistency or conflict between the provisions of this Article 16.A(3) with Article 16.A(2), Article 16.A(2) shall take precedence and govern.

(4) **Additional Termination Rights** - Franchisee agrees that Franchisee's strict and exact compliance with, and performance of all the terms and conditions of this Agreement is necessary for the protection of Franchisor, the System, the Licensed Marks, GH Businesses, Franchisee's GH Business, and the goodwill, brand, and reputation associated therewith. Franchisee agrees that Franchisee's failure to strictly and exactly comply and perform in accordance with each of the terms and conditions of this Agreement shall constitute a default under, and a material breach of, this Agreement. Accordingly, in addition to the actions, inactions, events, and/or circumstances specified as a default in Article 16.A(1) through Article 16.A(3) above or elsewhere in this Agreement, Franchisee's failure to perform and comply with each and every term and condition set forth in this Agreement shall constitute a default under this Agreement and a material breach of this Agreement. In the event of a default or material breach not otherwise specified as a default in Article 16.A(1) through Article 16.A(3) above or elsewhere in this Agreement (a "General Default"), then Franchisor shall notify Franchisee in writing of such General Default, and Franchisor will specify in such notice the default or material breach of this Agreement and/or the actions, inactions, failures, circumstances, and/or events that must be cured by Franchisee. If Franchisee fails to remedy or cure such default within thirty (30) days of such notice, or such longer period time as may be required by law, then Franchisor may terminate Franchisee's rights under this Agreement without further notice to Franchisee.

#### **16.B. TERMINATION BY FRANCHISEE**

If Franchisee, each Owner and Spouse (as applicable) are in full compliance with each and every term and provision of this Agreement, any amendment or successor agreement, and any of the Ancillary Agreements, and Franchisor materially breaches Franchisor's substantive and material obligations set forth in this Agreement, Franchisee may terminate this Agreement in the event of the following:

- (1) Franchisor does not correct the material breach within thirty (30) days after Franchisor's receipt of Franchisee's written notice of such material breach to Franchisor; or

- (2) In a case where Franchisor's material breach cannot reasonably be cured within thirty (30) days, within thirty (30) days of Franchisor's receipt of Franchisee's written notice of Franchisor's material breach, Franchisor shall be provided a reasonable time period to cure such material breach provided that Franchisor provides reasonable evidence to Franchisee of Franchisor's current, continuing and/or planned efforts to correct the material breach within a reasonable time.

In either case, Franchisee's termination of this Agreement shall not take effect until expiration of the thirty (30) day period set forth above and or such reasonable time period as necessary to cure the material breach, and Franchisee delivers to Franchisor a separate written notice of termination. The termination date must be at least ten (10) days after Franchisor's receipt of Franchisee's notice of termination. Franchisee's termination of this Agreement for any reason other than as set forth in, and in compliance with, this Article 16.B shall not constitute the termination of this Agreement and shall constitute a material breach of this Agreement by Franchisee.

To induce Franchisor to enter into this Agreement Franchisee, each Owner and each Spouse agree that if Franchisee terminates this Agreement pursuant to this Article 16.B, that Franchisee, each Owner and each Spouse shall nevertheless comply with and be bound by all restrictions and the post-term obligations set forth in Articles 6 and 17 of this Agreement.

#### **16.C. FRANCHISOR'S OTHER REMEDIES**

In the event of Franchisee's breach of any provision of this Agreement or Franchisee's default under this Agreement, Franchisor, at Franchisor's sole discretion, shall be entitled to the following remedies and rights in addition to any other rights and remedies available to Franchisor set forth in this Agreement, at law, or in equity:

- (i) void and terminate this Agreement, and market, sell, transfer, convey and assign the rights granted to Franchisee under this Agreement to any other person or entity in Franchisor's sole discretion;
- (ii) hold Franchisee liable for, and recover from Franchisee, all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses, and charges resulting from Franchisee's default or material breach;
- (iii) exercise all legal and equitable rights and remedies allowable by applicable law;
- (iv) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses, and charges to reclaim the rights granted to Franchisee under this Agreement, and marketing, selling, transferring, conveying or assigning those rights to another person or entity;
- (v) enjoin, prohibit or otherwise prevent Franchisee from operating Franchisee's GH Business or exercising any rights granted to Franchisee under this Agreement pursuant to a court ordered restraining order, injunction or other means;

- (vi) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses and charges resulting from, or associated with, enjoining, restraining, prohibiting, or otherwise preventing Franchisee from operating Franchisee's GH Business or exercising any rights granted to Franchisee under this Agreement pursuant to a court ordered restraining order, injunction or other means;
- (vii) a declaratory judgment that this Agreement and all rights granted to Franchisee under this Agreement are terminated, null and void;
- (viii) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses and charges associated with enforcing this Agreement;
- (ix) recover from Franchisee all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee pursuant to this Agreement, the Ancillary Agreements, and/or any other agreements between Franchisee and Franchisor, including, without limitation, payments of the Royalty Fee and Advertising Contributions;
- (x) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses and charges resulting from, or associated with, recovering from Franchisee all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee this Agreement, the Ancillary Agreements, and/or any other agreements between Franchisee and Franchisor, including, without limitation, payments of the Royalty Fee and Advertising Contributions;
- (xi) temporarily or permanently suspend any existing credit arrangements or accommodations previously extended to Franchisee and/or refrain from offering or making available to Franchisee any credit arrangements or accommodations that may be offered or made available to other System franchisees;
- (xii) modify payment terms for approved products, supplies, or other merchandise purchased by Franchisee (which may include, without limitation, requiring cash on delivery);
- (xiii) disqualify Franchisee from being eligible for, or from participating in, special promotion programs, rebates, and/or rebate sharing that may be offered or made available to other System franchisees;
- (xiv) refrain from providing or making available to Franchisee promotional materials or other materials developed by the Brand Development Fund;
- (xv) require payment of the Noncompliance Fee, which shall be payable and due within fourteen (14) days of the date of Franchisor's invoice; and/or
- (xvi) if a default or breach by Franchisee results in the earlier termination of this Agreement, then Franchisor, at Franchisor's sole election, may accelerate the due date for all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee, including, without limitation, payments of the Royalty Fee and Advertising Contributions.

If Franchisor does not pursue termination of this Agreement in the event of a default or breach by Franchisee, and/or Franchisor accepts any royalties, payments, contributions, funds, or other monetary sums from Franchisee, such actions do not constitute a waiver or acceptance of Franchisee's default or breach, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor's such rights and remedies are cumulative, and no exercise or enforcement by Franchisor of any such right or remedy precludes the exercise or enforcement by Franchisor of any other right or remedy which Franchisor is entitled by law to enforce.

**ARTICLE 17**  
**OBLIGATIONS UPON TERMINATION, EXPIRATION**  
**AND CONTINUING OBLIGATIONS**

**17.A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR**

Without limitation as to any other Article or provision of this Agreement, upon expiration or termination of this Agreement for any reason, Franchisee shall immediately pay to Franchisor all sums and fees due from Franchisee to Franchisor under the terms of this Agreement including, but not limited to Royalty Fees and Advertising Contributions and all other sums and fees due from Franchisee to Franchisor and/or Franchisor affiliates and/or suppliers for products and services including, but not limited to, System Equipment and Supplies.

**17.B. CEASE OPERATIONS, USE OF SYSTEM AND PROTECTION OF THE SYSTEM**

Upon expiration, termination, or Transfer of this Agreement for any reason, Franchisee shall immediately:

- (1) Permanently cease to be a franchise owner of the GH Business that was the subject of this Agreement and cease to operate such GH Business under the System;
- (2) Directly or indirectly, hold itself out to any person or entity, or represent itself, as a present or former GH Business franchisee;

(3) Permanently cease to use, in any manner: (a) the System including, without limitation, the Confidential Information, the Licensed Marks, the Business Management System Data, and the Operations Manual; (b) any methods, procedures, or techniques associated with the System in which Franchisor possesses proprietary rights or constitute Franchisor's trade secrets; (c) System Equipment and Supplies, including communicating with or ordering products from Franchisor's designated suppliers and vendors of System Equipment and Supplies; (d) the Approved Services and Products; and (e) any other advertising, marketing, media, and any other information, documents or things associated with Franchisor, the System, the Licensed Marks, GH Businesses, the Franchised Business, and Franchisee's former GH Business, including, without limitation, any confidential, proprietary methods, procedures, descriptions of products, techniques, trade secrets, proprietary marks, distinctive forms, slogans, symbols, signs, stationary, advertising material, articles, logos, devices, items and all other things, tangible or intangible, associated with Franchisor, the System, the Licensed Marks, and GH Businesses;

(4) Return to Franchisor the Operations Manual (including any and all parts, supplements, and copies of the Operations Manual), the Confidential Information (including without limitation the Business Management System Data and all customer lists and information), and all other confidential materials, equipment, software, information, and property owned by Franchisor and all copies thereof provided, however, that Franchisee may retain Franchisee's copies of this Agreement, correspondence between Franchisor and Franchisee, but not including Confidential Information that may be contained in or attached thereto, and other documents that Franchisee needs to retain pursuant to applicable law;

(5) Permanently cease accessing, immediately disconnect from, and discontinue using any and all digital media, intra-nets, cloud based systems, and/or servers that store, maintain, and/or provide access to the Operations Manual, Confidential Information, and all other standards, specifications of Franchisor;

(6) Immediately notify Franchisor, in writing, of any and all locations where Franchisee may have maintained and/or stored digital files and/or media containing all or parts of the Operations Manual, any Confidential Information, and all other standards and specifications of Franchisor, immediately turn over such digital files and media to Franchisor, and follow Franchisor's instructions as to the destruction of such digital files and media;

(7) Except in the event an authorized transferee continues to operate Franchisee's former GH Business at Franchisee's Operations Center subsequent to a Transfer, at Franchisee's sole cost and expense: (a) modify and alter Franchisee's former GH Business, Franchisee's former GH Operations Center, and Franchisee's Operations Center, as reasonably necessary or otherwise required by Franchisor, to ensure that Franchisee's Operations Center has been completely de-identified and differentiated from its former appearance to prevent any confusion by the public as to the continued existence of a GH Business at your Operations Center; (b) remove from Franchisee's Operations Center all distinctive physical and structural features identifying a GH Business and all distinctive signs, trade dress and emblems associated with the System including, without limitation, signs, trade dress, and emblems bearing the Licensed Marks; (c) make specific additional changes to Franchisee's Operations Center as Franchisor reasonably requests for the purpose of completely de-identifying Franchisee's former GH Business. Franchisee shall immediately initiate the foregoing actions and complete such actions within the period of time designated by Franchisor, and Franchisee agrees that Franchisor and/or Franchisor's designated agents may enter the premises of Franchisee's Operations Center at any time to make foregoing alterations at Franchisee's sole risk and expense. Franchisee further agrees that Franchisee's failure to timely make modifications and alterations to Franchisee's Operations Center will cause irreparable injury to Franchisor, and Franchisee consents to the entry, at Franchisee's expense, of any ex-parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take action, if Franchisor seeks such an order;

(8) Take all actions necessary and/or reasonably required to cancel all fictitious or assumed names or equivalent registrations relating to the Licensed Marks;

(9) At no cost to Franchisor, take such action as may be determined by Franchisor to: (i) provide and assign to Franchisor the Business Management System, the Business Management System Data, and all customer lists, customer information, and customer data; (b) transfer, disconnect, and/or otherwise assign, as directed by Franchisor, all telephone numbers, email addresses, yellow pages telephone directories, telephone directory type listings, Web Based Media listings, accounts and log-in information used in connection with Franchisee's former GH Business and/or otherwise associated with the System and/or the Licensed Marks, cancel Franchisee's interests in same as such cancellation may be directed by Franchisor, and effectuate, perform, honor, and comply with Franchisee's obligations under the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Exhibit 6;

(10) Abide by, and comply with, the restrictive covenants and obligations set forth in this Agreement, including, without limitation, the restrictive covenants and obligations set forth in Article 6.B through Article 6.E of this Agreement.

(11) Provide Franchisor, within thirty (30) days of the expiration, termination, or Transfer of this Agreement, with written proof demonstrating that Franchisee has complied with the terms of this Article 17 and all other obligations under this Agreement that Franchisee must perform, abide by, and comply with, subsequent to the termination, expiration, or Transfer of this Agreement.

#### **17.C. CONTINUING OBLIGATIONS**

All obligations of Franchisor and Franchisee under this Agreement which expressly, or by their nature, survive, or are intended to survive, the expiration, termination, or Transfer of this Agreement shall continue in full force and effect subsequent to, and notwithstanding, this Agreement's termination, expiration, or Transfer until such obligations are satisfied in full or, by the nature and/or terms, such obligation(s) expire.

Franchisee further agrees that in the event of a Transfer of this Agreement by Franchisee, whether or not such Transfer is authorized by Franchisor or made in violation of this Agreement, under no circumstance shall Franchisee be relieved of Franchisee's Obligations under this Agreement and under no circumstances shall any Owner or Spouse be relieved of their respective guarantees, agreements, and obligations related to, or associated with, this Agreement, including, without limitation, the guarantees, agreements, and obligations set forth in the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and the Joinder Agreement attached to this Agreement as Exhibit 2. The immediately foregoing shall not be interpreted or otherwise construed as constituting consent to any Transfer of this Agreement without the express written consent by Franchisor and Franchisee's compliance with this Agreement respecting any such Transfer.

### **ARTICLE 18** **ENFORCEMENT AND CONSTRUCTION**

#### **18.A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**

(1) Except as expressly provided to the contrary in this Agreement, Franchisor and

Franchisee acknowledge and agree that each term and condition of this Agreement shall be interpreted or otherwise construed to be independent of each other and severable. Although each term and condition of this Agreement is considered by the parties to be reasonable and intended to be enforceable, if any such term and condition of this Agreement is found by a court of competent jurisdiction, agency, or other governmental agency to be unenforceable as written or otherwise, then such term and condition shall be modified, rewritten, interpreted, or “blue-lined” to include as much of its nature and scope as will render it enforceable. If such term and condition cannot be so modified, rewritten, interpreted, or “blue-lined” in any respect, then it will not be given effect and severed from this Agreement, and the remainder of this Agreement shall be interpreted, construed and enforced as if such term and condition was not included in this Agreement.

(2) If any applicable and binding law or rule requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule, any term and condition of this Agreement, or any specification, standard, or operating procedure Franchisor prescribes is invalid or unenforceable, then the greater prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable term and condition, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such substituted and/or modified term and condition of this Agreement imposing the maximum duty permitted by law that is prescribed within the terms of any provision of this Agreement as though it were originally and separately articulated in, and made a part of, this Agreement as of the Effective Date and/or any specification, standard or operating procedure Franchisor prescribes, which may result from striking from any terms and conditions, specifications, standards, or operating procedures, and any portion or portions thereof, a court may hold to be unenforceable or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in those jurisdictions in which such terms and conditions, specifications, standards, or operating procedures are found to be unenforceable, unless Franchisor elects to give them greater applicability, in which case, this Agreement shall be enforced as originally made in all other jurisdictions.

#### **18.B. WAIVER OF OBLIGATIONS**

No delay, waiver, omission, or forbearance on the part of Franchisor to enforce any term and condition of this Agreement or exercise any of Franchisor’s rights, options, or powers under this Agreement constitutes a waiver by Franchisor to enforce any other term and condition of this Agreement or exercise any of Franchisor’s other rights, options, or powers under this Agreement. No such delay, waiver, omission, or forbearance shall constitute a waiver by Franchisor to subsequently enforce such term and condition of this Agreement or subsequently exercise such right, option, or power. Acceptance by Franchisor of any payments, fees, charges, or other amount from Franchisee payable to Franchisor pursuant to this Agreement shall not constitute a waiver or acceptance of Franchisee’s default or breach of this Agreement or otherwise a waiver of any term and condition of this Agreement, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor shall likewise not be deemed

to have waived or impaired any term and condition, right, option or power set forth in this Agreement by virtue of any custom or practice of the parties at variance with the terms and conditions of this Agreement or Franchisor's insistence upon Franchisee's strict compliance with Franchisee's obligations, including any mandatory specification, standard or operating procedure. No waiver by Franchisor of any term and condition of this Agreement shall be valid unless in writing and signed by Franchisor.

#### **18.C. FORCE MAJEURE**

If either Franchisor or Franchisee is delayed in performing any obligation under this Agreement by any cause reasonably beyond its control when such cause would affect any person or entity similarly situated, including, without limitation, war, civil disorder, catastrophic weather, power outage, acts of God and/or labor strikes unassociated with Franchisee or Franchisor (collectively, "Force Majeure"), then the time period for performing such obligation shall be extended by a period of time equal to the period of delay. Notwithstanding the immediately foregoing sentence, any delay resulting from Force Majeure shall not excuse Franchisee's payment of any fee, charge, amount, and/or any other monetary or financial obligation to Franchisor under this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, and the non-performance of any obligation under this Agreement due to Force Majeure shall not be extended or otherwise excused for more than six (6) months.

#### **18.D. SPECIFIC PERFORMANCE AND INJUNCTIVE RELIEF**

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief under legal and/or equity rules against threatened conduct that will cause damages or loss to it, the Licensed Marks or the System. Without limitation to the rights set forth in Article 6 of this Agreement, Franchisee agrees that Franchisor may obtain such injunctive relief. Franchisee agrees that Franchisor will not be required to post a bond (other than as set forth in Article 6.H of this Agreement) to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). The remedies available to Franchisor under Article 6.H, are not exclusive of one another and may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Without limitation to the foregoing Franchisee agrees that in the event of a breach of this Agreement by Franchisee respecting and/or concerning the System and/or the Licensed Marks shall cause irreparable harm to Franchisor, the System and the Licensed Marks. The foregoing shall not be interpreted to invalidate the mediation and arbitration requirements set forth in Article 18.G, of this Agreement and shall be consistent with same.

#### **18.E. RIGHTS OF PARTIES ARE CUMULATIVE**

The rights of Franchisor and Franchisee under this Agreement are cumulative and no exercise or enforcement by a party of any right or remedy precludes the exercise or enforcement by that party of any other right or remedy which Franchisor or Franchisee is entitled by law to enforce.

#### **18.F. GOVERNING LAW**

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *ET SEQ.*) OR OTHER FEDERAL LAW, THIS

AGREEMENT AND THE RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICTS OF LAWS RULES SHALL NOT APPLY AND ANY FRANCHISE REGISTRATION, DISCLOSURE, RELATIONSHIP OR SIMILAR STATUTE WHICH HAS BEEN OR MAY BE ADOPTED BY THE STATE OF NEW YORK SHALL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

#### **18.G. NON-BINDING MEDIATION AND BINDING ARBITRATION**

(1) **Non-Binding Mediation** – Franchisee and Franchisor agree that before either party may bring any action, dispute and/or controversy arising from or related to this Agreement and/or the franchise relationship between Franchisor and Franchisee in arbitration, the parties must first mediate the dispute through non-binding mediation. Mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with the AAA's then current rules for the mediation of commercial disputes. All mediation proceedings shall be conducted in Westchester County, New York or, if a mediator is not available in Westchester County, New York then at a suitable location selected by the mediator that is located closest to Westchester County, New York. Mediation shall be conducted by one mediator and if Franchisor and Franchisee cannot agree on a mediator then the mediator shall be selected by the American Arbitration Association. Mediation shall be conducted within forty-five (45) days of the American Arbitration Association's designation and/or acknowledgment of the selected mediator or such longer period as may be agreed to between Franchisor and Franchisee in writing and signed by each respective party. Franchisor and Franchisee shall each be responsible for their own costs associated with mediation and Franchisor and Franchisee shall each be responsible for and shall each pay fifty percent (50%) of the mediator's fee and the American Arbitration Association's mediation fees.

Notwithstanding the preceding paragraph, Franchisor and Franchisee agree this Sub-Article 18.G.(1) and, thereby, the prerequisite requirement of non-binding mediation, shall not, at Franchisor's election, apply to: (a) any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee's violation or purported violation of Article 6 of this Agreement; and/or (b) claims by either Franchisor or Franchisee under this Agreement that relates to either Franchisor's or Franchisee's failure to pay fees or other monetary obligations due under this Agreement.

(2) **Arbitration** – Subject to the prerequisite requirements of non-binding mediation as set forth in Sub-Article 18.G.(1), and, except, at Franchisor's election, as to any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee's violation or purported violation of Article 6 of this Agreement, Franchisor and Franchisee agree that all disputes, controversies, and claims, arising from and/or related to this Agreement, the relationship between Franchisor and Franchisee, the System, and/or the validity of this Agreement and/or the

Ancillary Agreements, shall be submitted, on demand of either Franchisor or Franchisee, to the American Arbitration Association for binding arbitration. Arbitration shall be conducted by one(1) arbitrator in accordance with the American Arbitration Association's then current rules for commercial disputes, except as may be otherwise required in this Article 18.G. All arbitration proceedings shall be conducted in Westchester County, New York or, if suitable American Arbitration Association facilities are not available in Westchester County, New York then at a suitable American Arbitration Association location selected by the arbitrator that is located closest to Westchester County, New York.

In connection with binding arbitration, Franchisor and Franchisee further agree that:

- (a) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;
- (b) The arbitration hearing shall be conducted within one hundred and eighty (180) days of the demand for arbitration;
- (c) The arbitrator shall render written findings of fact and conclusions of law;
- (d) Except as may be otherwise required and/or prohibited by this Agreement including, but not limited to Articles 18.I, 18.J, 18.N, 18.O, 18.R, 18.T, and 18.X, of this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid;
- (e) They shall each be bound to the limitations periods set forth in Article 18.I of this Agreement and that, in any arbitration proceeding, Franchisor and Franchisee must each timely submit, within the same arbitration proceeding, any claim that would constitute a compulsory counterclaim as such claims are defined and set forth under Rule 13 of the United States Federal Rules of Civil Procedure. Any claim that is not submitted or filed as required shall be forever barred;
- (f) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction;
- (g) Arbitration and/or any arbitration award must be conducted in accordance with the terms of this Agreement including, but not limited to, the requirements set forth in this Article 18.

Consent to Jurisdiction and Venue – Subject to the non-binding mediation and arbitration provisions set forth in this Article 18.G, Franchisor and Franchisee agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within New York and within Westchester County or the county closest to Westchester County. Franchisor and Franchisee do hereby irrevocably consent to and waive any objection to such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, Franchisor and Franchisee agree that

Franchisor, at Franchisor's election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking Franchisor's enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where either the Franchised Business was located or where Franchisee resides.

**18.H. VARIANCES**

FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS AND MAY AT DIFFERENT TIMES, IN FRANCHISOR'S ABSOLUTE AND SOLE DISCRETION, APPROVE EXCEPTIONS OR CHANGES FROM THE UNIFORM STANDARDS OF THE SYSTEM, WHICH FRANCHISOR DEEMS DESIRABLE OR NECESSARY UNDER PARTICULAR CIRCUMSTANCES. FRANCHISEE UNDERSTANDS THAT IT HAS NO RIGHT TO OBJECT TO OR AUTOMATICALLY OBTAIN SUCH VARIANCES, AND ANY EXCEPTION OR CHANGE MUST BE APPROVED IN ADVANCE BY FRANCHISOR IN WRITING. FRANCHISEE UNDERSTANDS THAT EXISTING FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND THAT THE RIGHTS AND OBLIGATIONS OF EXISTING FRANCHISEES MAY DIFFER MATERIALLY FROM THIS AGREEMENT.

**18.I. LIMITATIONS OF CLAIMS**

EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENTS TO FRANCHISOR PURSUANT TO THIS AGREEMENT, FRANCHISOR'S ENFORCEMENT OF THE RESTRICTIVE COVENANTS SET FORTH IN ARTICLE 6 OF THIS AGREEMENT, AND FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR IN ACCORDANCE WITH THIS AGREEMENT, ANY AND ALL CLAIMS AND/OR CAUSES OF ACTIONS ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR RESULTING FROM THIS AGREEMENT, SHALL BE BARRED UNLESS SUCH CLAIM AND/OR CAUSE OF ACTION IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED OR ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW, OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIM AND/OR CAUSE OF ACTION, WHICHEVER OCCURS FIRST IN TIME.

**18.J. WAIVER OF PUNITIVEDAMAGES**

FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECULATIVE DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EXCEPT AS OTHERWISE PROVIDED HEREIN, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED THAT SUCH WAIVER SHALL NOT APPLY TO ANY CLAIM (A) ALLOWED BY FRANCHISOR OR FRANCHISEE FOR ATTORNEY'S FEES OR COSTS AND EXPENSES UNDER THIS AGREEMENT; AND/OR (B) FOR LOST PROFITS BY FRANCHISOR OR FRANCHISEE AND THE OWNERS UPON OR ARISING OUT OF THE TERMINATION OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE,

EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES SHALL CONTINUE IN FULL FORCE AND EFFECT.

**18.K. WAIVER OF JURY TRIAL**

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER WHETHER A LEGAL ACTION, IN MEDIATION OR IN ARBITRATION.

**18.L. BINDING EFFECT**

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

**18.M. COMPLETE AGREEMENT**

This Agreement, the documents referred to in this Agreement and the Schedules and Exhibits to this Agreement, together with the Operations Manual, constitute the entire, full and complete Agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and supersedes all prior related agreements between Franchisor and Franchisee. Notwithstanding the foregoing, the disclosure document (as registered with certain states, required by federal law or otherwise and provided to Franchisee or its representative) shall not be deemed to constitute a part of this Agreement nor as a separate, binding agreement concerning the subject matter hereof. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that Franchisor and/or Franchisor's agents furnished to Franchisee and/or Franchisee's Owners.

**18.N. ATTORNEY FEES AND EXPENSES**

Franchisee agrees that in the event that an arbitrator in any arbitration proceeding and/or a court of competent jurisdiction shall issue an award, judgment, decision and/or order finding, holding and/or declaring Franchisee's breach of this Agreement than Franchisor shall also be entitled to the recovery of all reasonable attorney fees, costs and expenses associated with and/or related to such arbitration and/or litigation. Said fees, costs and expenses shall include, but not be limited to, attorney fees, arbitration fees, deposition expenses, expert witness fees and filing fees

**18.O. WAIVER OF CLASS-ACTION:**

**INDIVIDUAL DISPUTE RESOLUTION AND NO MULTI-PARTY ACTIONS**  
FRANCHISOR AND FRANCHISEE AGREE THAT ALL PROCEEDINGS AND/OR LEGAL ACTIONS ARISING OUT OF OR RELATED TO THIS AGREEMENT AND/OR THE OFFER AND SALE OF THE GH BUSINESS FRANCHISE FROM FRANCHISOR TO FRANCHISEE, WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT A CLASS-WIDE BASIS, AND, THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S OWNERS, SPOUSES AND/OR GUARANTORS AND FRANCHISOR AND/OR FRANCHISOR'S AFFILIATES, OFFICERS, DIRECTORS AND/OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

**18.P. ACCEPTANCE BY FRANCHISOR**

This Agreement will not be binding on Franchisor unless and until an authorized officer of Franchisor has signed it.

**18.Q. OPPORTUNITY FOR REVIEW BY FRANCHISEE’S ADVISORS**

Franchisee acknowledges and represents that prior to the signing of this Agreement that Franchisor recommended and that Franchisee had the opportunity to have this Agreement and the Franchise Disclosure Document reviewed by Franchisee’s lawyer, accountant and other business advisors.

**18.R. NO PERSONAL LIABILITY BY FRANCHISOR’S EMPLOYEES, OFFICERS AND/OR AUTHORIZED AGENTS**

Franchisee agrees that the fulfillment of any of Franchisor’s obligations written in this Agreement or based on any oral communications ruled to be binding in a court of law shall be Franchisor’s sole obligation and none of Franchisor’s employees, officers and/or authorized agents shall be personally liable to Franchisee for any reason. In addition to the foregoing, Franchisor and Franchisee are not joint employers. The foregoing shall not be construed to imply that Franchisor and/or Franchisor’s agents have made any oral promises as pursuant to Article 18.M of this Agreement, this written Agreement represents the sole Agreement between Franchisor and Franchisee.

**18.S. NON-UNIFORM AGREEMENTS**

Franchisee acknowledges that Franchisor makes no representations or warranties that all other agreements with MAJEMCO INC.’S franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. Franchisee agrees that Franchisor may waive or modify comparable provisions of other franchise agreements to other System franchisees in a non-uniform manner.

**18.T NO RIGHT TO OFFSET.**

Franchisee shall not, on grounds of the alleged nonperformance, material breach, or default by Franchisor of this Agreement, any other agreement between Franchisor and Franchisee, or for any other reason, withhold any payment, fee, or any other amount payable by Franchise to Franchisor pursuant to this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, or any other payment obligation by Franchisee to Franchisor. Franchisee shall not have the right to offset or withhold any liquidated or unliquidated amount allegedly due to Franchisee from Franchisor against any payment, fee, or any other amount payable to Franchisor pursuant to this Agreement or any other payment obligation by Franchisee to Franchisor.

**18.U. HEADINGS.**

The headings and subheadings in this Agreement are strictly for convenience and reference only, and they shall not limit, expand, or otherwise affect the interpretation and construction of the terms and conditions of this Agreement.

**18.V. AUTHORITY TO EXECUTE AND BIND.**

Each party acknowledges, warrants and represents that it has all requisite power and authority to enter into this Agreement. The execution, delivery, and performance of this Agreement has been duly and lawfully authorized by all necessary actions of each party, and the signatory to this Agreement for each party has been duly and lawfully authorized to execute this Agreement for and

on behalf of the party for whom each signatory has signed.

**18.W. COUNTERPARTS; ELECTRONIC SIGNATURES; MULTIPLE COPIES.**

This Agreement may be executed in counterparts, all of which counterparts shall be deemed originals and taken together shall constitute a single agreement, and the signature pages of which may be detached from the several counterparts and attached to a single copy of this Agreement to physically form a single document. Executed duplicates of this Agreement, if any, shall be deemed an original.

**18.X. JOINT AND SEVERAL LIABILITY.**

If Franchisee consists of more than one person or entity, then their liability under this Agreement shall be deemed joint and several.

**18.Y. RECITALS.**

The parties agree that the recitals and representations contained on the first page of this Agreement constitute a part of this Agreement and are hereby fully incorporated into the terms of this Agreement.

**ARTICLE 19**  
**NOTICES**

All written notices and reports permitted or required to be delivered by this Agreement or the Operations Manual shall be deemed so delivered, at the time delivered by hand, one (1) business day after being placed in the hands of a national commercial courier service for overnight delivery (properly addressed and with tracking confirmation), or three (3) business days after placed in the U.S. mail by registered or certified Mail, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Reports requiring delivery shall be delivered by certified U.S. mail and/or electronically, as designated by Franchisor. The addresses for the parties set forth in the initial paragraph of this Agreement shall be used unless and until a different address has been designated by written notice to the other party. Any notice required under this Agreement shall not be deemed effective or given by Franchisee to Franchisor unless given in strict compliance with this Agreement. Notwithstanding the foregoing, the Operations Manual and modifications to the Operations Manual may be delivered and/or noticed to Franchisee by such means selected by Franchisor, including electronic notice and email.

In all cases where Franchisor's prior approval is required and no other method or timing for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and unless otherwise expressly proscribed in this Agreement, Franchisor shall respond within ten (10) business days after receiving Franchisee's written request and all supporting documentation, provided if Franchisor does not respond, such request shall be deemed unapproved. Franchisor's consent to, or approval of, any act or request by Franchisee shall be effective only to the extent specifically stated, and Franchisor's consent or approval shall not be deemed to waive, or render unnecessary, consent or approval of any other subsequent similar act or request.

**ARTICLE 20**  
**FRANCHISOR'S MASTER FRANCHISE AGREEMENT**

Notwithstanding anything contained in this Agreement, Franchisor and Franchisee acknowledge and agree, as follows:

- (1) That Franchisor's rights in and to the System and thereby Franchisee's rights in and to the System, in addition to the terms of this Agreement, are subject to the terms and conditions of the Master Franchise Agreement between Franchisor, as Master Franchisee and Green Homes USA Franchising, LLC as Master Franchisor;
- (2) Green Homes USA Franchising, LLC is not a party to this Agreement and is not obligated to Franchisee in anyway, however there are certain circumstances under the Franchise Agreement where Green Homes USA Franchising, LLC, upon the affirmative election and determination of Green Homes USA Franchising, LLC, may assume the rights of Franchisor under this Agreement; and
- (3) As between Franchisor, Franchisee, and Green Homes USA Franchising, LLC, Franchisor and Franchisee acknowledge that if Green Homes USA Franchising, LLC notifies Franchisee that Green Homes USA Franchising, LLC is assuming the role of Franchisor under this Agreement then Franchisee shall perform in accordance with the terms of this Agreement and shall acknowledge and treat Green Homes USA Franchising, LLC as franchisor to the exclusion of Franchisor. In such event Green Homes USA Franchising, LLC may assume future performance of the franchise agreement but shall not be responsible for any prior non-performance, non-compliance and/or acts and/or omissions of Franchisor.

**IN WITNESS WHEREOF**, the parties have executed, sealed and delivered this Agreement as of the Effective Date set forth in the first paragraph of this Agreement.

**Franchisor:**  
MAJEMCO INC.

**Franchisee:**

By: \_\_\_\_\_  
(Name)

By: \_\_\_\_\_  
(Name)

Its: \_\_\_\_\_  
(Title)

Its: \_\_\_\_\_  
(Title)

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

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

\_\_\_\_\_  
(Signature) (Date)

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

\_\_\_\_\_  
(Signature) (Date)

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



**Franchisee’s Operating Territory** - Franchisor and Franchisee agree that “Franchisee’s Operating Territory”, as such term is identified and defined in the Franchise Agreement, including, but not limited to, Article 1 of the Franchise Agreement, is identified, as follows:

[For this Schedule to be Effective this Schedule Must be Completed and Signed by Franchisor. If left incomplete then there shall be no Operating Territory]

The foregoing Operating Territory has been determined based on negotiations initiated by Franchisee and benefitting Franchisee. To the extent that the foregoing description of the Operating Territory includes and/or delineates geographic or political boundaries such determinations will be considered fixed as of the Effective Date of the Franchise Agreement and will not change for the purpose of this Agreement notwithstanding a change or reorganization to such boundaries or regions. All street boundaries, if any, will be deemed to end at the street center lines unless otherwise specified above.

**Franchisor:**  
MAJEMCO INC.

By: \_\_\_\_\_  
(Name)  
Its: \_\_\_\_\_  
(Title)  
Date: \_\_\_\_\_

**Franchisee:**

By: \_\_\_\_\_  
(Name)  
Its: \_\_\_\_\_  
(Title)  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature) (Date)

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

\_\_\_\_\_  
(Signature) (Date)

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



GH Franchise Agreement  
SCHEDULE 2

OPERATING TERRITORY TYPE, FRANCHISE FEE, AND  
OPERATIONS CENTER LOCATION ACKNOWLEDGMENT

**Type of Operating Territory** – Franchisee’s Operating Territory is a:

<p><b><u>[OPERATING TERRITORY TYPE]</u></b></p> <p>[Describe whether or not Franchisee’s Operating Territory is a Standard operating Territory, a Standard Operating Territory Plus One Zone, a Standard Operating Territory Plus Two Zones, or a Partial Operating Territory. If left incomplete the type of Franchisee’s Operating Territory shall be determined based on the Initial Franchise Fee]</p>
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**Initial Franchise Fee** - Franchisee’s Initial Franchise Fee is:

\$ \_\_\_\_\_  
[ Initial Franchise Fee ]

**Operations Center Location Acknowledgment** – If selected by Franchisee at the time of signing the Franchise Agreement and, if approved by Franchisor, the location for Franchisee’s Operations Center shall be:

<p>[If left incomplete or unknown at time of executing this Agreement, Franchisee acknowledges that Operations Center must be located Within Franchisees Operating Territory at a location approved by Franchisor in writing.</p>
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Franchisee acknowledges and represents that the foregoing determination as to Franchisee’s Operating Territory was based on negotiations initiated by Franchisee and for Franchisee’s benefit.

**Franchisor:**  
MAJEMCO INC.

**Franchisee:**

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Name (please print)



GH Franchise Agreement  
SCHEDULE 3

STATEMENT OF FRANCHISEE’S OWNERS

If Franchisee is a Corporate Entity, Franchisee does hereby affirm and acknowledge that, as of the Effective Date:

1. The Following is a list of each Owner of Franchisee and, among other things, all shareholders, partners, members, and other investors in Franchisee, including all investors who own or hold a direct or indirect financial and/or equity interest in Franchisee:

Name	Address	Ownership Interest Percentage

2. The following Owner is hereby also designated by Franchisee as the “Managing Owner”:

Name

Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Address: \_\_\_\_\_

Signature \_\_\_\_\_

Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Address: \_\_\_\_\_

Signature \_\_\_\_\_

Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Address: \_\_\_\_\_

Signature \_\_\_\_\_



GH Franchise Agreement  
EXHIBIT 1  
FRANCHISE OWNER AND SPOUSE AGREEMENT AND GUARANTY



## FRANCHISE OWNER AND SPOUSE AGREEMENT AND GUARANTY

THIS FRANCHISE OWNER AND SPOUSE AGREEMENT AND INDIVIDUAL GUARANTY (the “Agreement”) is individually entered into by: (a) you as either an owner of Franchisee (identified below); or (b) the spouse of the owner of franchisee and is given and signed by you, in favor of MAJEMCO INC., a NEW YORK CORPORATION, and its successors and assigns upon the terms and conditions set forth in this Agreement. In this Agreement, Majemco Inc. is referred to as “us” “our” or “we” and each individual that signs this Agreement is referred to as “you”.

### Recitals and Representations

WHEREAS, Franchisee is \_\_\_\_\_ (“Franchisee”);

WHEREAS, you acknowledge and agree that we have licensed a distinctive and proprietary system (the “System”) for the establishment, development and operation of a business that offers, sells and provides energy efficient green home construction services and other products and services that we authorize (the “Approved Services and Products”) under the Licensed Marks (defined below) (each, a “GH Business”);

WHEREAS, Franchisee has entered into a GH Business Franchise Agreement (the “Franchise Agreement”) for the ownership, development and operation of a GH Business (the “Franchised Business”);

WHEREAS, you have received and have thoroughly reviewed the completed Franchise Agreement, including Schedules and Exhibits attached to the Franchise Agreement;

WHEREAS, we have recommended that you thoroughly review the Franchise Agreement, this Agreement and all exhibits and schedules to the Franchise Agreement with a lawyer selected and hired by you;

WHEREAS, you represent to us that you are either: (a) an Owner of Franchisee such that you own or control a legal, equitable or beneficial ownership or equity interest in Franchisee and/or otherwise meet the definition of an “Owner” as set forth in this Agreement; and/or that you are (b) the “Spouse” of an Owner of Franchisee;

WHEREAS, you acknowledge that this Agreement will apply to you individually, jointly and severally with all others who sign this Agreement (including if this Agreement is signed in counterparts or electronically among other Owners and Spouses);

WHEREAS, you acknowledge that this Agreement personally obligates you to guarantee Franchisee’s obligations to us and obligates you to brand protection, confidentiality and noncompetition restrictions and covenants and that you enter into this Agreement to induce us to enter into the Franchise Agreement with Franchisee;

WHEREAS, you acknowledge that we are relying on this Agreement and that without this Agreement we would not have entered into and/or would not be simultaneously entering into the Franchise Agreement with Franchisee;

NOW THEREFORE, to induce us to enter into the Franchise Agreement and as consideration to us for entering into the Franchise Agreement with Franchisee and other consideration, the receipt and sufficiency of which you acknowledge, you agree as follows:

## 1. Recitals and Representations.

You agree that the foregoing Recitals and Representations are true and accurate and constitute a material part of this Agreement and are hereby incorporated into the main body of this Agreement.

## 2. Definitions.

Supplementing the terms and definitions contained in the Franchise Agreement:

“**Approved Services and Products**” shall have the meaning defined in the “Recitals” section of this Agreement and shall further refer to and mean those products and services that we authorize for sale by GH Businesses. We shall exclusively designate and determine the Approved Services and Products and we, in our Reasonable Business Judgment, may change, modify, reduce or supplement the Approved Services and Products that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Operations Manual, subject to changes that we may make from time to time and our right to change and modify the Approved Services and Products, shall designate the Approved Services and Products that must be offered and sold by the Franchised Business. The Franchised Business may only offer and sell the Approved Services and Products.

“**Business Management System**” refers to and means the software, internet, web based and/or cloud based system or systems, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by us, in our Reasonable Business Judgment, as being required for use by the Franchised Business, including, but not limited to, the day-to-day sales, ordering, operations and management of the Franchised Business.

“**Business Management System Data**” refers to and means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered (whether by us or Franchisee) into the Business Management System utilized by Franchisee; (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of the Franchised Business.

“**Competitive Business**” refers to and means any business that is the same as or similar to a GH Business including, but not limited to, any business that offers and/or provides services and/or products relating to a residential construction and/or residential contractor business that is the same as or similar to a GH Business.

“**Confidential Information**” refers to and means all of our and/or our affiliates trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date of the Franchise Agreement and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of GH Businesses; (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by GH Businesses; (c) information

concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of GH Businesses; (d) customer lists and information related to GH Businesses and the Franchised Business; (e) Business Management System Data; (f) current and future information contained in the Operations Manual; and (g) Know-How.

“**Copyrights**” refers to and means all works and materials for which we or any affiliate of ours has secured common law or registered copyright protection and we utilize and/or allow GH Business franchisees to use, sell or display in connection with the development, marketing and/or operation of a GH Business, whether as of the Effective Date or any time in the future.

“**Corporate Entity**” refers to and means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

“**Digital Media**” refers to and means any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, YouTube, and Google+, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to GH Businesses, the Franchised Business, the Licensed Marks, the System and/or us. Digital Media further includes the System Website, web pages and website subdomains (including those related to, associated with and/or a part of the System Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, sub-domains and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

“**Effective Date**” refers to the “Effective Date” of the Franchise Agreement as the term “Effective Date” is set forth and defined in the Franchise Agreement. If, for any reason, the Effective Date cannot be determined by reference to the Franchise Agreement, the Effective Date shall be the date that you sign this Agreement.

“**Franchised Business**” refers to and means the GH Business to be developed, owned and operated by Franchisee pursuant to the terms of the Franchise Agreement.

“**Franchisee’s Operating Territory**” refers to and means the “Operating Territory” as such term is set forth and defined in the Franchise Agreement.

“**Franchisee’s Operations Center**” refers to and means the GH Operations Center from which Franchisee establishes, operates and manages the Franchised Business.

“**Immediate Family**” refers to and means the spouse of a person and any other member of the household of such person, including, without limitation, children of such person.

“**Intellectual Property**” refers to and means, individually and collectively, our Licensed Marks, Copyrights, Know-How, and System.

“**Know-How**” refers to and means our trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of a GH Business including, but not

limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the Confidential Information.

**“Licensed Marks”** refers to and means the trademarks, service marks, emblems and indicia of origin, including the “GH” trademark, the GH logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by us in connection with the identification of GH Businesses and the Approved Services and Products, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by us in our Reasonable Business Judgment.

**“Operations Center(s)”** refers to and means the fixed administrative offices and/or facilities from which GH Businesses are established, operated and managed.

**“Operations Manual”** refers to and means, individually and collectively, the manual(s) designated by us and relating to the development and/or operations of GH Businesses including, but not limited to, the policies, procedures and requirements for the development and operation of GH Businesses. The Operations Manual may consist of one or more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by us from time to time in our Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to our modification from time to time and based on our Reasonable Business Judgment, the Operations Manual shall, among other things, designate the Approved Services and Products that must be offered and sold by the Franchised Business. Only Approved Services and Products may be offered and sold by the Franchised Business. Only System Equipment and Supplies may be used by Franchisee in the operations of the Franchised Business.

**“Owner”** refers to and means collectively, individually, jointly and, as of the Effective Date: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; and/or in any corporate entity that maintains an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company, (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s).

**“Prohibited Activities”** refers to and means any or all of the following: (a) owning and/or having any legal or equitable interest (whether as an individual proprietor or as an owner, partner, member or shareholder of a Corporate Entity or, in any similar capacity) in a Competitive Business (other than owning an interest of three percent (3%) or less in a publicly traded company that is a Competitive Business); (b) operating, managing, funding and/or performing services (whether as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or in any similar capacity) for a Competitive Business; (c) diverting or attempting to divert any business or customers from us (or one of our affiliates or franchisees); and/or any customer or client of ours (or of one of our affiliates or franchisees) or of Franchisee to any other person or business that is not a GH Business.

**“Reasonable Business Judgment”** refers to, means, and relates to any and all decisions, actions and choices made by us concerning or relating to the Franchise Agreement, the System, GH Businesses and the Franchised Business where we undertake or make such decision with the intention of benefiting or

acting in a way that could benefit the System including, as examples and without limitation, enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining operating territory markets, minimizing potential customer confusion as to the location of GH Businesses, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. The Franchisee has agreed and, you acknowledge and agree, that when a decision, determination, action and/or choice is made by us in our Reasonable Business Judgment that such decision, determination, action or choice made by us takes precedence and prevails, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee has agreed and, you acknowledge and agree, that in connection with any decision, determination, action and/or choice made by us in our Reasonable Business Judgment as franchisor that: (a) we possess a legitimate interest in seeking to maximize our profits; (b) we shall not be required to consider Franchisee's or your individual economic or business interests as compared to the overall System; and (c) should we economically benefit from such decision, determination, action and/or choice that such economic benefit to us shall not be relevant to demonstrating that we did not exercise reasonable business judgment with regard to our obligations under the Franchise Agreement and/or with regard to the System. Franchisee agreed and you agree that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee's or such third party's judgment for our Reasonable Business Judgment. Franchisee agreed and, you agree, that should Franchisee challenge our Reasonable Business Judgment in any legal proceeding that Franchisee shall possess the burden of demonstrating, by clear and convincing evidence, that we failed to exercise our Reasonable Business Judgment.

**“Restricted Period”** refers to and means the twenty-four (24) month period after the earliest to occur of the following: (a) the expiration of the Franchise Agreement; (b) the termination of the Franchise Agreement; (c) the date on which Franchisee assigns the Franchise Agreement to another person (other than you or your Spouse or an Immediate Family Member) provided that you do not and your Spouse does not own or hold, in the assignee, any direct or indirect ownership and/or equity interest whether legal, equitable or otherwise; (d) if you are an Owner of Franchisee, the date on which you cease to be an Owner of Franchisee; or (e) if you are the Spouse of an Owner of Franchisee, the date on which your Spouse ceases to be an Owner of Franchisee. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the eighteen (18) month period after the earliest to occur of the following: (a) the expiration of the Franchise Agreement; (b) the termination of the Franchise Agreement; (c) the date on which Franchisee assigns the Franchise Agreement to another person (other than you or your Spouse or an Immediate Family Member) provided that you do not and your Spouse does not own or hold, in the assignee, any direct or indirect ownership and/or equity interest whether legal, equitable or otherwise; (d) if you are an Owner of Franchisee, the date on which you cease to be an Owner of Franchisee; or (e) if you are the Spouse of an Owner of Franchisee.

**“Restricted Territory”** refers to and means the geographic area: (a) comprising Franchisee's Operating Territory; (b) comprising a twenty-five (25) mile radius surrounding Franchisee's Operating Territory (or, if Franchisee is not granted or designated an operating territory, then a twenty-five (25) mile radius surrounding Franchisee's Operations Center); (c) comprising each of the operating territories, respectively, of other GH Businesses that are in operation or under development during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within Franchisee's Operating Territory plus a twenty-five (25) mile radius surrounding Franchisee's Operating Territory or, if Franchisee is not granted or designated an operating territory, then a twenty-five (25) mile radius surrounding Franchisee's Operations Center. **“Spouse”** refers to and

means, as of the Effective Date, the legal spouse of an Owner.

“**System**” refers to and means our system for the development, establishment and operation of GH Businesses including, but not limited to: (a) the Approved Services and Products, System Equipment and Supplies, and services, procedures and systems that are designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a GH Business; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other tradenames, service marks, signs, and logos, copyrights and trade dress that is designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a GH Business; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by us in our Reasonable Business Judgment.

“**System Equipment and Supplies**” refers to and means the equipment and supplies designated by us as required for use in connection with Franchisee’s GH Business and the Approved Services and Products. Without limitation to the foregoing, the System Equipment and Supplies shall include GH branded, non-branded and third-party branded equipment and supplies designated by us for use in the day-to-day operations of Franchisee’s GH Business, without limitation to the foregoing, the System Equipment and Supplies shall include branded, non-branded and third-party branded equipment and supplies designated by us for use in the day-to-day operations of the Franchised Business and GH Businesses: products, building equipment, building supplies, building designs, installation kits, uniforms, stationary, sales slips, receipts, customer notices and other forms and materials, designated by us in the Operations Manual and/or otherwise in writing and, as may be modified and supplemented by us from time to time in our Reasonable Business Judgment. System Equipment and Supplies shall further include those products that we authorize for sale to customers of GH Businesses.

“**System Website**” refers to and means the web page and/or pages located on the world wide web at the [www.GHBuildersUSA.com](http://www.GHBuildersUSA.com) URL (uniform resource locator) and shall further include all webpages and subdomains (including those that are franchisee and/or geography specific) that are a part of System Website, or as designated by us as being associated with the URL of the System Website and/or GH Businesses.

“**Trade Dress**” refers to and means the GH Business designs, images, marketing materials, packaging, branding and/or branding images which we authorize and require Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by us from time-to-time.

“**Transfer**” refers to and means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.

“**GH Business(s)**” shall have the meaning defined in the Recitals and Representations section of this Agreement and, without limitation to the Recitals and Representations section of this Agreement, the

definition of “GH Businesses”, shall further include, refer to and mean: every business and all businesses owned and/or operated by us, our affiliates and/or our authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

### **3. Additional Acknowledgments by You.**

In addition to the representations and acknowledgments contained in the Recitals and Representations, above, and incorporated into this Agreement, you acknowledge and represent that:

- (a) as of the Effective Date you are an Owner and/or Spouse;
- (b) that you are signing this Agreement in your individual capacity and that you are bound to the terms and conditions of this Agreement and irrespective of any change in your status as an Owner and/or Spouse;
- (c) in your capacity as an Owner of Franchisee or as the Spouse of an Owner of Franchisee that you have and will be gaining access to, among other things, the System and Intellectual Property;
- (d) you acknowledge that all of the components and aspects of the System and Intellectual Property (both individually and as they relate to one another collectively) are critical to our success as the franchisor of the System and to the overall System;
- (e) you acknowledge that we need to protect the System and Intellectual property and that to do so we require that you, in your individual capacity, to agree to the brand protection, noncompetition and other covenants and restrictions contained in this Agreement and that you personally guarantee the financial and other obligations of Franchisee to us; and
- (f) you acknowledge that the terms of this Agreement are fair and reasonable and that you have elected, based on your own decision, to enter into this Agreement to induce us to enter into the Franchise Agreement with Franchisee.

### **4. Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions.**

(a) Know-How. You agree that: (i) you will not use the Know-How in any business or capacity other than the Franchised Business; (ii) you will maintain the confidentiality of the Know-How at all times; (iii) you will not make unauthorized copies of documents containing any Know-How; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-How; and (v) you will stop using the Know-How immediately if you are no longer an Owner of Franchisee or your Spouse is no longer an Owner of Franchisee, as applicable. You will not use the Intellectual Property for any purpose other than the development and operation of the Franchised Business pursuant to the terms of the Franchise Agreement and Operations Manual. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.

(b) Non-Competition During Franchise Relationship. Subject to the terms and conditions of

Article 5 of this Agreement, below, you represent and agree that while you are an Owner of Franchisee or while your Spouse is an Owner of Franchisee (as applicable) that you will not engage in any Prohibited Activities. You acknowledge and agree that this restriction is fair and reasonable and that if you did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm us and the System.

(c) Non-Competition After Franchise Relationship. You represent, acknowledge and agree that during the Restricted Period you will not engage in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers/clients who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach). You acknowledge and agree that this restriction is fair and reasonable and that if you did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm us and the System.

(d) Confidentiality Restrictions. You represent, acknowledge and agree that, at all times you: (i) shall not use the Confidential Information in any business or capacity other than the Franchised Business; (ii) shall maintain the confidentiality of the Confidential Information; (iii) shall not make unauthorized copies of documents containing any Confidential Information; (iv) shall take such reasonable steps as we may ask of you and/or Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; (v) shall immediately and permanently stop using the Confidential Information upon the expiration or termination of the Franchise Agreement; (vi) shall immediately and permanently stop using the Confidential Information if you are no longer an Owner of Franchisee and/or the Spouse of an Owner; (vii) shall immediately and permanently stop using the Confidential Information upon Franchisee's Transfer of the Franchise Agreement; and (viii) shall not disclose the Confidential Information to any third party except in a legal proceeding pursuant to an order of a court of competent jurisdiction and after affording us no less than 15 business days prior notice and an opportunity for us, at our election, to appear in such action.

(e) Immediate Family Members. You acknowledge that should you circumvent the purpose and protections (due to us) of this Agreement by disclosing Know-How to an immediate family member (*i.e.*, parent, sibling, child, or grandchild) we will and the System will be irreparably harmed. You acknowledge that if you did disclose the Know-How to an immediate family member and your immediate family member used the Know-How to engage in activities that, for you, qualify as Prohibited Activities as defined above, that we and the System will be irreparably harmed. You agree that as between you and us that you are in a better position to know if you permitted and/or provide an immediate family member with access to the Know-How. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-How. However, you may rebut this presumption by providing evidence conclusively demonstrating that you did not disclose the Know-How nor permit disclosure of the Know-How to the family member.

(f) Reasonableness of Covenants and Restrictions. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU WAIVE ANY RIGHT TO CHALLENGE THE TERMS**

**OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.** Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic are, we may at any time unilaterally modify the terms of this Article 4 (Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Article 4 to ensure that the terms and covenants are enforceable under applicable law.

(g) **Breach.** You agree that failure to comply with these Article 4 Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions will cause irreparable harm to us and/or other GH Business franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed One Thousand Dollars (\$1,000). None of the remedies available to us under this Article are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

## **5. Transfer Restrictions and Non-Competition Covenants and Restrictions.**

Notwithstanding anything contained in this Agreement to the contrary, you expressly acknowledge and agree that if you are an Owner, and/or the Spouse of an Owner, that, prior to Transferring an Owner's equity and/or ownership interests in Franchisee that, among other things, Franchisee must notify us and obtain our written consent. Likewise, you acknowledge and agree that under the Franchise Agreement that prior to Franchisee's Transfer of the Franchise Agreement, among other things, Franchisee must notify us and obtain our written consent. For our protection and to prevent the subversion of the non-competition covenants contained in Article 4(b) of this Agreement and, to induce us to enter into the Franchise Agreement with Franchisee, you agree, that:

(a) if you are an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of your equity and/or ownership interests in Franchisee and/or should Franchisee, fail to obtain our consent to the proposed Transfer of your equity and/or ownership interests in Franchisee (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement;

(b) if you are a Spouse, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of your Spouse's equity and/or ownership interests in Franchisee and/or should Franchisee, fail to obtain our consent to the proposed Transfer of your Spouse's equity and/or ownership interests in Franchisee (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement;

(c) if you are an Owner, should Franchisee fail to properly and timely notify us in writing of the

proposed Transfer of the Franchise Agreement to a third party and/or should Franchisee, fail to obtain our consent to the proposed Transfer of the Franchise Agreement to a third party (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement; and

(d) if you are the Spouse of an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of the Franchise Agreement to a third party and/or should Franchisee, fail to obtain our consent to the proposed Transfer of the Franchise Agreement to a third party (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement.

## **6. Personal Guaranty of Franchise Agreement and Financial Obligations.**

To secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours (collectively the "Ancillary Agreements") you individually, jointly and severally, and personally and unconditionally:

- (a) guarantee to us and our successor and assigns, that Franchisee shall punctually satisfy and pay all of Franchisee's payment and other obligations under the Franchise Agreement;
- (b) guarantee to us and our successor and assigns, that Franchisee shall punctually satisfy and pay all of Franchisee's payment and other obligations under the Ancillary Agreements;
- (c) agree, at all times, to be personally bound by and personally liable for each and every fee, payment and monetary obligation due from Franchisee to us pursuant to the terms of the Franchise Agreement (including, but not limited to, the fee obligations of Article 5 of the Franchise Agreement, the advertising obligations of Article 9 of the Franchise Agreement, and the indemnification obligations of Article 10 of the Franchise Agreement);
- (d) agree, at all times, to be personally bound by and personally liable for each and every fee, payment and monetary obligation due from Franchisee to us and/or our affiliates under the Ancillary Agreements;
- (e) do, at all times, hereby personally guarantee payment of each and every fee, payment and monetary obligation due or that may become due from Franchisee to us pursuant to the terms of the Franchise Agreement including, but not limited to, the fee obligations of Article 5 of the Franchise Agreement, the advertising obligations of Article 9 of the Franchise Agreement, and the indemnification obligations of Article 10 of the Franchise Agreement; and
- (f) do, at all times, hereby personally guarantee payment of each and every fee, payment and monetary obligation due or that may become due from Franchisee to us pursuant to the terms of the Ancillary Agreements.

**You waive:** (a) acceptance and notice of acceptance by us of the foregoing undertakings; (b) notice of demand for payment of any indebtedness guaranteed; (c) protest and notice of default to any party with respect to the indebtedness guaranteed; (d) any right you may have to require that an action be brought against Franchisee or

any other person as a condition of liability; and (e) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

**You agree that:** (a) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Franchise Agreement and the Ancillary Agreements upon demand if Franchisee fails or refuses punctually to do so; (c) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Franchise Agreement and the Ancillary Agreements and following the termination, expiration or Transfer of each of the Franchise Agreement and the Ancillary Agreements to the extent any financial obligations under any such Franchise Agreement and Ancillary Agreements survive such termination, expiration or Transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Franchise Agreement and/or Ancillary Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

#### **7. Arbitration, Consent to Jurisdiction and Venue and Cross-Default.**

Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. Without limitation to the foregoing, you agree that:

(a) **Arbitration** – Except, at our option, as to any claims or disputes related to or concerning a breach of this Agreement by you that may entitle us to the award of injunctive relief, you agree that any and all disputes, controversies, and claims, arising from and/or related to this Agreement, shall be submitted to the American Arbitration Association for binding arbitration. Arbitration shall be conducted by one (1) arbitrator in accordance with the American Arbitration Association's then current rules for commercial disputes, except as may be otherwise required in this Agreement. All arbitration proceedings shall be conducted in New Castle County, Delaware or, if suitable American Arbitration Association facilities are not available in New Castle County, Delaware then at a suitable American Arbitration Association location selected by the arbitrator that is located closest to New Castle County, Delaware.

In connection with binding arbitration, you agree that:

- (i) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;
- (ii) The arbitration hearing shall be conducted within one hundred and eighty (180) days of the demand for arbitration;
- (iii) The arbitrator shall render written findings of fact and conclusions of law;
- (iv) Except as may be otherwise required and/or prohibited by this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper,

including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid; and

(iv) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

**(b) Consent to Jurisdiction and Venue – You agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within New York and within Westchester County or the county closest to Westchester County. You do hereby irrevocably consent to and waive any objection to such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, you agree that we, at our election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking our enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where you reside.**

(c) Acknowledgment as to Cross-Default – You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us, among other things, to terminate the Franchise Agreement in accordance with the terms thereof.

## **8. Miscellaneous.**

(a) If either party hires an attorney or files suit against the other party in relating to and alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.

(b) This Agreement will be governed by, construed and enforced under the laws of New York and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

(d) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

(f) You acknowledge that our rights in and to the System and thereby Franchisee's rights in and to the System, in addition to the terms of the Franchise Agreement, are subject to the terms and conditions of the Master Franchise Agreement between us, as Master Franchisee and Green Homes USA Franchising, LLC as **Master** Franchisor and that although Green Homes USA Franchising, LLC is not a party to the Franchise Agreement, if the Franchise Agreement is later assigned to Green Homes USA Franchising, LLC and/or its affiliates and or claimed by Green Homes USA Franchising, LLC then this Agreement shall enure to the benefit of Green Homes USA Franchising, LLC.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

**Owner / Spouse:**

**Owner / Spouse:**

Signature of Owner / Spouse

Signature of Owner / Spouse

Name (please print)

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

Date \_\_\_\_\_

Signature of Owner / Spouse

Signature of Owner / Spouse

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_



GH Franchise Agreement EXHIBIT 2  
JOINDER AGREEMENT



JOINDER AGREEMENT

Without limitation to the “Franchise Owner and Spouse Agreement and Guaranty” executed simultaneously hereto, and to induce MAJEMCO INC. to enter into the GH Business Franchise Agreement with \_\_\_\_\_, as Franchisee (the “Franchise Agreement”), the undersigned individuals do hereby agree to be individually, jointly and severally bound by and to each and every term, provision, covenant and obligation set forth in the Franchise Agreement.

In the event of any conflict between the terms of this Joinder agreement and the “Franchise Owner and Spouse Agreement and Guaranty” agreement, the terms of the “Franchise Owner and Spouse Agreement and Guaranty” agreement shall take precedence and govern.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated

Dated



GH Franchise Agreement

EXHIBIT 3

FRANCHISEE DISCLOSURE QUESTIONNAIRE  
AND REPRESENTATIONS STATEMENT



You, (hereinafter referred to as “**you**”) the undersigned individual who, individually or on behalf of a corporate entity, is about to sign a GH Franchise Agreement or has signed a GH Franchise Agreement, represent to us, Majemco Inc. (hereinafter referred to as “**we**” or “**us**”) that your response to the questions contained in this document are true and represent accurate representations on your behalf. You acknowledge and represent that we are relying on your responses and the information provided by you.

**[AS TO THE QUESTIONS BELOW PLEASE RESPOND “YES” OR “NO” IN RESPONSE TO THE QUESTION]**

- Yes/No \_\_\_ 1. Have you received and personally reviewed the Franchise Agreement and each schedule and exhibit attached to it?
- Yes/No \_\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document that we provided?
- Yes/No \_\_\_ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes/No \_\_\_ 4. Did you receive the Franchise Disclosure Document at least 14 calendar days and at least 10 business days before signing any agreement relating to the franchise or paying any money?
- Yes/No \_\_\_ 5. Do you understand that the success or failure of your GH Business will depend, in large measure, on your skills, abilities and efforts and those of the persons you employ as well as many other factors beyond your control such as competition, cash flow, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes/No \_\_\_ 6. Do you understand that you must satisfactorily complete the initial training before we will allow to open your GH Business?
- Yes/No \_\_\_ 7. Do you agree that no employee or other person speaking on our behalf made any statement or promises to you as to the costs that you may incur in establishing, operating, or running your GH Business, except as to the specific information disclosed in writing in the GH Franchise Disclosure Document?
- Yes/No \_\_\_ 8. Do you agree that no employee or other person speaking on our behalf made any statements or promises to you about how much income, money, profits or return on investment that your GH Business may or could potentially earn?
- Yes/No \_\_\_ 9. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings of a GH Business?
- Yes/No \_\_\_ 10. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the likelihood of success of your GH

Business or the amount of money you may earn?

- Yes/No \_\_\_\_\_ 11. Do you understand that the Franchise Agreement and the schedules and exhibits attached to the Franchise Agreement contain the entire agreement between us and that you are not relying on any oral promises or representations that are not explicitly stated in the Franchise Agreement.

**Additional Information: If you have answered “No” to any question above, please identify the question number and provide information as to why you have answered “No”:**

**YOU ACKNOWLEDGE AND AGREE THAT WE ARE RELYING ON YOUR ANSWERS TO THIS QUESTIONNAIRE AND YOU REPRESENT THAT EACH RESPONSE IS TRUE AND ACCURATE**

\_\_\_\_\_  
Signature of Franchise

\_\_\_\_\_  
Signature of Franchise

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_



GH Franchise Agreement  
EXHIBIT 4  
CONFIDENTIALITY AGREEMENT

[THIS EXHIBIT IS FOR REFERENCE PURPOSES ONLY AS A SAMPLE FORM CONFIDENTIALITY AGREEMENT THAT FRANCHISOR MAY APPROVE FOR USE BY FRANCHISEE – BEFORE USING WITH AN EMPLOYEE OR CONTRACTOR FRANCHISEE SHOULD AVE THIS AGREEMENT REVIEWED AND APPROVED BY AN INDEPENDENT LOCAL ATTORNEY HIRED BY FRANCHISEE]



CONFIDENTIALITY AGREEMENT (Sample Only)

This Agreement (the “Agreement”) is entered into by the undersigned (“you”) in favor of:

[Insert On the Line Below Name of Franchisee that Owns and Operates the GH Franchised Business]

\_\_\_\_\_ (hereinafter referred to as “us”, “our” or “we”)

Recitals and Representations

WHEREAS, we are the owners of a licensed GH Business (hereinafter referred to as the “GH Business”) that we independently own and operate as a franchisee;

WHEREAS, you are or are about to be an employee, independent contractor, officer and/or director of a GH Business that is independently owned and operated by us;

WHEREAS, in the course of your employment, independent contractor relationship and/or association with us, you may gain access to Confidential Information (defined below in this Agreement) and you understand that it is necessary to protect the Confidential Information and for the Confidential Information to remain confidential;

WHEREAS, our franchisor, Majemco Inc. is not a party to this agreement and does not own or manage the GH Business but is an intended third-party beneficiary of this Agreement; and

WHEREAS, this Agreement is not an employment agreement and is only a confidentiality agreement in connection with information, materials and access that may be provided to you in connection with the GH Business.

NOW THEREFORE, you acknowledge and agree as follows:

**1. Recitals and Representations.** You agree that the foregoing Recitals and Representations are true and accurate and shall constitute a part of this Agreement and are hereby incorporated into the main body of this Agreement.

**2. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“Business Management System” refers to and means the software and/or internet or cloud based system and/or systems, point of sale system or systems and customer relationship management system or systems as used in connection with the operations of the GH Business.

“Business Management System Data” refers to and means the forms, data, tools, customer information, inventory and sales information, and other information that is entered into and/or maintained on the Business Management System of the GH Business.

“Confidential Information” refers to and means: (a) non-public methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of the GH Business; (b) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial

data of the GH Business; (c) customer lists and information related to the GH Business; (d) Business Management System Data; (e) current and future information contained in the GH Operations Manual made available to the GH Business by Green Homes USA Franchising, LLC; and (f) recipes, production, cooking, and service procedures that are not disclosed to the public but used by the GH Business.

*“Licensed Marks”* refers to and means the word marks, trademarks, service marks, and logos now or hereafter utilized in the operation of a GH Business, including, but not limited to, the “GH ” word mark, associated logos, and any other trademarks, service marks or trade names that we designate for use in a GH Business.

*“Operations Manual”* refers to and means the confidential operations manual made available to the GH Business by our franchisor or as otherwise designated by us. The Operations Manual may consist of one of more volumes, handbooks, manuals, written materials, video, electronic media files, cloud/internet based list-service, intra-net, internet based and accessed databases, computer media, webinars and other materials as may be modified, added to, replaced or supplemented.

*“Trade Dress”* refers to and means the GH designs, images, marketing materials, packaging, branding and/or branding images used in connection with the operation of the GH Business.

*“Digital Media”* refers to and means any interactive or static electronic document, application or media including, but not limited to, www.GHBuildersUSA.com, social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to the GH Business or other GH Business.

**3. Your Access to Confidential Information.** In addition to the representations and acknowledgments contained in the Recitals and Representations, above, you acknowledge and represent that in your capacity as an employee, independent contractor, officer and/or director of the GH Business that you will be gaining access to, among other things, the Confidential Information. You acknowledge that the terms of this Agreement are fair and reasonable.

**4. Protection of the Confidential Information.** You agree that: (i) you will not use the Confidential Information in any business or capacity other than the GH Business; (ii) you will maintain the confidentiality of the Confidential Information at all times; (iii) you will not make unauthorized copies of documents containing the Confidential Information; (iv) you will take such reasonable steps as the we may ask of you from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (v) you will stop using the Confidential Information immediately at our request or demand. You will not use the Confidential Information for any purpose other than for the performance of your duties on behalf of us and in accordance with the scope of your work with us.

**5. Reasonableness of Covenants and Restrictions.** You agree that: (i) the terms of this Agreement are reasonable and fair and that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **You hereby waive any right to challenge the terms of this Agreement as being overly broad, unreasonable or otherwise unenforceable.**

**6. Breach.** You agree that failure to comply with the terms of this Agreement will cause irreparable harm to us and to our Franchisor, Majemco Inc., and other GH franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us or our Franchisor, Majemco Inc. to injunctive relief. You agree that we and/or our Franchisor Majemco Inc. may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason

of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, you agree that the amount of the bond shall not exceed One Thousand Dollars (\$1,000). None of the remedies available to us under this Article are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**7. Miscellaneous.**

(a) If we hire an attorney or files suit against you because you have breached this Agreement and if we prevail in such lawsuit, you agree to pay the reasonable attorney fees and costs that we incur.

(b) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

**(c) YOU ACKNOWLEDGE THAT THIS IS NOT AN EMPLOYMENT AGREEMENT.**

**(d) YOU ACKNOWLEDGE AND AGREE THAT OUR FRANCHISOR, MAJEMCO INC. IS NOT A PARTY TO THIS AGREEMENT BUT IS AN INTENDED THIRD-PARTY BENEFICIARY OF THIS AGREEMENT.**

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

\_\_\_\_\_  
Individual Signature of  
Restricted Party

\_\_\_\_\_  
Individual Signature of  
Restricted Party

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

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

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



GH Franchise Agreement  
EXHIBIT 5  
FRANCHISEE'S OPERATIONS CENTER LOCATION  
ACKNOWLEDGMENT



FRANCHISEE'S OPERATIONS CENTER LOCATION ACKNOWLEDGMENT  
(POST EFFECTIVE DATE)

Pursuant to the terms of the Franchise Agreement dated \_\_\_\_\_ by and between MAJEMCO INC., as Franchisor, and \_\_\_\_\_, as Franchisee, Franchisee has selected the following proposed Operations Center and Franchisor, pursuant to the terms and conditions of the Franchise Agreement, approves the proposed location as Franchisee's Operations Center:

[To be Effective this Schedule Must be Completed and Signed by Franchisor]

Franchisor and Franchisee agree that the location set forth above constitutes Franchisee's Operations Center as such term is defined in the Franchise Agreement.

**Franchisor:**  
MAJEMCO INC.

**Franchisee:**

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

Franchisee Signature

Title

Name (please print)



GH Franchise Agreement

EXHIBIT 6

ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS



ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS  
(for the benefit of MAJEMCO INC. and its assigns)

THIS ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS ASSIGNMENT (“Assignment”) is entered into between \_\_\_\_\_ (the “Assignor”) and MAJEMCO INC. and its successors and assigns (the “Assignee”).

WHEREAS, Assignee is the franchisor of the GH Business franchise system (the “GH Business Franchise System”);

WHEREAS, Assignor, as franchisee, and Assignee, as franchisor, are parties to a GH Business Franchise Agreement (the “Franchise Agreement”)

WHEREAS, the term “Digital Media” shall refer to and mean “any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, YouTube, and Google+, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to a GH Business, GH Businesses, Assignor’s GH Business and/or trademarks associated with the GH Business Franchise System and/or Assignee. Digital Media further includes the GH Business website, web pages and website subdomains (including those related to, associated with and/or a part of the GH Business Franchise System) associated with and/or related to Assignor’s GH Business and all web pages, blog posts, videos, articles, information, sub-domains, and all other media and/or publications relating to the GH Business Franchise System that is displayed and/or transmitted digitally;” and

WHEREAS, In connection with Assignor’s establishment and operation of a GH Business, Assignor will be utilizing accounts, information, phone numbers and Digital Media subject to strict requirements set forth in the Franchise agreement.

NOW THEREFORE, Assignor, in exchange for good and valuable consideration provided and paid by Assignee (receipt of which is hereby acknowledged), agrees:

1. That Assignor does hereby assign to assignee all telephone numbers, facsimile numbers, listings, domain names and Digital Media that is associated with Assignor’s GH Business including, the following (all collectively referred to as the “Media”):

- (a) All phone numbers, facsimile numbers and listings that are currently, or in the future, associated with Assignor’s GH Business;
- (b) The following telephone and facsimile numbers:  

---

\_\_\_\_\_ ; and

(c) All Digital Media, all Digital Media accounts and all Digital Media log-in information.

The foregoing shall not be construed and/or interpreted as Assignees acknowledgment and/or agreement that Assignor owns and/or possesses any ownership interests in the foregoing telephone numbers, accounts and/or Digital Media. Any and all rights of Assignor in and to same exist subject to a limited license pursuant to the GH Business Franchise Agreement which shall take precedence and govern. However, this Assignment is intended by Assignor and Assignee to be an instrument that may be relied upon by all third parties to authorize and permit the assignments and transfers set forth in this Assignment and to facilitate the transfer of accounts and media to within the control of Assignee. Nothing contained in this Assignment shall be used to construe nor imply that Assignor possesses any ownership interests or rights in the Digital Media and in the event of any inconsistency or conflict between this Assignment and the Franchise Agreement, the Franchise Agreement shall take precedence and govern.

2. This Assignment will become effective automatically upon the termination or expiration of the Franchise Agreement for any reason. As to all third parties proof of the expiration or termination of the Franchise Agreement shall exist exclusively upon the written declaration of Assignee and Assignee's declaration shall be dispositive and not subject to challenge. Assignor acknowledges that all third parties may rely on this Assignment for the purpose of taking any and all actions to ensure that access to and control of the Media is maintained by Assignee.

**UTILIZATION OF THIS ASSIGNMENT SHALL EXIST AT THE SOLE DISCRETION OF ASSIGNEE AND FOR THE SOLE BENEFIT OF ASSIGNEE**

**Assignor:**

**Assignee:  
MAJEMCO INC.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title (please print)

\_\_\_\_\_  
Name and Title (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_



GH Franchise Agreement EXHIBIT 7  
GENERAL RELEASE

GENERAL RELEASE

TO ALL TO WHOM THESE PRESENTS SHALL COME OR MAY CONCERN, KNOW THAT:

\_\_\_\_\_, as RELEASOR, in consideration of good and valuable consideration received from:

**MAJEMCO INC.**, as RELEASEE, receipt of which is hereby acknowledged, releases and discharges the RELEASEE, RELEASEE'S heirs, officers, members, agents, executors, administrators, successors and assigns, from all claims, actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, contracts, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity which against the RELEASEE, the RELEASOR, RELEASORS', heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may, have for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE. The words "RELEASOR" and "RELEASEE" include all releasors and releasees under this Release. This Release may not be changed orally.

IN WITNESS WHEREOF, the **RELEASOR** has hereunto set RELEASORS' had and seal on the date set forth below.

**Releasor:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

NOTARY SIGNATURE, SEAL AND INFORMATION: On \_\_\_\_\_ before me, the undersigned, personally appeared \_\_\_\_\_ personally known to me or proven to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity/capacities, and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
Notary Signature and Seal



GH Franchise Agreement EXHIBIT 8  
ACH AUTHORIZATION



**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

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**Franchisee Information:**

---

Franchisee Name

Business No.

---

Franchisee Mailing Address (street)

Franchisee Phone No.

---

Franchisee Mailing Address (city, state, zip)

---

Contact Name, Address and Phone Number (if different from above)

---

Franchisee Fax No.

Franchisee Email Address

---

**Bank Account Information:**

---

Bank Name

---

Bank Mailing Address (street, city, state, zip)

Checking    Savings

---

Bank Account No.

(check one)

Bank Routing No.

---

Bank Phone No.

---

**Authorization:**

Franchisee hereby authorizes MAJEMCO INC. ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit

shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_

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

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

Federal Tax TD No.: \_\_\_\_\_

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

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT**



GH Franchise Agreement EXHIBIT 9  
SBA Addendum



## ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT

**THIS ADDENDUM** (“Addendum”) is made and entered into on \_\_, 20 \_\_, by and between \_\_\_\_\_ (“Franchisor”), located at \_\_\_\_\_, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20 \_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

### CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner of or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

### FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

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<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (“FTC’s”) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

**COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee’s real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by the Licensee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729-3733.

**Authorized Representative of Franchisor:**

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

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

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

**Authorized Representative of Franchisee:**

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

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

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

**Note to Parties:** This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT E**

LIST OF FRANCHISOR'S FRANCHISEES

Joseph Montana  
Rivers Bend Builders, LLC  
173 N. Rt. 9W  
Congers, NY 10920  
845-398-2817

LIST OF MASTER FRANCHISOR'S FRANCHISEES

**North Dakota**  
Fedosia Slack  
797 Albert Dr. W  
West Fargo, North Dakota 58078

LIST OF MASTER FRANCHISOR'S FRANCHISEES WITH SIGNED FRANCHISE AGREEMENTS WHO HAVE NOT YET OPENED

**Georgia**  
Vorsight Development Group, LLC  
Ricardo Betts  
[Ricardo.Betts@vorsightdevelopment.com](mailto:Ricardo.Betts@vorsightdevelopment.com).

FRANCHISE DISCLOSURE DOCUMENT



**EXHIBIT F**

LIST OF FRANCHISOR'S FRANCHISEES THAT HAVE LEFT THE SYSTEM

None.

LIST OF MASTER FRANCHISOR'S FRANCHISEES THAT HAVE LEFT THE SYSTEM

None.



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT G**  
STATE SPECIFIC ADDENDUM

**New York Disclosure**  
NEW YORK ADDENDUM TO  
MAJEMCO INC.  
Disclosure Document

**NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and

the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

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

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



STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT

**NEW YORK**  
**Franchise Agreement Amendment**  
**to GH Business Franchise Agreement**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached MAJEMCO INC. Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Under Article 14.C of the Franchise Agreement, under the heading “Conditions for Approval of Transfer,” subsection 14.C(6) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

(6) The transferor and its owners and Owners must execute a general release in a form satisfactory to Franchisor, releasing Franchisor, Franchisor’s affiliates and past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on or before the effective date of the Transfer; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Under Article 15.D of the Franchise Agreement, under the heading “Conditions for Renewal,” subsection 15.D(5) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

(5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 10 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal, state or local laws, rules, regulations, or orders - If precluded by law from giving a general release, Franchisee shall execute an estoppel statement; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

3. Article 18 of the Franchise Agreement, under the heading “Enforcement and Construction,” shall be supplemented by the addition of the following new subarticle 18.Z.:

18.Z Nothing in this Agreement should be considered a waiver of any right conferred upon franchisee by New York General Business Law, Sections 680-695.

4. There are circumstances in which an offering made by MAJEMCO INC. would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in New York or the Outlet will be opening in New York. MAJEMCO INC. is required to

furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York General Business Law, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties have duly executed and delivered this New York amendment to the MAJEMCO INC. Franchise Agreement on the same date that the Franchise Agreement was executed.

**Franchisor:**  
MAJEMCO INC.

**Franchisee:**

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_

Signature

Name (please print) \_\_\_\_\_



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT H**  
STATE EFFECTIVE DATES

**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<u>Effective Dates</u>	
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	Pending
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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



FRANCHISE DISCLOSURE DOCUMENT

**EXHIBIT I**  
RECEIPTS



**MAJEMCO INC  
RECEIPT**

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

If MAJEMCO INC. offers 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, us or an affiliate of ours in connection with the proposed franchise sale.

**New York and Rhode Island require that we give you this document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the signing of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

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 the applicable state administrator identified in Exhibit A of this Disclosure Document. We authorize the respective state agencies identified in Exhibit A of this Disclosure Document to receive service of process for us in the particular state.

Issuance Date of this Disclosure Document: April 29, 2022

**Our sales agents for this offering are:**

Name(s): Andrew Mason

Address: 7 W. Cross Street, Unit 7B, Hawthorne, New York 10532 Telephone Number: (914) 945-0277

The following individual and/or individuals are also sales agents for this offering:

[Other:] \_\_\_\_\_

I Have received a disclosure document dated April 29, 2022 that contained the following Exhibits:

- A. List of State Administrators/Agents for Service of Process
- B. Operations Manual Table of Contents
- C. Financial Statements
- D. Franchise Agreement
- E. List of Franchisees
- F. List of Franchisees Who Have Left the System
- G. State Specific Addenda
- H. State Effective Dates
- I. Receipts

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

Disclosee: \_\_\_\_\_

(Do Not Leave Blank)

Printed name: \_\_\_\_\_

Disclosee: \_\_\_\_\_

Printed name: \_\_\_\_\_



**MAJEMCO INC.  
RECEIPT**

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

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Issuance Date of this Disclosure Document: April 29, 2022

**Our sales agents for this offering are:**

Name(s): Andrew Mason

Address: 7 W. Cross Street, Hawthorne, New York 10532 Telephone Number: (914) 945-0277

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- G. State Specific Addenda
- H. State Effective Dates
- I. Receipts

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

Disclosee: \_\_\_\_\_

(Do Not Leave Blank)

Printed name: \_\_\_\_\_

Disclosee: \_\_\_\_\_

Printed name: \_\_\_\_\_