

# FRANCHISE DISCLOSURE DOCUMENT

## CLEAR LIGHTS FRANCHISING CORPORATION

A Delaware Corporation  
493 Marebear Lane  
Felton, Delaware 19943  
(302) 359-9532  
www.clearlights.net



The franchise offered is for the establishment and operation of a business providing specialized, high quality headlight restoration for all types of vehicles.

The total investment necessary to begin operations of a Clear Lights franchise is \$69,705 to \$126,420. This includes \$30,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Amy L. Mullen, 493 Marebear Lane, Felton, Delaware 19943, (302) 359-9532.

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

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

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

Date of Issuance: June 4, 2012

## **STATE COVER PAGE**

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISPUTES BE SUBMITTED TO ARBITRATION/LITIGATION IN KENT COUNTY, DELAWARE. OUT OF STATE ARBITRATION/LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN DELAWARE THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT DELAWARE LAW GOVERNS THE AGREEMENT, AND DELAWARE LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. IMMEDIATE FAMILY MEMBERS OF THE FRANCHISEE MAY BE REQUIRED TO SIGN NONDISCLOSURE/NON-COMPETITION AGREEMENTS PLACING THEIR PERSONAL ASSETS AT RISK.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

The effective date for this Franchise Disclosure Document for your state is listed on the next page.

**STATE EFFECTIVE DATES**

The states listed below may require registration or filing of this Disclosure Document. If this offering is registered in any of these states, the effective date of the registration may differ from the date of issuance of this Disclosure Document as stated below. Some of these states may require different or additional disclosures or revisions to the agreement. The effective date of this Disclosure Document for any state that is not included in this list is as shown on the cover of this Disclosure Document. (See the State Addenda to this Disclosure Document for certain states.)

California	Effective Date: _____
Connecticut	Effective Date: <u>September 06, 2012</u>
Florida	Effective Date: <u>September 18, 2012</u>
Hawaii	Effective Date: _____
Illinois	Effective Date: _____
Indiana	Effective Date: _____
Kentucky	Effective Date: <u>September 20, 2012</u>
Maine	Effective Date: <u>September 06, 2012</u>
Maryland	Effective Date: <u>September 20, 2012</u>
Michigan	Effective Date: _____
Minnesota	Effective Date: _____
Nebraska	Effective Date: <u>September 17, 2012</u>
New York	Effective Date: _____
North Carolina	Effective Date: <u>September 06, 2012</u>
North Dakota	Effective Date: _____
Rhode Island	Effective Date: _____
South Carolina	Effective Date: <u>September 25, 2012</u>
South Dakota	Effective Date: _____
Texas	Effective Date: <u>September 17, 2012</u>
Utah	Effective Date: _____
Virginia	Effective Date: _____
Washington	Effective Date: _____
Wisconsin	Effective Date: _____

**DISCLOSURE REQUIRED  
BY  
CONNECTICUT LAW**

**CLEAR LIGHTS FRANCHISING CORPORATION**

The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Date of Issuance: June 4, 2012

**ADDITIONAL RISK FACTORS  
REQUIRED BY CONNECTICUT LAW**

1. THIS BUSINESS OPPORTUNITY IS HIGHLY SPECULATIVE; YOU MAY LOSE YOUR ENTIRE INVESTMENT.

2. YOU SHOULD UNDERSTAND THAT THIS BUSINESS INVOLVES SUBSTANTIAL RISKS, WHICH ARE INHERENT AND CANNOT BE ELIMINATED. SUCCESS IS PRIMARILY DEPENDENT ON YOUR ABILITY AND EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR, AS WELL AS THE DEGREE TO WHICH YOU FOLLOW THE SYSTEM. THE PURCHASE OF ANY FRANCHISE IS A SPECULATIVE INVESTMENT AND SIGNIFICANT INVESTMENT BEYOND THAT OUTLINED IN THIS DISCLOSURE DOCUMENT MAY BE REQUIRED TO SUCCEED. THERE ARE NO GUARANTEES OF SUCCESS AND THE MOST IMPORTANT FACTORS IN THE SUCCESS OF ANY FRANCHISED BUSINESS, INCLUDING YOURS, ARE YOUR PERSONAL BUSINESS, MARKETING, MANAGEMENT, JUDGMENT AND OTHER SKILLS AND YOUR WILLINGNESS TO WORK HARD.

3. WE RECOMMEND THAT YOU PROVIDE FOR THE POSSIBILITY THAT YOUR EXPENSES MAY EXCEED REVENUES AND MAINTAIN SUFFICIENT CASH RESERVES TO CARRY YOU THROUGH THE STARTUP AND DEVELOPMENT STAGES OF YOUR BUSINESS. THE EXACT AMOUNT OF SUCH RESERVES WILL VARY FROM OPERATION TO OPERATION AND CANNOT BE MEANINGFULLY ESTIMATED. YOU SHOULD CONSULT WITH YOUR ACCOUNTANT AND YOUR FINANCIAL ADVISOR IN ORDER TO DEVELOP A BUSINESS PLAN FOR YOUR PARTICULAR OPERATION.

4. YOU SHOULD TAKE INTO ACCOUNT THE CASH OUTLAYS AND PROBABLE LOSSES THAT YOU MAY INCUR WHILE YOU ARE TRYING TO GET ESTABLISHED. EXTENSIVE START-UP COSTS MAY BE INVOLVED, DEPENDING UPON YOUR CIRCUMSTANCES.

5. EVERY STATE AND MANY LOCAL JURISDICTIONS HAVE ENACTED LAWS, RULES, REGULATIONS AND ORDINANCES WHICH MAY APPLY TO THE OPERATION OF YOUR FRANCHISED BUSINESS, INCLUDING THOSE THAT (A) ESTABLISH GENERAL STANDARDS, SPECIFICATIONS AND REQUIREMENTS FOR THE CONSTRUCTION, DESIGN AND MAINTENANCE OF THE BUSINESS SITE AND PREMISES; (B) REGULATE MATTERS AFFECTING THE HEALTH, SAFETY AND WELFARE OF YOUR CLIENTS, SUCH AS GENERAL HEALTH AND SANITATION REQUIREMENTS, RESTRICTIONS ON SMOKING, AVAILABILITY OF AND REQUIREMENTS FOR PUBLIC ACCOMMODATIONS, INCLUDING RESTROOMS; (C) SET STANDARDS PERTAINING TO EMPLOYEE HEALTH AND SAFETY; AND (D) SET STANDARDS AND REQUIREMENTS FOR FIRE SAFETY AND GENERAL EMERGENCY PREPAREDNESS. YOU SHOULD INVESTIGATE WHETHER THERE ARE REGULATIONS AND REQUIREMENTS THAT MAY APPLY IN THE GEOGRAPHIC AREA IN WHICH YOU ARE INTERESTED IN LOCATING YOUR FRANCHISED BUSINESS AND SHOULD CONSIDER BOTH THEIR EFFECT AND COST OF COMPLIANCE.

6. THERE MAY BE OTHER SPECIFIC LAWS OR REGULATIONS IN YOUR STATE OR MUNICIPALITY REGARDING THE OPERATION OF THIS BUSINESS OPPORTUNITY. YOU SHOULD ALSO FAMILIARIZE YOURSELF WITH FEDERAL, STATE AND LOCAL LAWS OF A MORE GENERAL NATURE, WHICH MAY AFFECT THE OPERATION OF YOUR BUSINESS OPPORTUNITY. YOU MUST COMPLY WITH EMPLOYMENT, HEALTH AND SAFETY, WORKERS' COMPENSATION, INSURANCE, LICENSING AND SIMILAR LAWS AND REGULATIONS. THE LAWS IN YOUR STATE OR MUNICIPALITY MAY BE MORE OR LESS STRINGENT. YOU SHOULD EXAMINE THESE LAWS BEFORE PURCHASING A FRANCHISE FROM US.

7. WE URGE YOU TO CAREFULLY REVIEW ALL DOCUMENTS WITH INDEPENDENT ADVISORS WHO CAN PROVIDE LEGAL, BUSINESS AND/OR ECONOMIC GUIDANCE, SUCH AS A LAWYER AND/OR ACCOUNTANT, PARTICULARLY IF A RENEWAL OR TRANSFER OF AN EXISTING AGREEMENT IS INVOLVED.

8. WE ENCOURAGE YOU TO SEEK THE ADVICE OF YOUR ATTORNEY AND INVESTIGATE THE LAWS OF THE STATE IN WHICH YOU ARE CONSIDERING ESTABLISHING A FRANCHISED BUSINESS.

9. YOU WILL COMPETE WITH SIMILAR TYPE BUSINESSES. YOUR COMPETITION MAY BE LOCAL, INDEPENDENTLY OWNED BUSINESSES OR MAY BE PART OF A REGIONAL OR NATIONAL CHAIN OR FRANCHISE. YOU MAY ALSO ENCOUNTER COMPETITION FROM OTHER SUCH TYPE BUSINESSES OPERATED BY US OR OTHER FRANCHISEES. COMPETITION MAY INCREASE DUE TO FLUCTUATIONS IN PREFERENCES AND HABITS OF THE PUBLIC, LOCAL AND NATIONAL ECONOMIC CONDITIONS, POPULATION DENSITY AND GENERAL TRAFFIC CONDITIONS; THESE FACTORS ARE GENERALLY DIFFICULT TO PREDICT.

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### **EXHIBITS**

- A. LIST OF STATE ADMINISTRATORS
- B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- C. FRANCHISE AGREEMENT
- D. TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL
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- H. MULTI-STATE ADDENDA

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

To simplify the language in this Disclosure Document, the words “we,” “our,” “us” and “Clear Lights” refer to Clear Lights Franchising Corporation, the franchisor of this business. “You” and “your” refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this disclosure also apply to your owners and will be noted.

### **The Franchisor**

We were incorporated in Delaware on March 16, 2011 to offer Clear Lights franchises. Our principal business address is 493 Marebear Lane, Felton, Delaware 19943. We do business under our corporate name and the name Clear Lights. We have offered franchises since 2011.

We franchise the right to operate a business providing specialized high quality headlight restoration for all types of vehicles. The franchise or franchised business does business under the trade name, Clear Lights®, and also uses our other related service marks, trademarks or logos (our “Marks”). The franchise is typically located in a small garage area that is in close proximity to other automotive service centers in light industrial areas, which will require approximately 1,000 to 3,000 square feet. The franchisee will also be required to operate a vehicle as it may be necessary to drive to the customer’s location. The franchise operates using our standards, methods, procedures and specifications, called our “System.”

We do not operate a business of the type being franchised. We are not involved in any other business activities. We have not conducted business in any other line of business nor offered franchises in any other line of business.

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

We do not have any parent companies or predecessors. Clear Lights, Inc. (our “Affiliate”) was opened as a sole proprietorship in February 2010, and incorporated in Delaware in February 2011. Our Affiliate, Clear Lights, Inc., is located at 493 Marebear Lane, Felton, Delaware 19943 and has owned and operated 1 business of the type being franchised in Felton, Delaware, since 2010. Our Affiliate does not provide any products or services to our franchisees. Our Affiliate does not currently offer or has not previously offered franchises in this or any other line of business.

### **General Description of the Market and Competition**

A Clear Lights franchise provides specialized, high quality headlight restoration for all types of vehicles. You may have to compete with other businesses, including franchised operations, national chains and independently owned companies offering headlight restoration services. You may also encounter competition from other Clear Lights franchises. Changes in local and national economic conditions and population density affect this industry and are generally difficult to predict. You will face other business risks that could have an adverse effect on your business, including pricing policies of competitors, changes

to laws or regulations, changes in supply and demand, new technologies and competition from internet-based organizations that provide information and some related services or products. Our ability to fulfill our obligations under our Franchise Agreement depends in part on our present and future financial condition. Litigation risks also exist, including future litigation that may not be predicted.

#### Regulations Specific to the Industry

You must comply with all laws, rules and regulations governing the operation of the franchised business and obtain all permits and licenses necessary to operate the franchised business. In addition to laws and regulations that apply to businesses generally, your franchised business will be subject to federal, state and local laws pertaining to handling, storage, transportation and disposal of hazardous materials, flammable substances and waste. Federal laws include those as promulgated by the Occupational Health and Safety Administration (“OSHA”), the Environmental Protection Agency (“EPA”), the Federal Department of Transportation (“DOT”), as well as any state requirements. You should check with your state’s Department of Consumer Affairs, your local Municipal Codes Administration and any other departments that may regulate this industry, as well as seek the advice of your attorney.

#### Agents for Service of Process

Our agents for service of process are listed on Exhibit B to this Disclosure Document.

### **ITEM 2. BUSINESS EXPERIENCE**

#### **President: Amy L. Mullen**

Ms. Mullen is our President and has been since our incorporation in March 2011. In addition, Ms. Mullen is President of our Affiliate and has been since its incorporation in February 2011. Previously, from February 2010 to February 2011, Ms. Mullen was President of the sole proprietorship, Clear Lights, until it was incorporated in February 2011. In addition, Ms. Mullen has served as the Controller of East Coast Auto Body, Inc. since September 2005.

#### **Vice President: Norman H. Mullen**

Mr. Mullen is our Vice President and has been since our incorporation in March 2011. In addition, Mr. Mullen is Vice President of our Affiliate and has been since its incorporation in February 2011. Previously, from February 2010 to February 2011, Mr. Mullen was Vice President of the sole proprietorship, Clear Lights, until it was incorporated in February 2011. In addition, Mr. Mullen has also served as the Vice President for East Coast Auto Body, Inc. since its incorporation in February 1991.

### **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this ITEM.

### **ITEM 4. BANKRUPTCY**

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



**ITEM 5.      INITIAL FEES**

You pay us a \$30,000 lump sum franchise fee when you sign the Franchise Agreement. The franchise fee will be reduced to \$24,000 when you sign the Franchise Agreement for a second and subsequent Clear Lights franchise. Otherwise, the franchise fee is uniform.

We will refund 50% of the franchise fee you paid if we terminate the franchise for failure to perform your pre-opening obligations under the Franchise Agreement. We do not give refunds under other circumstances.

[The remainder of this page is intentionally left blank.]

**ITEM 6. OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	8% of gross sales	Payable weekly on Tuesdays	You must pay your royalty fee directly to us. See definition of gross sales. <sup>1</sup>
Marketing Fund Contribution	Up to 1% of gross sales	Payable weekly on Tuesdays	You pay your marketing fund contribution to us. We will give you 30 days notice before increasing required contributions.
Audit Expenses <sup>2</sup>	All costs and expenses associated with audit, approximately \$1,500 - \$5,000	Upon demand	Audit costs payable only if the audit shows you have not spent 2% of your monthly gross sales on local advertising or if you underreported amounts you owe us by 3% or more.
Late Fees <sup>3</sup>	1.5% per month or the highest rate allowed by the state where you are located, whichever is lower	Upon demand	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit.
Approval of Products or Suppliers <sup>4</sup>	Approximately \$500 - \$1,000	Time of evaluation	Applies to our evaluation of new suppliers you wish to purchase from or products you wish to purchase.
Insurance Policies	\$1,000 - \$3,500	Upon demand	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies. Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee	\$7,500	At the time of transfer	Payable to us at time of transfer. Does not apply to an assignment under Section 18.3 of the Franchise Agreement.
System Modifications	Not more than \$15,000 during the initial term of the franchise	As required	If we make changes to our System, you must adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software or new Marks.
Relocation Assistance	Approximately \$750 - \$1,500	Time of assistance	If you need our assistance to relocate, you must reimburse our costs to assist you.
Customer Service <sup>5</sup>	All costs incurred in assisting your customers, approximately \$3,500 - \$7,000	Upon demand	You must reimburse us if we determine it is necessary for us to provide service directly to your customers.

Type of Fee	Amount	Due Date	Remarks
Substitute or New Manager Training/ Additional Training <sup>6</sup>	Currently, \$700 per day, plus your expenses in attending	Time of training	We provide an initial training program before you begin operations and ongoing training programs during the term of the franchise. If you have to repeat our training programs, we may charge you a fee.
Additional Operations Assistance	Currently, \$700 per day plus our expenses	Time of assistance	We provide assistance around the beginning of operations and during the term of the franchise. If you request additional assistance beyond what we provide, you may be charged a fee, plus our expenses if we need to travel to accommodate your request.
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail.
Temporary Management Assistance	Currently, \$700 per day, plus our expenses	Each month that it applies	If you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, we may temporarily manage your franchised business.
Indemnification	All costs including reasonable attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the franchised business. We also provide indemnification to you for any lawsuits or claims arising from your authorized use of the Marks.

We may require that all fees payable to us be paid through an electronic depository transfer account.

All of the fees noted above are uniform. No other fees or payments are to be paid to us or our Affiliate, nor do we impose or collect any other fees or payments for any other third party. All fees are generally non-refundable.

## NOTES

<sup>1</sup> “Gross sales” means all revenue from the franchised business. Gross sales do not include sales tax or use tax.

<sup>2</sup> We assume costs vary depending on factors, including prevailing auditor’s rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

<sup>3</sup> Late fees begin within 5 days after the date payment was due, but not received, or date of underpayment.

<sup>4</sup> Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

<sup>5</sup> Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved. You pay our actual costs only.

<sup>6</sup> We provide training programs to an individual you select to be the designated manager of the franchise. Your designated manager’s attendance is required. We do not charge fees for these programs, but if you replace your designated manager and your manager changes are excessive or due to poor hiring practices, we may charge you a fee.

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**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Franchise Fee <sup>1</sup>	\$ 30,000	Cashier's Check	At Signing of Franchise Agreement	Us
Real Estate/Rent <sup>2</sup>	1,000 - 7,500	As Arranged	Before Beginning Operations	Lessor
Utility Deposits <sup>3</sup>	100 - 1,000	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements <sup>4</sup>	2,000 - 15,000	As Arranged	Before Beginning Operations	Contractor, Suppliers
Furniture, Fixtures & Equipment <sup>5</sup>	2,500 - 4,000	As Arranged	Before Beginning Operations	Approved Suppliers
Computer Equipment & Software <sup>6</sup>	500 - 3,000	As Arranged	Before Beginning Operations	Approved Suppliers
Initial Inventory <sup>7</sup>	250 - 750	As Arranged	Before Beginning Operations	Approved Suppliers
Insurance <sup>8</sup>	80 - 500	As Arranged	Before Beginning Operations	Insurance Company
Office Equipment and Supplies <sup>9</sup>	1,500 - 2,200	As Arranged	Before Beginning Operations	Suppliers
Training <sup>10</sup>	2,000 - 5,000	As Arranged	During Training	Airlines, Hotels & Restaurants
Vehicle <sup>11</sup>	5,000 - 15,000	As Arranged	Before Beginning Operations	Suppliers
Signage <sup>12</sup>	2,000 - 3,500	As Arranged	Before Beginning Operations	Approved Suppliers, Suppliers
Grand Opening <sup>13</sup>	6,000 - 10,000	As Arranged	Before Beginning Operations	Advertising Suppliers
Dues & Subscriptions <sup>14</sup>	200 - 300	As Arranged	Before Beginning Operations	Associations, Suppliers
Licenses & Permits <sup>15</sup>	75 - 170	As Arranged	Before Beginning Operations	Licensing Authorities
Legal & Accounting <sup>16</sup>	1,500 - 3,500	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds <sup>17</sup> (3 months)	15,000 - 25,000	As Arranged	As Necessary	Employees, Utilities, Lessor & Suppliers
<b>TOTAL<sup>18</sup></b>	<b>\$ 69,705 - \$ 126,420</b>			

## NOTES

<sup>1</sup> Franchise Fee. The franchise fee and its refund policy are described in greater detail in ITEM 5. We do not finance any fee.

<sup>2</sup> Real Estate/Rent. You will operate the franchised business from a small rented garage space of approximately 1,000 to 3,000 square feet. If you must lease a space, your lease costs can vary based on variance in square footage, cost per square foot and required maintenance costs. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. The low estimate is based on an assumption that you will have to pay a security deposit equal to 1 month's rent and is based on leasing a facility of 1,000 square feet. The high estimate is based on an assumption that you will have to pay a security deposit equal to 2 months' rent to lease the facility and is based on leasing a facility of 3,000 square feet at a higher cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. Estimated rental costs for 3 months are included with the category, "Additional Funds," (see Note 17 below).

<sup>3</sup> Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, (including an additional separate phone line), internet connection, gas and water. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities. You should contact your local utilities for more information.

<sup>4</sup> Leasehold Improvements. You may need or choose to make minimal renovations to the leased property. The cost of leasehold improvements will vary based upon size, condition and location of the premises, local wage rates and material costs. The amounts you pay for leasehold improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.

<sup>5</sup> Furniture, Fixtures and Equipment. You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your franchised business. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. Factors determining whether furniture, fixtures and equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing or leasing.

<sup>6</sup> Computer Equipment & Software. You must purchase and use computer equipment that includes a desktop computer, printer and software. We do not know if the amounts you pay for the computer equipment are refundable. The amounts you pay for computer equipment are typically non-refundable, or if refundable, you may be subject to a "re-stocking" fee. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

<sup>7</sup> Initial Inventory. You must purchase an initial inventory of cleaning solutions and polishing tools for use in the operation of the franchised business. We do not know if the amounts you pay for inventory items may be refundable. Factors determining whether inventory items are refundable typically include the

condition of the items at time of return, level of use, and length of time of possession and other factors. You should inquire about the return and refund policy of the suppliers at or before time of purchasing.

<sup>8</sup> Insurance. You must purchase the following types and amounts of insurance:

- (1) “all risk” property insurance coverage for assets of the franchised business;
- (2) workers’ compensation insurance and employer liability coverage with a minimum limit of \$100,000 or higher if your state law requires;
- (3) comprehensive general liability insurance with a minimum liability coverage of \$2,000,000 per occurrence, or higher if your state law requires;
- (4) business interruption insurance;
- (5) automobile liability insurance of at least \$1,000,000 or higher if your state law requires; and
- (6) insurance coverage for contractual indemnity.

Factors that may affect your cost of insurance include the size and location of the franchised business, value of the leasehold improvements, equipment, inventory, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

<sup>9</sup> Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

<sup>10</sup> Training. The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. These expenses are typically non-refundable. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation.

<sup>11</sup> Vehicle. You will need to lease or purchase a minivan or similar vehicle with a lifting rear gate to accommodate the required equipment. The low cost represents a 1-month down payment on a lease and the high cost represents the straight out purchase of the vehicle. The amounts you pay for a vehicle are typically non-refundable.

<sup>12</sup> Signage. This range includes the cost of the Clear Lights vehicle wrap used in the franchised business, as well as all necessary uniform store-front signage. The signage requirements and costs will vary based on the location of the franchised business and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

<sup>13</sup> Grand Opening. We will determine a minimum amount that you must spend on grand opening advertising during the first 3 months of operation. The minimum will not be less than \$6,000. We determine the minimum based on our assessment of your advertising costs in your area and the time of year that you are opening. You may choose to spend more than the minimum amount we specify. If you choose to spend more than the minimum, the factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised business, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

<sup>14</sup> Dues and Subscriptions. You are expected to subscribe to periodicals for the waiting/reception area and register with the Better Business Bureau. These expenses are typically non-refundable. You should inquire about the cancellation and refund policy of the organizations at or before the time of purchase.

<sup>15</sup> Licenses & Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and construction permits. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

<sup>16</sup> Legal & Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchised business. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

<sup>17</sup> Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including rent, utilities and employees' salaries for the first 3 months that the franchised business is open. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable.

<sup>18</sup> Total. In compiling this chart, we relied on our and our Affiliate's industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the condition of your facility, the capabilities of your management team, where you locate your franchised business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the franchised business.

We do not offer direct or indirect financing to you for any items.



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

You must purchase your equipment and products, including computer equipment and signage under specifications in the Confidential Operations Manual. These specifications include standards and specifications for appearance, quality, price, performance and functionality. These standards and specifications are based on our Affiliate's experience in operating a business of the type we are franchising and through research and testing in our Affiliate's business. We may communicate our standards and specifications directly to suppliers who wish to supply you with equipment, inventory and signage under specifications. We communicate our standards and specifications to you when we evaluate your proposed location for the franchised business, during training, during on-site opening assistance, during periodic visits to your franchise location and through the Confidential Operations Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices.

Currently, we are the only approved supplier of chemicals used in the headlight restoration process. We will not derive any revenue from franchisees' purchases of the chemicals. Except for the above mentioned chemicals, you are not required to purchase any goods or services from us or our Affiliate. In addition, Our President, Amy L. Mullen, and our Vice President, Norman H. Mullen, have an ownership interest in our company.

If you would like to use any goods or services in establishing and operating the franchised business that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services or from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; and dependability and general reputation.

Periodically, we may review our approval of any goods, services or suppliers. We will notify you in writing if we revoke our approval of goods, services or suppliers, and you must immediately stop purchasing disapproved goods or services, or must immediately stop purchasing from a disapproved supplier. Additionally, we may negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchisees located in outlying markets that a particular supplier does not serve in significant volume. Presently, there are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

We estimate that approximately 35% to 45% of your expenditures for leases and purchases in establishing your franchised business will be for goods and services that must be purchased from us, our Affiliate or an approved supplier or according to our standards and specifications. We estimate that approximately 45% to 55% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, our Affiliate, an approved supplier or according to our standards and specifications.

We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve. We have no purchasing or distribution cooperatives serving our franchise System.

**ITEM 9. FRANCHISEE’S OBLIGATIONS**

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

Obligation		Section in the Franchise Agreement	Disclosure Document ITEM
a.	Site selection and acquisition/lease	Section 5	ITEMS 11 and 12
b.	Pre-opening purchases/leases	Sections 5, 12 and 15	ITEMS 7 and 8
c.	Site development and other pre-opening requirements	Sections 5 and 8	ITEMS 7, 8 and 11
d.	Initial and ongoing training	Section 8	ITEMS 6, 7 and 11
e.	Opening	Sections 5 and 8	ITEM 11
f.	Fees	Sections 3, 5, 8, 10, 11, 13, 15, 18 and 22	ITEMS 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 5, 6, 7, 9, 10 and 13	ITEMS 8, 14 and 16
h.	Trademarks and proprietary information	Sections 6, 7 and 9	ITEMS 13 and 14
i.	Restrictions on products/services offered	Sections 5, 6 and 13	ITEMS 8 and 16
j.	Warranty and customer service requirements	Section 13	ITEM 16
k.	Territorial development and sales quotas	Not Applicable	ITEM 12
l.	Ongoing product/service purchases	Section 13	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 5, 10 and 13	ITEM 6
n.	Insurance	Section 15	ITEMS 6, 7 and 8
o.	Advertising	Section 11	ITEMS 6, 7 and 11
p.	Indemnification	Section 21	ITEM 6
q.	Owner’s participation/management/staffing	Section 13	ITEM 15

Obligation		Section in the Franchise Agreement	Disclosure Document ITEM
r.	Records and reports	Section 12	ITEM 11
s.	Inspections and audits	Sections 6 and 12	ITEMS 6, 11 and 13
t.	Transfer	Section 18 and Exhibits 1 and 5	ITEMS 6 and 17
u.	Renewal	Section 4 and Exhibits 1 and 5	ITEM 17
v.	Post-termination obligations	Section 17 and Exhibits 2 and 5	ITEM 17
w.	Non-competition covenants	Sections 7 and 17 and Exhibits 2 and 5	ITEM 17
x.	Dispute resolution	Section 23 and Exhibit 5	ITEM 17
y.	Other	Not Applicable	Not Applicable

**ITEM 10. FINANCING**

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations.

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

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

A. Before you open your franchised business, we will:

1. if we have not already approved a site that you have selected before signing the Franchise Agreement, provide you with our criteria for site selection and approve the site you have selected for the location of the franchised business. (Sections 2.3 and 5.1)\*

2. designate your non-exclusive area (area of primary responsibility). (Section 2.5)

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your franchised business will be profitable or successful by being located at the approved location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.

3. review and approve your lease or purchase agreement for the approved site for the franchised business. (Section 5.3)

\* All citations of Section numbers throughout this Disclosure Document refer to the Franchise Agreement attached as Exhibit C.

Our review of your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that you will succeed at the leased or purchased premises. Our review of your lease or purchase agreement does not constitute an opinion of the merits of the lease or purchase agreement and is solely for the purpose of assuring that the lease complies with the Franchise Agreement. Our review of your lease does not constitute legal or tax advice and is not intended to replace a review by your attorney and tax advisor. For legal and tax advice, you must rely upon the advice of your attorney and tax advisor.

4. provide you with our criteria for a vehicle and other equipment necessary for the operation of the franchised business. (Section 5.4)

5. provide an initial training program. This training is described in detail later in this ITEM. (Section 8.1)

6. provide to you on-site assistance and guidance to assist you with any questions you may have in operating the franchised business. (Section 8.2)

7. provide to you, on loan, one copy of the Clear Lights Confidential Operations Manual or provide you with access to an electronic copy of the Confidential Operations Manual. The approximate total number of pages in the Confidential Operations Manual as of the date of this Disclosure Document is 220. The Table of Contents of the Confidential Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. (Section 9.1)

B. After the opening of the franchised business, we will:

1. periodically advise you and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods. Our guidance is based on our and our Affiliate's knowledge and experience. We offer you advice and guidance on a variety of business matters, including operational methods, accounting procedures, authorized services or products and marketing and sales strategies. (Section 14.1)

2. make periodic visits to the franchised business to provide you with consultation, assistance and guidance in various aspects of the operation and management of the franchised business. We may prepare written reports suggesting changes or improvements in the operations of the franchised business and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Section 14.2)

3. make available to you operations assistance and ongoing training as we think necessary. (Sections 8.2 and 8.5)

4. approve forms of advertising materials you will use for local advertising and cooperative advertising. (Section 11.2) Our advertising programs are described later in this ITEM.

5. provide you with modifications to the Confidential Operations Manual as they are made available to franchisees. (Section 9.2)

C. Advertising and Promotion

1. During your first 3 months of operation, you must spend a minimum amount we specify on local advertisement and promotion of initial opening (grand opening advertising), including print or news media or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. We determine the minimum amount by assessing advertising costs in your area and taking into account the time of year that you are opening. We will provide you with guidance for conducting grand opening advertising, and we will review and approve the materials you use in your grand opening advertising. (Section 11.1)

2. Each month, you must spend 2% of your gross sales on advertising, promotions and public relations in the local area surrounding the franchised business. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review and approve your advertisements. We will not spend any funds on advertising your franchised business in your local area. (Section 11.2)

3. To assist in our regional and national advertising, we have developed a System-wide marketing fund, and you must contribute to the fund. (Section 11.3) We will administer the marketing fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the marketing fund.

(b) We may use your contributions to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the marketing fund. We will not use marketing fund contributions for the direct solicitation of franchise sales.

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the marketing fund before we use current contributions. We intend for the marketing fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the marketing fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share.

(d) All Clear Lights businesses owned by us or an affiliate will make similar contributions to the marketing fund as required of franchisees.

(e) We will have an accounting of the marketing fund prepared each year and we will provide you with a copy if you request it. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the marketing fund's expense.

(f) The marketing fund is not a trust and we assume no fiduciary duty in administering the marketing fund.

During our most recent fiscal year ending December 31, 2011, we have not collected any marketing fund contributions. As a result, we have not spent any money from the System-wide marketing fund. Except for our reasonable administrative costs, overhead related to the administration of the marketing fund and salaries of any marketing personnel that may be employed by us, we do not and will not receive compensation for providing goods or services to the fund. No marketing funds were used for solicitation of new franchisees.

4. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all Clear Lights franchises located in a particular region. We have the right to collect and designate all or a portion of the local advertising for cooperative advertising. We will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. If cooperative advertising is implemented in a particular region, we may establish an advertising council for franchisees in that region to self-administer the program. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge these program(s) and/or council(s) at any time. (Section 11.4)

5. You must list the telephone number for the franchised business in your local telephone directory and advertise your franchised business in the "yellow pages" category that we specify. You must place the listings together with other Clear Lights franchises operating within the distribution area of the directories. (Section 11.6)

6. You are restricted from establishing a presence on, or marketing on the Internet without our consent. We have an Internet website at the uniform resource locator [www.clearlights.net](http://www.clearlights.net) that provides information about the System and about Clear Lights franchises. We may (but we are not required to) include at the Clear Lights' website an intranet section or an interior page containing information about your franchised business. All information must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Clear Lights website. (Section 11.5)

D. Computer/Point-of-Sale System

You must purchase and use any hardware and software programs we designate. (Section 12.5) Presently, we require you to purchase the following hardware and software:

<b>HARDWARE</b>
PC Desktop running current Windows Operating System
<b>SOFTWARE</b>
Current Version of Microsoft Office Suite
QuickBooks
POS Software

The approximate cost of the hardware and software ranges from \$1,000 to \$2,500.

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of a computer or the various software programs, but you may find it advantageous to do so. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limits on our rights to do so, except as disclosed in ITEM 16. We have the right to independently access all information you collect or compile at any time without first notifying you. (Sections 10.2, 12.5 and 12.6)

E. Methods Used to Select the Location of the Franchised Business

If you have a potential site for the franchised business, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Sections 2.3 and 5.1)

We will provide you with general guidelines to assist you in selecting a site suitable for the approved location. The general site selection and evaluation criteria or factors that we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other Clear Lights businesses, proximity to competitive businesses, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, available parking and overall suitability. We will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time (usually 30 days) after receiving all requested information. If we cannot agree with you on a suitable site for the franchised business within 30 days after you sign the Franchise Agreement, we may terminate the Franchise Agreement. (Sections 5.1 and 5.2)

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is 60 days. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation

of equipment and fixtures. You must open your franchised business and be operational within 240 days after signing the Franchise Agreement. (Sections 5.4 and 5.6)

G. Training

We provide you an initial training program that covers material aspects of the operation of the franchised business. The topics covered are listed in the chart below. This training is conducted at our headquarters in Felton, Delaware, or another location we designate. We offer our initial training program whenever a new franchise location is projected to be opening. You must designate a manager for the franchised business and he or she must attend the initial training approximately 3 months before the opening of the franchised business. We expect that your attendees will advance through the training program at different rates depending on a variety of factors, including background and experience. The time frames provided in the chart are an estimate of the time it will take to complete training. Your designated manager must complete the initial training program to our satisfaction before we will approve an opening date for the franchised business. We do not charge for initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. You are responsible for training your own employees and other management personnel. This initial training is in addition to the on-site opening assistance we provide to you. Your franchised business must at all times be under the day-to-day supervision of a designated manager who has satisfactorily completed our training program. If you replace your designated manager, he or she has 60 days to complete initial training. You are not charged any fee to have a new designated manager attend our training program, unless your manager changes are excessive or caused by poor hiring practices. You must pay all travel costs and living expenses for a new designated manager's attendance. (Section 8)

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Operations Manual / Recruiting / Management Techniques	8	-	Our training facility in Felton, Delaware
Sales and Promotion	8	-	Our training facility in Felton, Delaware
Computer Software Training	4	4	Our training facility in Felton, Delaware
Store Maintenance	4	-	Our training facility in Felton, Delaware
Vendors/Supplies	8	8	Our training facility in Felton, Delaware



Training will be conducted by our President, Mrs. Amy L. Mullen, and our Vice President, Mr. Norman H. Mullen, whose qualifications and experience date back 20 years in areas of automobile repairs and maintenance.

If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. There are no limits on our right to assign a substitute trainer to provide training.

The training will include the following instructional materials: Confidential Operations Manual and printed training manual. The training will occur at both our training facility and at your location. The dates and location of the training will be communicated to you in the Confidential Operations Manual.

Periodically, you, your managers or employees must attend refresher-training programs to be conducted at our training facility or another location we designate. Attendance at these programs will be at your expense. (Section 8.5)

## **ITEM 12. 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. The area that you receive (called an “area of primary responsibility” or “area”) will be described and depicted in a map attached to the Franchise Agreement. We determine the boundaries of the area based on a variety of factors, including population, median population age, proximity to competitors, proximity to other franchisees and natural, physical or political boundaries.


We may establish other franchised or company-owned businesses that may compete with your franchised business. We may establish alternate channels of distribution for the sale of products and services including Internet sales, catalog sales, telemarketing, or other direct marketing sales. These activities may compete with your franchised business. We will not compensate you for any sales made in your area through an alternate channel of distribution. You may not directly market to or solicit customers located inside another franchisee’s area of primary responsibility. Unless you are advertising cooperatively with another franchisee, you may not advertise in any media primarily circulated within another franchisee’s area of primary responsibility.

You will operate the franchise from one location that we approve. You must receive our written permission before relocating. If you can no longer use the location due to circumstances beyond your control or fault, including destruction of the premises, you may be allowed to relocate either permanently or temporarily. You will not be allowed to relocate your franchised business to the area of primary responsibility of another franchisee. If you attempt to sell your franchised business or transfer your interest from the franchised business to a third party, we may exercise our right of first refusal or provide you with our written consent. You do not receive the right to acquire additional franchises. You must meet our qualifications for new franchisees and pay a franchise fee to qualify for an additional franchise location. There are no minimum sales quotas. If we request, you must combine advertising with other franchises that are located in the market targeted by the advertising.

There are no other circumstances that permit us to modify your territorial rights.

**ITEM 13. TRADEMARKS**

You receive the right to operate your business under the trademark, Clear Lights<sup>®</sup>, which is the principal trademark used to identify our System. You may also use any other current or future Marks to operate your franchised business that we designate, including the logo on the front of this Disclosure Document. By “Mark,” we mean any trade name, trademark, service mark or logo used to identify your business. Our President, Amy L. Mullen, and our Vice President, Norman H. Mullen, have a registration of the following Mark on the U.S. Patent and Trademark Office (“USPTO”) Principal Register as follows:

Mark	Registration Number	Registration Date
 (design plus words, letters, and/or numbers)	4095733	February 7, 2012

We have a license agreement with Amy L. Mullen and Norman H. Mullen, the owners of the Mark, to use and sublicense the use of the principal trademark. The license is for 30 years with automatic renewal terms of 5 years each. The license agreement may be terminated if we are insolvent, if a trustee is appointed to administer our business, if we wind-up or sell our business or if we breach any of our duties or obligations under the license agreement.

Our President, Amy L. Mullen, and our Vice President, Norman H. Mullen, have filed the necessary affidavits for our principal trademark as required by the USPTO. Currently, we know of no effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of the State of Delaware or any state trademark administrator or any court, state or federal involving the Marks. We know of no pending infringement, opposition or cancellation proceeding. We know of no pending material federal or state court litigation regarding our use or ownership of the Marks.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We know of no infringing or prior superior uses that could materially affect the use of the Marks in the State of Delaware or any other state in which the franchised business is to be located.

You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your franchised business. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the franchised business. You cannot use our name or Mark as part of a corporate name. You may not use a name or Mark with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized

use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised business for the new or modified Marks. You do not have to spend more than \$15,000 during the initial term of the Franchise Agreement to conform your franchised business to changes to the Marks and other System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the words "Clear Lights" or any variation of "Clear Lights" without our prior written consent.

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

No patents are material to the franchise. We have no pending patent applications that are material to the franchise. We own copyrights in the Confidential Operations Manual, our website, our marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You

may use these items only as we specify while operating the franchised business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Clear Lights business. We will provide our trade secrets and other confidential information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your franchised business. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the franchised business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to our trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the franchised business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement.

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

The franchised business must always be under the direct, full-time, day-to-day supervision of a designated manager. If you are an individual, we may require you to be the designated manager of the franchise. If we require you to be the designated manager, you must request our consent to select another individual to replace you as the designated manager. If you are a corporation or other business entity, you will select a designated manager for the franchise and we may require that the individual you select is an owner of the franchise. The designated manager must attend and satisfactorily complete our initial training program before opening the franchised business. You must keep us informed at all times

of the identity of your designated manager. If you must replace the designated manager, your replacement must attend and satisfactorily complete our initial training program.

Certain individuals associated with your franchised business, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement.

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

You must offer the services and products we specify. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may disapprove. We may take action, including terminating your franchised business if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so, except that your investment required to change required or authorized products or services will not exceed \$15,000 during the initial term of the franchise.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

Unless the customer initiates contact with you, you may not provide goods or services to a customer who resides outside of your area of primary responsibility. Otherwise, we do not place restrictions on you with respect to who may be a customer of your franchised business.

#### **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 agreement attached to this Disclosure Document.**

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	Section 4.1	The initial term is 5 years.
b. Renewal or extension of the term	Section 4.2	You have the right to renew for 4 successive terms of 5 years each. If you fail to meet any one of the conditions in (c) below, we may refuse to renew or extend the terms of your Franchise Agreement.
c. Requirements for franchisee to renew or extend	Section 4.2 and Exhibit 5	You may renew the then current Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have the right to maintain possession of the approved location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us or any of our Affiliates; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, which may have materially different terms and conditions than your original Franchise Agreement; comply with current qualifications and agree to comply with any training requirements; and sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d. Termination by franchisee	Section 16.1	You may terminate the Franchise Agreement if you are in compliance with it and we materially breach it and we fail to begin to cure our breach within 30 days of receiving your written notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
g. "Cause" defined-curable defaults	Section 16.2	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Confidential Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults below that require cure in a shorter time and non-curable defaults in (h) below. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within

Provision	Section in Franchise or Other Agreement	Summary
		<p>10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.</p>
<p>h. "Cause" defined- non-curable defaults</p>	<p>Section 16.2 and Exhibit 5</p>	<p>We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely select an approved site for or establish, equip and begin operations of the franchised business; fail to have your designated manager satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised business; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the franchised business; have been cited by law enforcement officials as the causing factor 2 or more traffic accidents in a single 12 month period; receive 3 or more traffic citations for moving violations in a single 12 month period; use the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the franchised business for 5 or more consecutive days; surrender or transfer control of the franchised business in an unauthorized manner; fail to maintain the franchised business under the supervision of a designated manager following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate, on 2 or more occasions, any health, safety or other laws or operate the franchised business in a manner creating a health or safety hazard to customers, employees or the</p>

Provision	Section in Franchise or Other Agreement	Summary
		public; take any action reserved to us; fail to comply with applicable law after notice; breach the Franchise Agreement or fail to comply with mandatory specifications on 2 or more occasions within any 12 consecutive months; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement.
i. Franchisee's obligations on termination/non-renewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the franchised business; stop using any trade secrets, confidential information, the System and the Marks; if requested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Confidential Operations Manual, trade secrets and all other confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-definition	Section 18.2	"Transfer" includes transfer of an interest in the franchise, the Franchise Agreement, the franchise location or the franchised business's assets.
l. Franchisor's approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for franchisor approval of transfer	Section 18.2 and Exhibit 5	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee of \$7,500; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Nondisclosure and



Provision	Section in Franchise or Other Agreement	Summary
		Non-Competition attached to the Franchise Agreement; the transferee has agreed that its designated manager will complete the initial training program before assuming management of the franchised business; and the transferee has obtained all necessary types of insurance.
n. Franchisor's right of first refusal to acquire franchisee's franchised business	Section 19	We may match an offer for your franchised business or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's franchised business	Section 17.4	Except as described in (n) above, we do not have the right to purchase your franchised business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised business for fair market value.
p. Death or disability of franchisee	Section 18.6	After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the franchised business to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2 and Exhibit 5	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 25 miles of any other Clear Lights business; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us.

Provision	Section in Franchise or Other Agreement	Summary
s. Modification of the agreement	Sections 9.2, 22.7 and 22.8	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Confidential Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 22.7 and Exhibit 5	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 23.7 and Exhibit 5	Except for claims relating to the Marks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated in Kent County, Delaware.
v. Choice of forum	Section 23.2 and Exhibit 5	Subject to state law, any litigation must be pursued in courts located in Kent County, Delaware.
w. Choice of law	Section 23.1 and Exhibit 5	Subject to state law, Delaware law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

**ITEM 18. PUBLIC FIGURES**

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

**ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

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 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 Amy L. Mullen, 493 Marebear Lane, Felton, Delaware, (302) 359-9532, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

<b>SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2009 TO 2011</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Company-Owned	2009	0	0	0
	2010	0	1	+1
	2011	1	1	0
Total Outlets*	2009	0	0	0
	2010	0	1	+1
	2011	1	1	0

\* This chart includes both franchised and company-owned Clear Lights businesses. As of the date of this Disclosure Document, there is 1 Clear Lights business in operation.

**Table No. 2**

<b>TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2009 TO 2011</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Delaware	2009	0
	2010	0
	2011	0
Total*	2009	0
	2010	0
	2011	0

**Table No. 3**

<b>STATUS OF FRANCHISE OUTLETS FOR YEARS 2009 TO 2011</b>								
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations – Other Reasons</b>	<b>Outlets at End of the Year</b>
Delaware	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Total*	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0

\* As of the date of this Disclosure Document, there are no franchise locations opened, and no franchisees who have had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure Document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

**Table No. 4**

<b>STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2009 TO 2011</b>							
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of the Year</b>
Delaware	2009	0	0	0	0	0	0
	2010	0	1	0	0	0	1
	2011	1	0	0	0	0	1
Total*	2009	0	0	0	0	0	0
	2010	0	1	0	0	0	1
	2011	1	0	0	0	0	1

\* The 1 company-owned unit refers to our Affiliate's location.

**Table No. 5**

<b>PROJECTED OPENINGS AS OF DECEMBER 31, 2011</b>			
<b>State</b>	<b>Franchise Agreements Signed But Outlets Not Yet Opened</b>	<b>Projected New Franchised Outlets In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Delaware	0	1	0
Total*	0	1	0

\*We project the opening of 1 Clear Lights business during our fiscal year ending December 31, 2012.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with Clear Lights Franchising Corporation. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

During the last 3 fiscal years, as we did not have any franchisees, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

Currently, we have no trademark-specific franchise organizations associated with the franchise System being offered.

**ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit E are our audited financial statements for the period from inception through December 31, 2011. Also attached as Exhibit E are our unaudited financial statements for the period of January 1, 2012 to July 31, 2012. THESE UNAUDITED FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES NOR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Our fiscal year end is December 31.

**ITEM 22. CONTRACTS**

Clear Lights Franchising Corporation Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

Clear Lights Franchising Corporation General Release is attached to the Franchise Agreement as Exhibit 1.

Clear Lights Franchising Corporation Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit 2.

Clear Lights Franchising Corporation Unlimited Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit 3.

We provide no other contracts or agreements for your signature.

**ITEM 23. RECEIPTS**

Our copy and your copy of the Disclosure Document Receipts are located on the last 2 pages of this Disclosure Document.

[The remainder of this page is intentionally left blank.]

# EXHIBIT A TO THE DISCLOSURE DOCUMENT

## LIST OF STATE ADMINISTRATORS

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

### California

Department of Corporations  
One Sansome Street, Suite 600  
San Francisco, California 94104

Commissioner of Corporations  
320 W. 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013

Commissioner of Corporations  
1515 K. Street, Suite 200  
Sacramento, California 95814  
(866) 275-2677 Toll Free

### Connecticut

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

### Florida

Division of Consumer Services  
Attn: Business Opportunities  
2005 Apalachee Parkway  
Tallahassee, Florida 32399-6500

### Hawaii

Commissioner of Securities  
Department of Commerce & Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

### Illinois

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

### Indiana

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204

### Kentucky

Office of the Attorney General  
Consumer Protection Division  
Attn: Business Opportunity  
1024 Capital Center Drive  
Frankfort, Kentucky 40601-8204

### Maine

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

### Maryland

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

### Michigan

Department of the Attorney General  
Consumer Protection Division, Franchise Section  
525 Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, Michigan 48933

### Minnesota

Minnesota Department of Commerce  
Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101

### Nebraska

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

### New York

Bureau of Investor Protection and Securities  
New York State Department of Law  
120 Broadway, 23<sup>rd</sup> Floor  
New York, New York 10271

### North Carolina

Secretary of State  
Securities Division  
300 North Salisbury Street, Suite 100  
Raleigh, North Carolina 27603-5909

### North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor  
Department 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

Rhode Island

Division of Securities  
1511 Pontiac Avenue  
Building 69, 1<sup>st</sup> floor  
Cranston, Rhode Island 02920

South Carolina

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

South Dakota

Department of Revenue and Regulation  
Division of Securities  
445 East Capitol Avenue  
Pierre, South Dakota 57501

Texas

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

Utah

Utah Department of Commerce  
Division of Consumer Protection  
160 East Three Hundred South  
P.O. Box 146704  
Salt Lake City, Utah 84114-6704

Virginia

State Corporation Commission  
Division of Securities and Retail Franchising  
Tyler Building, 9<sup>th</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9051

Washington

Department of Financial Institutions  
Securities Division  
150 Israel Road Southwest  
Olympia, Washington 98501

Wisconsin

Division of Securities  
Department of Financial Institutions  
345 West Washington Avenue  
Madison, Wisconsin 53703

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

### LIST OF STATE AGENTS FOR SERVICE OF PROCESS

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

#### California

Department of Corporations  
One Sansome Street, Suite 600  
San Francisco, California 94104

Commissioner of Corporations  
320 W. 4th Street, Suite 750  
Los Angeles, California 90013

Commissioner of Corporations  
1515 K St., Suite 200  
Sacramento, California 95814  
(866) 275-2677

#### Connecticut

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

#### Hawaii

Commissioner of Securities  
Department of Commerce and Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

#### Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

#### Indiana

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204

#### Maryland

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

#### Michigan

Michigan Department of Commerce  
Corporations and Securities Bureau  
P.O. Box 30054  
6546 Mercantile Way  
Lansing, Michigan 48909

#### Minnesota

Minnesota Department of Commerce  
Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101

#### New York

Secretary of the State of New York  
41 State Street  
Albany, New York 12231

#### North Dakota

North Dakota Securities Department  
State Capitol – 5<sup>th</sup> Floor  
600 East Boulevard  
Bismarck, North Dakota 58505-0510

#### Rhode Island

Division of Securities  
1511 Pontiac Avenue  
Building 69, 1<sup>st</sup> floor  
Cranston, Rhode Island 02920

#### South Dakota

Department of Revenue and Regulation  
Division of Securities  
445 East Capitol Avenue  
Pierre, South Dakota 57501

#### Virginia

Clerk, State Corporation Commission  
Tyler Building, 1<sup>st</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9733

#### Washington

Director, Department of Financial Institutions  
Securities Division  
150 Israel Road Southwest  
Olympia, Washington 98501

#### Wisconsin

Commissioner of Securities  
345 West Washington Street, 4<sup>th</sup> Floor  
Madison, Wisconsin 53703



**CLEAR LIGHTS FRANCHISING CORPORATION**

**FRANCHISE AGREEMENT**

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

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# CLEAR LIGHTS FRANCHISING CORPORATION

## FRANCHISE AGREEMENT

This Franchise Agreement made this \_\_\_\_ day in the month of \_\_\_\_\_, 20\_\_\_\_, is by and between Clear Lights Franchising Corporation, a Delaware corporation, having its principal place of business at 493 Marebear Lane, Felton, Delaware 19943 (“Franchisor”), and \_\_\_\_\_, an individual/partnership/corporation/limited liability company established in the State of \_\_\_\_\_ and whose principal address is \_\_\_\_\_ (“Franchisee”).

### WITNESSETH:

WHEREAS, Franchisor and its Affiliate\* have developed, and are in the process of further developing, a System identified by the service mark “Clear Lights®” and relating to the establishment and operation of a business providing specialized, high quality headlight restoration for all types of vehicles, referred to as “Clear Lights Businesses;” and

WHEREAS, in addition to the service mark “Clear Lights®” and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies, techniques and Trade Secrets and other Confidential Information; and the Confidential Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a Clear Lights Business using the System and the Marks; and

WHEREAS, Franchisee desires to operate a Clear Lights Business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

### 1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor;

“**Agreement**” means this agreement entitled “Clear Lights Franchising Corporation Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

\*Capitalized terms not otherwise defined are defined in Section 1.

**“Approved Location”** means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

**“Approved Supplier(s)”** has the meaning given to such term in Section 13.1;

**“Area of Primary Responsibility”** has the meaning given to such term in Section 2.5;

**“Competitive Business”** means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) headlight restoration services for vehicles the same as or similar to those provided by Clear Lights Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

**“Confidential Information”** means technical and non-technical information used in or related to Clear Lights Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

**“Confidential Operations Manual”** means the Clear Lights Confidential Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

**“Cooperative Advertising”** means the combined advertising program of two (2) or more franchisees established within a common market that Franchisor may require for Clear Lights Businesses within a particular region;

**“Designated Area”** is defined in Section 2.3;

**“Designated Manager”** means the individual designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business. If Franchisee is a legal business entity (such as a corporation, limited liability company or other legal business entity), Franchisor may, in its sole discretion, require that the “Designated Manager” hold a legal and equitable interest of 50% in Franchisee, and if Franchisee is an individual and not a business entity, Franchisor may, in its sole discretion, require that the Designated Manager is Franchisee;

**“Effective Date”** means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

**“Electronic Depository Transfer Account”** means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks;

**“Franchise Fee”** has the meaning given to such term in 3.1;

**“Franchised Business”** means the Clear Lights Business to be established and operated by Franchisee pursuant to this Agreement;

**“Franchisee”** means the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement;

**“Franchisor”** means Clear Lights Franchising Corporation;

**“Franchisor Indemnitees”** has the meaning given to such term in Section 21.3;

**“GAAP”** means the generally accepted accounting principles, standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

**“Gross Sales”** means the aggregate of all revenue from the sale of products and services from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business, and (d) any rebate received by Franchisee from a manufacturer or supplier;

**“Gross Sales Reports”** has the meaning given to such term in Section 12.2;

**“Incapacity”** means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

**“Internet”** means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

**“Local Advertising”** has the meaning given to such term in Section 11.2;

**“Marketing Fund”** has the meaning given to such term in Section 11.3;

**“Marketing Fund Contribution”** has the meaning given to such term in Section 11.3;

**“Marks”** means the service mark “Clear Lights<sup>®</sup>” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with Clear Lights Businesses;



“**Royalty Fee**” has the meaning given to such term in Section 3.2;

“**System**” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of Clear Lights Businesses; and

“**Trade Secrets**” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Clear Lights Businesses that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

**2. GRANT OF FRANCHISE; APPROVED LOCATION**

**2.1 Grant**

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited and non-exclusive license to operate one (1) Clear Lights Business using the System and Marks.

**2.2 Approved Location**

The street address (or detailed description of the premises) of the Approved Location:

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**2.3 Approved Location Not Determined**

If the Approved Location for the Franchised Business is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location of the Franchised Business is not determined as of the Effective Date, then the geographic area in which the Franchised Business is to be located shall be within the geographic area described below (“Designated Area”). Franchisee shall select and submit possible sites for Franchisor’s evaluation in accordance with Section 5.1. When the Approved Location is determined, its address shall be inserted into Section 2.2, shall be initialed and dated by Franchisee and Franchisor and the Designated Area shall lapse. The failure to insert such address into Section 2.2, shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection. A detailed description of the geographic area or boundaries of the Designated Area is:

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**2.4 Sub-franchising/Agents**

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

**2.5 Area of Primary Responsibility**

Franchisee will not receive an exclusive territory. Franchisee shall receive a territory called the "Area of Primary Responsibility," to be mutually agreed upon by Franchisor and Franchisee, and depicted in the map in Section 2.6 below. Franchisee will operate the Franchised Business in the designated Area of Primary Responsibility and shall limit all direct marketing and advertising within such area, as stated in Section 2.8. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee's Area of Primary Responsibility. Franchisee's rights in the Area of Primary Responsibility are subject to Franchisor's rights articulated in Section 2.7.

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**2.6 Map and Description of Area of Primary Responsibility**

2.6.1 The Area of Primary Responsibility shall be defined by and exist within the following zip codes or other physical, political or natural boundaries:

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2.6.2 The map of the Area of Primary Responsibility is:

## **2.7 Franchisor's Rights**

Franchisee acknowledges that except to the extent provided in Section 2.5 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.7.1 establish, own or operate, and license others to establish, own or operate, Clear Lights Businesses inside or outside of the Area of Primary Responsibility as Franchisor deems appropriate;

2.7.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Area of Primary Responsibility;

2.7.3 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Area of Primary Responsibility. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Area of Primary Responsibility which are not franchised or licensed, Franchisor may, in its sole discretion:

2.7.3.1 offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a Clear Lights Business; or

2.7.3.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.7.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Area of Primary Responsibility;

2.7.5 provide the services and sell the products authorized for Clear Lights Businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate; and

2.7.6 engage in any activities not expressly forbidden by this Agreement.

## **2.8 Marketing and Solicitation Restrictions**

Franchisee shall not directly market to or solicit customers whose principal residence (or principal business office, if the customer is a business entity) is within the area of primary responsibility of another franchisee. Except as part of Cooperative Advertising implemented pursuant to Section 11.4, Franchisee shall not advertise in any media whose primary circulation is within the area of primary responsibility of another franchisee. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other Clear Lights Businesses, but under no circumstances shall Franchisor be required to engage in litigation or similar actions with regard to these restrictions.

### **3. FEES**

#### **3.1 Franchise Fee**

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable, except under certain conditions set forth under Sections 5.2, 5.5 and 8.3. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

#### **3.2 Weekly Royalty Fee**

On Tuesday of each week for so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a weekly fee ("Royalty Fee") equal to eight percent (8%) of Gross Sales for the week ending the previous Saturday. Each weekly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. Should Franchisor require Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.4, then such reports shall be submitted to Franchisor via facsimile transmission, e-mail or intranet system.

#### **3.3 Taxes**

Franchisee shall withhold from and pay on behalf of Franchisor, as mandated by law, an amount equal to all taxes payable, including, but not limited, sales taxes, excise taxes, use taxes, withholding taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise.

#### **3.4 Electronic Transfer**

Franchisor has the right to require all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. At Franchisor's request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent.

#### **3.5 Late Fees**

All Royalty Fees, Marketing Fund Contributions, amounts due from purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall incur late fees at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including

reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

### **3.6 Application of Payments**

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority.

## **4. TERM AND RENEWAL**

### **4.1 Initial Term**

This Agreement shall be effective and binding for an initial term of five (5) years from the Effective Date, unless sooner terminated pursuant to Section 16.

### **4.2 Successor Terms**

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to a successor franchise is limited to four (4) successive terms of five (5) years each, such that the total term of the Franchise shall not exceed twenty-five (25) years. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.2 Franchisee has access to and, for the duration of the successor franchise, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.7 Franchisee has executed Franchisor's then-current form of franchise agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in

all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.8 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

4.2.9 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

## **5. APPROVED LOCATION**

### **5.1 Selection of Site**

If an Approved Location for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually thirty [30] days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site will be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Franchised Business. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition and capacity of the premises, demographics of the surrounding area, proximity to suppliers and potential customers, proximity to other Clear Lights Businesses, lease requirements, proximity to major roads and highways and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. *Franchisor does not represent that it or any of its employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting the Approved Location.*

### **5.2 Failure to Select Site**

Should Franchisee fail to select a site for the Franchised Business, which meets with Franchisor's approval within thirty (30) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.2, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

### **5.3 Lease of Approved Location**

After the designation of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor in writing. Franchisor shall not unreasonably withhold its approval. *Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by*

***Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review of any such lease or purchase agreement.*** Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

5.3.1 a provision reserving to Franchisor the right, but not the obligation, at Franchisor's election, to receive an assignment of the leasehold interest without payment of any assignment fee or similar charge and without a requirement for the payment of an additional security deposit or any increase in rent or other fees upon termination or expiration of the Franchise grant. The lessor agrees that, before the effective date of any assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease. Franchisee shall not be entitled to a return of its security deposit;

5.3.2 a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business as Franchisor may request;

5.3.3 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

5.3.4 a provision requiring the lessor to provide Franchisor (at the same time lessor provides to Franchisee) a copy of all lease amendments and assignments, and a copy of all letters and notices lessor sends to Franchisee relating to the lease or the leased premises;

5.3.5 a provision permitting Franchisor to enter the leased premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect the System and the Marks without being guilty of trespass, or other tort or other crime;

5.3.6 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Confidential Operations Manual, subject only to the provisions of applicable law;

5.3.7 a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business;

5.3.8 a provision allowing Franchisor, upon expiration and non-renewal or termination of the lease or the Franchise Agreement, to enter the premises and remove any interior and exterior signs containing the Marks and trade fixtures;



5.3.9 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right, but not the obligation, to take possession of the Approved Location and operate the Franchised Business and stating that notwithstanding Franchisor's (or the nominee's) possession, the lessor agrees that during all times prior to an assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease incurred prior to or during such possession and prior to such assignment; and

5.3.10 a provision stating that lessor shall not amend or otherwise modify the lease in any manner that would affect any of the foregoing provisions to be included in the lease set forth above without Franchisor's prior written consent.

#### **5.4 Development of Approved Location**

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a Clear Lights Business, including specifications for the exterior and interior design and layout, fixtures, equipment and signs. Such specifications are subject to alteration as Franchisor deems necessary. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such specifications within sixty (60) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 obtain all building, utility, sign, health and business permits and licenses and any other permits and licenses required for operation of the Franchised Business, and certify in writing that all such permits and licenses have been obtained;

5.4.2 purchase or lease a vehicle meeting Franchisor's specifications and cause the vehicle to be wrapped in signage and lettering;

5.4.3 purchase any supplies or inventory necessary for the operation of the Franchised Business;

5.4.4 purchase and install all equipment, furniture and fixtures, including any software and computer equipment, required by Franchisor for the operation of the Franchised Business; and

5.4.5 establish broadband or high-speed Internet access and obtain at least one (1) telephone number and one (1) facsimile number solely dedicated to the Franchised Business.

#### **5.5 Failure to Develop Approved Location**

Should Franchisee fail to develop the Approved Location for the Franchised Business within sixty (60) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.5, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

#### **5.6 Opening**

5.6.1 Before opening the Franchised Business and commencing business, Franchisee must:

5.6.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.6.1.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.6.1.3 complete initial training to the satisfaction of Franchisor;

5.6.1.4 hire and train the personnel necessary or required for the operation of the Franchised Business;

5.6.1.5 if Franchisee is a business entity, Franchisee has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.6.1.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate; and

5.6.1.7 pay in full all amounts due to Franchisor.

5.6.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within two hundred forty (240) days after the Effective Date. Time is of the essence.

## **5.7 Failure to Open**

Should Franchisee fail to commence operations of the Approved Location for the Franchised Business within two hundred forty (240) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.7, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

## **5.8 Use of Approved Location**

Franchisee shall not use the Approved Location for any purpose other than for the operation of a Clear Lights Business in full compliance with this Agreement and the Confidential Operations Manual, unless approved in writing by Franchisor.

## **5.9 Relocation**

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor. If the Franchised Business facility is leased, and the lease expires or terminates through no fault of Franchisee, or, if no matter the location, the premises are destroyed, condemned or otherwise rendered unusable, Franchisee may request the right to relocate the Franchised Business either permanently or temporarily as

appropriate under circumstances and Franchisor shall not unreasonably withhold its consent to such relocation. Should Franchisee desire to relocate the Franchised Business for any other reason, Franchisee shall request the right and Franchisor may approve or disapprove such request. Any relocation of the Franchised Business shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.7. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement shall terminate as provided in Section 16.2.1.1.

## **6. PROPRIETARY MARKS**

### **6.1 Ownership**

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

### **6.2 Limitations on Use**

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Clear Lights Franchise" of Franchisee.

### **6.3 Notification of Infringements and Claims**

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or

advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

**6.4 Indemnification for Use of Marks**

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

**6.5 Discontinuance of Use**

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

**6.6 Right to Inspect**

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations.

**6.7 Franchisor's Sole Right to Domain Name**

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "Clear Lights" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Confidential Operations Manual.

## **7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

### **7.1 Confidentiality of Trade Secrets and Other Confidential Information**

Franchisee acknowledges that Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Confidential Operations Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

### **7.2 Additional Developments**

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

### **7.3 Exclusive Relationship**

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Clear Lights franchisees if owners of Clear Lights Businesses and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for

themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

#### **7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals**

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

#### **7.5 Reasonableness of Restrictions**

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

### **8. TRAINING AND ASSISTANCE**

#### **8.1 Initial Training**

Franchisor shall make an initial training program available to the Designated Manager. Approximately three (3) months prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business including, but not limited to, sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues. Franchisor shall conduct the initial training program at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

## **8.2 Opening Assistance**

In conjunction with the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, one (1) of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with the Clear Lights techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

## **8.3 Failure to Complete Initial Training Program**

If Franchisor determines that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 8.3, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities). If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction.

## **8.4 New Designated Manager**

After beginning operations, should Franchisee name a new Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager and the new Designated Manager must complete the initial training program to Franchisor's satisfaction within sixty (60) days of being named. The new Designated Manager may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance at such training.

## **8.5 Ongoing Training**

From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

# **9. CONFIDENTIAL OPERATIONS MANUAL**

## **9.1 Loan by Franchisor**

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Confidential Operations Manual or grant Franchisee access to an electronic copy of the Confidential Operations Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Confidential

Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

## **9.2 Revisions**

Franchisor has the right to add to or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Confidential Operations Manual is up-to-date at all times. If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

## **9.3 Confidentiality**

The Confidential Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Confidential Operations Manual is available at the Approved Location in a current and up-to-date manner. If the Confidential Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Confidential Operations Manual in a secure manner at the Approved Location; if the Confidential Operations Manual is in electronic form, Franchisee shall maintain the Confidential Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Confidential Operations Manual, access to the Confidential Operations Manual or any key, combination or passwords needed for access to the Confidential Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Confidential Operations Manual in an unauthorized manner.

# **10. FRANCHISE SYSTEM**

## **10.1 Uniformity**

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor.

## **10.2 Modification of the System**

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies, signs or sales and marketing techniques or certification requirements. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) ONE DOLLAR (\$1.00) during the first (1<sup>st</sup>) year of the term of this Agreement; (b) FIFTEEN THOUSAND DOLLARS (\$15,000.00) in the aggregate during the initial term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, [U.S. City Average, all items, 1982-84=100], as published by the



United States Department of Labor, Bureau of Labor Statistics [“CPI-U”]); or (c) ONE DOLLAR (\$1.00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to renew the Franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

### **10.3 Variance**

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee’s qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Clear Lights Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

## **11. ADVERTISING AND PROMOTIONAL ACTIVITIES**

### **11.1 Grand Opening Advertising**

Prior to, and/or during a period of approximately three (3) months following the initial opening of the Franchised Business, Franchisee shall spend an amount specified by Franchisor on local advertisement and promotion of the initial opening (“Grand Opening Advertising”). Franchisor shall determine and specify an appropriate minimum amount which Franchisee shall be required to expend on Grand Opening Advertising based upon Franchisor’s general assessment of the area surrounding the Franchised Business and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors. Further, Franchisor shall specify the time at which Franchisee shall conduct Grand Opening Advertising. Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in Section 11.2.2. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions.

### **11.2 Local Advertising**

11.2.1 Franchisee shall continuously promote the Franchised Business. Every month, Franchisee shall spend two percent (2%) of the previous month’s Gross Sales on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business (“Local Advertising”). Such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such twenty (20) day period, such materials shall be deemed to have received the required approval. Franchisee shall not use any marketing or promotional material prior to approval by Franchisor.

### **11.3 Marketing Fund**

Franchisor has established and administers a System-wide marketing, advertising and promotion fund to assist in Franchisor's regional and national advertising ("Marketing Fund"). Franchisee shall be required to contribute monthly to the Marketing Fund in an amount specified by Franchisor and which Franchisor may adjust from time to time ("Marketing Fund Contributions"). Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

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

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

11.3.3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

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

11.3.5 Each Clear Lights Business operated by Franchisor or an Affiliate shall make Marketing Fund Contributions at the same rate as Clear Lights franchisees.

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

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

#### **11.4 Cooperative Advertising**

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of Clear Lights Businesses located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to administer the Cooperative Advertising program or to establish an advertising council of franchisees to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the rules and procedures established by the council and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

#### **11.5 Internet Advertising**

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator [www.clearlights.net](http://www.clearlights.net) that provides information about the System and the products and services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include on the Clear Lights website an intranet section or an interior page containing information about the Franchised Business. If Franchisor includes such information on the Clear Lights website, Franchisor has the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to advertise and sell the products and services offered by Clear Lights Businesses and to use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to approve any linking to, or other use of, the Clear Lights website.

#### **11.6 Telephone Directory Advertising**

Franchisee must list the telephone number(s) for the Franchised Business in the "white pages" local telephone directory and advertise the Franchised Business in the classified or "yellow pages" telephone directory distributed in its trade area. Franchisee must place the classified directory advertisement and listings together with other Clear Lights Businesses operating within the distribution area of the directories. If a joint listing is obtained, all Clear Lights Businesses listed together shall pay a *pro rata* share of the cost of the advertisements and listings. Telephone directory advertising expenditures are in addition to Franchisee's Local Advertising obligations.

## **12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS**

### **12.1 Records**

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

### **12.2 Gross Sales Reports**

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor via facsimile transmission, email, or the intranet, a signed and verified statement of Gross Sales (“Gross Sales Report”) for the week ending each Saturday in a form that Franchisor approves or provides in the Confidential Operations Manual. The Gross Sales Report for the preceding week must be provided to Franchisor by the close of business on Tuesday of each week as provided in Section 3.2.

### **12.3 Financial Statements**

Franchisee shall supply to Franchisor on or before the fifteenth (15<sup>th</sup>) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Confidential Operations Manual or otherwise in writing.

### **12.4 Other Reports**

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Confidential Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor’s lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

### **12.5 Computer Equipment**

Franchisor reserves the right to require Franchisee to purchase, install and use computer equipment consisting of hardware and software in accordance with Franchisor’s specifications. Franchisor shall have full access to Franchisee’s computer, data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee’s compliance with its obligations under this Agreement.

## **12.6 Right to Inspect**

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower). If the audit or any other inspection should reveal that Franchisee has not spent two percent (2%) of its monthly Gross Sales on Local Advertising, or if the inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **12.7 Release of Records**

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

## **13. STANDARDS OF OPERATION**

### **13.1 Authorized Products, Services and Suppliers**

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those services, products, supplies, equipment and other items that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved.

13.1.2 Franchisor shall provide Franchisee, in the Confidential Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, inventory, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any products, services or new technology that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a

reasonable time (usually thirty [30] days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.1.3 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor.

13.1.4 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services.

13.1.5 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

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

Franchisee shall maintain the Franchised Business, equipment, vehicle and signage in "like new" condition, and shall repair or replace equipment, fixtures, supplies and inventory, vehicle and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

### **13.3 Ownership and Management**

The Franchised Business shall, at all times, be under the direct supervision of Franchisee. The Designated Manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

### **13.4 Days of Operation**

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Confidential Operations Manual.

### **13.5 Contributions and Donations**

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

### **13.6 Licenses and Permits**

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business, and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

### **13.7 Notification of Proceedings**

Franchisee shall notify Franchisor in writing of any claim, demand or threatened claim of liability of, or damages against or involving Franchisee or the Franchised Business not more than five (5) days after Franchisee acquires knowledge or receives notice of the same. Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

### **13.8 Compliance with Good Business Practices**

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

### **13.9 Uniform and Dress Code**

Franchisee shall abide by any uniform and dress code requirements stated in the Confidential Operations Manual or otherwise. Should Franchisor impose uniform requirements on Franchisee, all such uniforms must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

**13.10 Vending Machines**

Franchisee shall not install or use at the Franchised Business any vending machines, amusement devices, jukeboxes, video machines or other similar devices without first securing Franchisor's written approval.

**13.11 Credit Cards**

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its customers.

**13.12 E-Mail**

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor.

**13.13 Best Efforts**

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System.

**14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE**

**14.1 General Advice and Guidance**

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service, however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating Clear Lights Businesses and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business; provided, however, that Franchisor shall have the sole right to determine the prices to be charged for products sold through the Clear Lights Internet site, including products sold to persons identified as customers of the Franchised Business.

**14.2 Periodic Visits**

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, without being guilty of trespass, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor may also ride along with Franchisee or any of its employees to ensure compliance with operation and management



requirements of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report shall be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

## **15. INSURANCE**

### **15.1 Types and Amounts of Coverage**

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

15.1.1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of TWO MILLION DOLLARS (\$2,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

15.1.4 business interruption insurance in amounts and with terms acceptable to Franchisor;

15.1.5 automobile liability insurance for owned or hired vehicles, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; and

15.1.6 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.3.

### **15.2 Future Increases**

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

### **15.3 Carrier Standards**

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

### **15.4 Evidence of Coverage**

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Upon issuance of a policy and renewal of said policy, Franchisee shall provide to Franchisor, certificates of insurance showing compliance with the foregoing requirements within fifteen (15) days of Franchisee's receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

### **15.5 Failure to Maintain Coverage**

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## **16. DEFAULT AND TERMINATION**

### **16.1 Termination by Franchisee**

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

### **16.2 Termination by Franchisor**

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to timely select an approved site for or establish, equip and commence operations of the Franchised Business pursuant to Section 5;

16.2.1.2 fails to have its Designated Manager satisfactorily complete any training program pursuant to Section 8;

16.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.5 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.6 has been cited by law enforcement officials as the causing factor in two (2) or more traffic accidents in a single twelve (12) month period;

16.2.1.7 receives three (3) or more traffic citations for moving violations (other than those in section 16.2.1.6 above) in a single twelve (12) month period;

16.2.1.8 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Confidential Operations Manual, Trade Secrets or any other Confidential Information;

16.2.1.9 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.1.10 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

16.2.1.11 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

16.2.1.12 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;

16.2.1.13 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.14 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against

Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

16.2.1.15 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.1.16 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.17 violates, on two (2) or more occasions, any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

16.2.1.18 engages in any activity exclusively reserved to Franchisor;

16.2.1.19 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

16.2.1.20 breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Confidential Operations Manual on two (2) or more separate occasions within any period of twelve (12) consecutive months, whether or not previous breaches or failures are cured; or

16.2.1.21 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

16.2.2.2 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or

16.2.2.3 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Confidential Operations Manual or otherwise prescribed in writing.

**16.3 Reinstatement and Extension**

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

**16.4 Right of Franchisor to Discontinue Services to Franchisee**

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

**16.5 Right of Franchisor to Operate Franchised Business**

Following the delivery of a notice of termination pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Confidential Operations Manual from time to time, currently equal to SEVEN HUNDRED DOLLARS (\$700.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business. Should Franchisor elect to assume the operation of the Franchised Business on a temporary basis, Franchisor shall have no responsibility or liability for the obligations, debts or payments under the lease for the Approved Location or otherwise.

**17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

**17.1 Actions to be Taken**

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2 cease to use the Trade Secrets or other Confidential Information, the System and the Marks including, without limitation, all slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.3 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "Clear Lights<sup>®</sup>" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.5 pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

17.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.7 immediately return to Franchisor the Confidential Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

17.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

17.1.9 comply with all other applicable provisions of this Agreement.

## **17.2 Post-Termination Covenant Not to Compete**

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.1.2 to induce Franchisor to grant a Franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a twenty-five (25) mile radius of the Approved Location or within the Area of Primary Responsibility (whichever is greater), or (b) within a twenty-five (25) mile radius of the location of any other Clear Lights Business in existence at the time of termination or expiration; or

17.2.2.2 solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

17.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2.

### **17.3 Unfair Competition**

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

### **17.4 Franchisor's Option to Purchase Certain Business Assets**

Franchisor has the right (but not the obligation), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

### **17.5 Survival of Certain Provisions**

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

## **18. TRANSFERABILITY OF INTEREST**

### **18.1 Transfer by Franchisor**

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

### **18.2 Transfer by Franchisee to a Third Party**

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business;

18.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with



respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$7,500.00);

18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

18.2.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

18.2.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17;

18.2.13 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business; and

18.2.14 the transferee has obtained all necessary types of insurance as described in Section 15.1.

### **18.3 Transfer to a Controlled Entity**

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 the Controlled Entity is newly organized and its charter or articles of formation provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.8;

18.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

#### **18.4 Franchisor's Disclosure to Transferee**

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

#### **18.5 For-Sale Advertising**

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

## **18.6 Transfer by Death or Incapacity**

18.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

18.6.2 Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor shall be given access to the Franchised Business, if located within Franchisee's primary domicile, and not be held liable for trespass or any related tort. Franchisor may charge a management fee as stated in the Confidential Operations Manual from time to time, currently equal to SEVEN HUNDRED DOLLARS (\$700.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

## **19. RIGHT OF FIRST REFUSAL**

### **19.1 Submission of Offer**

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

### **19.2 Franchisor's Right to Purchase**

Unless the proposed sale or transfer is to a family member of the immediate family of a holder of a legal or beneficial interest in Franchisee, Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

**19.3 Non-Exercise of Right of First Refusal**

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

**19.4 Sales or Transfers to Family Excepted**

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 19 shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

**20. BENEFICIAL OWNERS OF FRANCHISEE**

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 4 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

**21. RELATIONSHIP AND INDEMNIFICATION**

**21.1 Relationship**

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

**21.2 Standard of Care**

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on

Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **21.3 Indemnification**

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) breach of the lease for the Approved Location; (c) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (d) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (e) defamation of Franchisor or the System; (f) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (g) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

### **21.4 Right to Retain Counsel**

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section to take remedial or corrective action causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

## **22. GENERAL CONDITIONS AND PROVISIONS**

### **22.1 No Waiver**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

**22.2 Injunctive Relief**

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

**22.3 Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

Clear Lights Franchising Corporation  
Attn: President  
493 Marebear Lane  
Felton, Delaware 19943

**22.4 Cost of Enforcement or Defense**

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

**22.5 Unlimited Guaranty and Assumption of Obligations**

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

**22.6 Approvals**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

## **22.7 Entire Agreement**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its own independent investigation of the Franchised Business and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

## **22.8 Severability and Modification**

22.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

## **22.9 Construction**

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

## **22.10 Force Majeure**

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

## **22.11 Timing**

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

**22.12 Withholding Payments**

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

**22.13 Further Assurances**

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

**22.14 Third-Party Beneficiaries**

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

**22.15 Multiple Originals**

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

**23. DISPUTE RESOLUTION**

**23.1 Choice of Law**

**Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.**

**23.2 Consent to Jurisdiction**

**Any action brought by either party except those claims required to be submitted to arbitration, shall only be brought in the appropriate state or Federal courts located in or serving Kent County, Delaware. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.**



**23.3 Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

**23.4 Limitations of Claims**

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within 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 the claim.

**23.5 Limitation of Damages**

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

**23.6 Waiver of Jury Trial**

**FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.**

**23.7 Arbitration**

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to intellectual property rights, including, but not limited to, Franchisor's Marks, copyrights or the unauthorized use or disclosure of Franchisor's Confidential Information, covenants against competition and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Kent County, Delaware, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court for the State of Delaware and located in Kent County, Delaware. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

## **24. ACKNOWLEDGMENTS**

### **24.1 Receipt of this Agreement and the Franchise Disclosure Document**

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least fourteen (14) calendar-days prior to the date on which this Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

### **24.2 Consultation by Franchisee**

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

### **24.3 True and Accurate Information**

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

### **24.4 Risk**

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Clear Lights Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

### **24.5 No Guarantee of Success**

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

### **24.6 No Violation of Other Agreements**

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

CLEAR LIGHTS FRANCHISING CORPORATION:

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

Name printed: \_\_\_\_\_

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

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

(type/print name)

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

Name: \_\_\_\_\_

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

[or, if an individual]

Signed: \_\_\_\_\_

Name printed: \_\_\_\_\_

**EXHIBIT 1 TO THE FRANCHISE AGREEMENT**

**GENERAL RELEASE**

THIS GENERAL RELEASE is made and given on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by \_\_\_\_\_, (“RELEASOR”) an individual/corporation/limited liability company/partnership with a principal address of \_\_\_\_\_, in consideration of:

\_\_\_\_\_ the execution by Clear Lights Franchising Corporation, a Delaware corporation (“RELEASEE”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “Franchise Agreement”) between RELEASOR and RELEASEE; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S refund of fifty percent (50%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE’S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE’S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: \_\_\_\_\_  
(type/print name)

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_  
(or, if an individual)

Signed: \_\_\_\_\_

Name printed: \_\_\_\_\_



## **EXHIBIT 2 TO THE FRANCHISE AGREEMENT**

### **NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This "Agreement" made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between \_\_\_\_\_, ("Franchisee") (d/b/a a Clear Lights Franchise) and \_\_\_\_\_ ("Individual").

#### **WITNESSETH:**

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ ("Franchise Agreement") by and between Franchisee and the Clear Lights Franchising Corporation ("Company"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) headlight restoration services for vehicles the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

#### **1. Trade Secrets and Confidential Information**

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Clear Lights Businesses that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to Clear Lights Businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

**2. Confidentiality/Non-Disclosure**

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a Clear Lights Business.

**3. Non-Competition**

a) During the term of Individual’s relationship with Franchisee and for a period of two (2) years after the expiration or termination of Individual’s relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company’s service mark “Clear Lights<sup>®</sup>” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with Clear Lights Businesses or the Company’s uniform standards, methods, procedures and specifications for the establishment and operation of Clear Lights Businesses.

b) During the term of Individual’s relationship with Franchisee, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within the United States without the express written consent of Franchisee.

c) For a two (2) year period following the term of Individual’s relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within a twenty-five (25) mile radius of Franchisee’s Franchised Business or within Franchisee’s Area of Primary Responsibility, whichever is greater, or within twenty-five (25) miles of any other Clear Lights Business without the express written consent of Franchisee. For purposes of this Agreement, Franchisee’s Area of Primary Responsibility is defined as:

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d) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other Clear Lights Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other Clear Lights Business.

#### **4. Reasonableness of Restrictions**

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

#### **5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

#### **6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Kent County, Delaware. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries,



successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

WITNESS:

\_\_\_\_\_

FRANCHISEE:

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

Its: \_\_\_\_\_

INDIVIDUAL:

Signature: \_\_\_\_\_

Name Printed: \_\_\_\_\_

## **EXHIBIT 3 TO THE FRANCHISE AGREEMENT**

### **UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, in connection with that certain Franchise Agreement of even date herewith (which Franchise Agreement, as may have been modified, amended and/or supplemented in writing, is hereunder called the Franchise Agreement) by and between Clear Lights Franchising Corporation as “Franchisor” and \_\_\_\_\_ as “Franchisee”.

For valuable consideration received, and as an inducement to Franchisor to enter into the Franchise Agreement, the undersigned (“Guarantor”) hereby unconditionally guarantees to Franchisor: (a) the full and timely performance by Franchisee of the Franchise Agreement and all terms, conditions and covenants thereof, and (b) the payment by Franchisee of royalties and all other sums payable by Franchisee under the Franchise Agreement.

Guarantor agrees that (1) the obligations shall be enforceable against Guarantor without the necessity for any suit or proceedings whatsoever against Franchisee, and without the necessity of any notice of nonpayment, nonperformance or nonobservance or any notice of acceptance of this Guaranty Agreement or any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives; (2) immediately upon each and every breach or default of the Franchise Agreement by Franchisee, whether before or during the term of the Franchise Agreement or thereafter (e.g., during any renewal term), without any notice to or demand upon Guarantor. Guarantor will (i) pay to Franchisor the sum or sums in arrears, (ii) pay to Franchisor all damages, including but not limited to any expenses, costs and fees incurred by Franchisor, that may be occasioned by Franchisee’s nonperformance, and (iii) comply with or perform all terms and conditions of the Franchise Agreement; (3) no extension, forbearance or leniency extended by Franchisor to Franchisee shall wholly or partially discharge Guarantor hereunder, notwithstanding that Guarantor had no notice of any breach or default of the Franchise Agreement or of any such leniency, forbearance or extension; (4) Franchisor and Franchisee, without notice to or consent by Guarantor, may at any time(s) enter into modifications, renewals, extensions, amendments and/or other agreements respecting the Franchise Agreement, and Guarantor shall not be wholly or partially released thereby, it being intended that Guarantor shall continue as guarantor with respect to the Franchise Agreement as so modified, renewed, extended, amended or otherwise affected and notwithstanding any transfer or assignment of the Franchise Agreement.

The obligations of Guarantor herein shall be co-extensive with those of Franchisee under the Franchise Agreement and shall remain in effect as long as Franchisee’s obligations under the Franchise Agreement are in effect. This Guaranty Agreement is absolute and unconditioned and shall continue without being affected by any impairment, release or limitation of the liability of Franchisee or its estate in bankruptcy resulting from the operation of any present or future provision of the Bankruptcy Code of the United States or from the decision of any court interpreting the same. Guarantor further agrees to be bound by each and every obligation of Franchisee under the Franchise Agreement, with the same force and effect as if Guarantor were designed in and had executed the Franchise Agreement as Franchisee thereunder.

This Guaranty Agreement is a primary guaranty of payment and performance and shall not be subject to any counterclaim, set-off, deduction or defense. No failure or delay on the part of Franchisor in exercising any right or remedy under the Franchise Agreement and/or this Guaranty Agreement shall operate as a waiver thereof nor shall a single or partial exercise of any right or remedy preclude any other or further exercise thereof, and all rights and remedies of Franchisor hereunder and under the Franchise Agreement shall be cumulative. Until all Franchisee’s obligations under the Franchise Agreement are fully performed, Guarantor waives any rights that it may have against Franchisee by reason of Guarantor’s compliance with the Guaranty Agreement, and subordinates any liability or indebtedness of Franchisee held by Guarantor to the obligations of Franchisee to Franchisor under the Franchise Agreement.

If Guarantor consists of more than one person and/or entity, (a) this Guaranty Agreement shall be binding on all of them jointly and severally, and (b) notice to or from any of them will constitute notice to or from each of them.

Any notice or other communication to Franchisor may be addressed to Clear Lights Franchising Corporation, 493 Marebear Lane, Felton, Delaware 19943, Attention: President, or such other address as may be designated by Franchisor by registered or certified mail, return receipt requested, and the time of rendition of such notice or other communication shall be when it is deposited in an official United States Mail receptacle, postage prepaid.

This Guaranty Agreement, which is to be governed by and construed in accordance with the laws of the State of Delaware, shall also bind Guarantor's legal or personal representatives, heirs, successors and assigns (as the case may be) and inure to the benefit of Franchisor's successors and assigns and any other person or entity at any time having the rights of Franchisor under the Franchise Agreement.

Guarantor will forthwith pay to Franchisor all attorney's fees and disbursements incurred by Franchisor in connection with any breach or default by Franchisee under the Franchise Agreement and/or the enforcement of this Guaranty Agreement, in each instance whether or not suit is brought (and if suit is brought, through appeals and collection efforts).

Any sums not paid to Franchisor when due hereunder will bear interest at the rate of 18% per annum, from the due date until full payment is received by Franchisor.

As a further inducement to Franchisor to make and enter into the Franchise Agreement and in consideration thereof, Guarantor agrees that in any action or proceeding brought on, under or by virtue of this Guaranty Agreement, Guarantor shall and does hereby waive trial by jury and the benefit of any statute of limitations defense, and Guarantor agrees that the applicable courts of Delaware may have jurisdiction over Guarantor upon appropriate service on Guarantor anywhere in the United States in a manner in accordance with the laws of Delaware. Without limiting the foregoing, Guarantor hereby irrevocably appoints Franchisee as Guarantor's agent for service of process related to this Guaranty Agreement.

The Guaranty Agreement contains the entire agreement between the parties with respect to the matters covered hereby, and Guarantor acknowledges that no agent, representative, salesman or officer of Franchisor has authority to make or has made any statement, agreement or representation, either oral or written, in connection herewith, modifying, adding to or changing the terms and conditions herein set forth. No customs or dealings between the parties shall be permitted to contradict or modify the terms hereof. This Guaranty Agreement shall not be construed more strictly against one party merely by reason of such party's preparation hereof. If any provision of this Guaranty Agreement shall be held to be invalid or unenforceable, to the maximum extent possible the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall continue in full force and effect. Neither this Guaranty Agreement nor any of its provisions can be waived, modified or terminated orally, but only by a written instrument duly executed by or on behalf of the party against whom enforcement of any waiver, modification or termination is sought.

Guarantor fully and expressly intends that the foregoing requirements as to a writing be strictly adhered to and strictly interpreted and enforced by any court which may be asked to consider the matter. This Guaranty shall be effective for the full Franchise Agreement term, including any extensions or renewals thereof.

GUARANTOR:

\_\_\_\_\_

Driver's License # \_\_\_\_\_

Notice Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Witnessed By:

X \_\_\_\_\_

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**HOLDERS OF LEGAL OR BENEFICIAL INTEREST  
IN FRANCHISEE; OFFICERS; DIRECTORS**

**Holders of Legal or Beneficial Interest:**

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_  
Percentage of ownership: \_\_\_\_\_%

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_  
Percentage of ownership: \_\_\_\_\_%

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_  
Percentage of ownership: \_\_\_\_\_%

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_  
Percentage of ownership \_\_\_\_\_%

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_  
Percentage of ownership \_\_\_\_\_%

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_  
Percentage of ownership \_\_\_\_\_%

**Officers and Directors:**

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_

Name: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_  
E-mail address: \_\_\_\_\_

**EXHIBIT 5 TO THE FRANCHISE AGREEMENT**

**MULTI-STATE ADDENDA**

**ADDENDUM TO THE FRANCHISE AGREEMENT  
CLEAR LIGHTS FRANCHISING CORPORATION**

**FOR THE STATE OF CALIFORNIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. New Section 17.6 is inserted into the Franchise Agreement and states as follows:

If termination is the result of Franchisee's default, Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for: (a) the twenty-four (24) calendar months of operation of Franchisee preceding Franchisee's default; (b) the period of time Franchisee has been in operation preceding the notice, if less than twenty-four (24) calendar months, projected on a twenty-four (24) calendar month basis; or (c) any shorter period as equals the unexpired term at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter and agree that the lump sum payment provided under this Section is reasonable in light of the damages for premature termination that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have including recovery of attorneys' fees and costs.

2. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for Clear Lights Franchising Corporation. is amended as follows:

- The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 4.2 and 16.
- Section 16.2.1.14, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 17.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
- The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
- The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.
- Paragraph 1 of this Addendum contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- Section 23.7 requires binding arbitration. The arbitration will occur at the forum indicated in Section 23.7, with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

3. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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

**FOR THE STATE OF CONNECTICUT**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between Clear Lights Franchising Corporation and \_\_\_\_\_ (“Franchisee”) to amend and revise said Franchise Agreement as follows:

1. Section 3.1, “Franchise Fee,” is amended to delete the following:
  - The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable, except under certain conditions set forth under Sections 5.2, 5.5 and 8.3.
  
2. Section 8, “Training and Assistance,” is amended by the addition of the following language from the original language that appears therein:
  - “The required training shall commence no more than sixty (60) days after execution of this Agreement.”
  
3. The “Training and Assistance” Section is amended by the deletion of the following language to the original language that appears therein:
  - Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor’s receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).
  
4. Section 9, “Confidential Operations Manual,” is amended by the addition of the following language to the original language that appears therein:
  - “Franchisor shall provide the Confidential Operations Manual to the Franchisee no later than thirty (30) days after execution of this Agreement.”
  
5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Connecticut Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:  
  
By: \_\_\_\_\_  
  
Title: \_\_\_\_\_

Franchisee: \_\_\_\_\_  
  
By: \_\_\_\_\_  
  
Title: \_\_\_\_\_



**FOR THE STATE OF HAWAII**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement for Clear Lights Franchising Corporation, Inc. is amended as follows:

- The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement, and more specifically Sections 4.2, 16 and 18.2 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 4.2.9, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise and Sections 5.2, 5.5 and 8.3 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.
- Section 16.2.1.14, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation: \_\_\_\_\_ Franchisee: \_\_\_\_\_

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

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

**FOR THE STATE OF ILLINOIS**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for Clear Lights Franchising Corporation is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 are amended to add:  

No general release shall be required as a condition of renewal or transfer or as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.
- Sections 16, 17 and 23 are amended to add:  

The conditions under which the Franchise Agreement can be terminated and Franchisee's rights upon termination or non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.
- Sections 23.1 and 23.2 are amended to add:  

The Franchise Agreement shall be governed by Illinois law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State is void, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.
- Section 23.4 is amended to add:  

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that the Franchisee may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.
- Section 23.6 is deleted in its entirety.

2. Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation: \_\_\_\_\_ Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_

**FOR THE STATE OF INDIANA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for Clear Lights Franchising Corporation is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2 and 18.2.6 do not provide for a prospective general release of claims against Franchisor that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- Section 16 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
- Section 17.2 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.
- Section 21.3 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 23.1 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.
- Section 23.2 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.
- Section 23.7 is amended to provide that arbitration between Franchisor and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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

**FOR THE STATE OF MARYLAND**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement for Clear Lights Franchising Corporation is amended as follows:

- Due to Franchisor’s financial condition, the State of Maryland Office of the Attorney General has required, and Franchisor has agreed, to defer collection of all initial fees and payments as described in Section 3.1 of the Franchise Agreement until Franchisor has completed all of its pre-opening obligations to Franchisee and Franchisee is open for business.
- Sections 4.2.9, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise and Sections 5.2, 5.5 and 8.3 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.
- Section 16.2.1.14, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 23.1 requires that the Franchise be governed by the laws of the State of Delaware; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.
- Sections 23.2 and 23.7 require litigation or arbitration to be conducted in the State of Delaware; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- Any Section of the Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
- Section 23.4 is amended to the extent that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

2. Any portion of the Franchise Agreement which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation: \_\_\_\_\_ Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_

**FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

- Sections 4 and 16 are amended to add that with respect to Franchises governed by Minnesota Law, Franchisor will comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.
- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 do not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.
- Section 6 is amended to add that as required by Minnesota Franchise Act, Clear Lights Franchising Corporation will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by Clear Lights Franchising Corporation, and so long as Clear Lights Franchising Corporation is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
- Section 23.4 is amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within three (3) years 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 or the claim.
- Section 23.5 is deleted in its entirety.
- Section 23.6 is deleted in its entirety.
- Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee’s rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. However, Franchisor may seek such relief through the court system with or without a bond as determined by a court. Minn. Rule Part 2860.4400J prohibits Franchisee from waiving its rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Franchise Agreement requires Franchisee to waive these rights, the Franchise Agreement will be considered amended to the extent necessary to comply with the Minnesota Rule.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation: \_\_\_\_\_ Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_

**FOR THE STATE OF NEW YORK**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement for Clear Lights Franchising Corporation is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receiving a refund of a portion of the Franchise Fee following termination of the Franchise; such release shall exclude claims arising under the General Business Laws.
- Under Section 18.1, Franchisor shall not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.
- Section 21.3 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 23.1 requires that the Franchise be governed by the laws of the state Franchisor's principal business is then located, such a requirement will not be considered a waiver of any right conferred upon Franchisee by Article 33 of the General Business Laws.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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

**FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Under Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6, the execution of a general release upon renewal, transfer, or as a condition of receipt of a refund of a portion of the Franchise Fee following termination, shall be inapplicable to Franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.
- Section 7 is amended to add that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.
- Sections 17.1.5 and 17.1.6 are amended to state:  
  
If Franchisor or Franchisee is required to enforce this Agreement via judicial or arbitration proceedings, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees in connection with such proceeding.
- Section 17.2 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
- Section 23.1 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.
- Section 23.2 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.
- Section 23.4 is amended to state that the statute of limitations under North Dakota Law shall apply.
- Sections 23.5 and 23.6 are deleted in their entireties.
- Section 23.7 is amended to state that arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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

**FOR THE STATE OF RHODE ISLAND**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Franchise Agreement for Clear Lights Franchising Corporation is amended as follows:

- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Franchise Fee following termination of the Franchise; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.
- Sections 23.1, 23.2 and 23.7 are amended to state that restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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



**FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

- Section 16.2.1.14, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 16.2.1.21 of the Franchise Agreement will not be applicable to the Franchise Agreement signed by the Virginia franchisee entering into the attached agreement.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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

**FOR THE STATE OF WASHINGTON**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_.

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940, the Franchise Agreement for Clear Lights Franchising Corporation is amended as follows:

- The Washington Franchise Investment Protection Act provides rights to Franchisee concerning non-renewal and termination of the Franchise Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act shall control.
- Sections 4.2.9, 5.2, 5.5, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Franchise Fee following termination of the Franchise; such release shall exclude claims arising under the Washington Franchise Investment Protection Act.
- Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, or restrict or limit rights or remedies available to a franchisee under the Act, such as a waiver of the right to a jury trial, may not be enforceable.
- Transfer fees are collectable to the extent that they reflect Franchisor’s reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Washington Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

Franchisee: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**FOR THE STATE OF WISCONSIN**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Clear Lights Franchising Corporation and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Franchise Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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

**CLEAR LIGHTS FRANCHISING CORPORATION**

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OF CONFIDENTIAL OPERATIONS MANUAL**

The Confidential Operations Manual contains approximately 220 pages.

EXHIBIT D TO THE DISCLOSURE DOCUMENT

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**CLEAR LIGHTS FRANCHISING CORPORATION**

**FINANCIAL STATEMENTS**

EXHIBIT E TO THE DISCLOSURE DOCUMENT

11:33 AM  
08/30/12  
Accrual Basis

Clear Lights Franchising Corporation  
**Balance Sheet**  
As of July 31, 2012

	<u>Jul 31, 12</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Clear Lights Franchising Corpor	11,400.58
Total Checking/Savings	<u>11,400.58</u>
Total Current Assets	11,400.58
<b>TOTAL ASSETS</b>	<u><b>11,400.58</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Long Term Liabilities	
Loan from Shareholders	100,000.00
Total Long Term Liabilities	<u>100,000.00</u>
Total Liabilities	100,000.00
Equity	
Opening Balance Equity	50.00
Retained Earnings	-105,065.40
Shareholder Equity	18,670.98
Net Income	-2,255.00
Total Equity	<u>-88,599.42</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>11,400.58</b></u>

11:34 AM  
08/30/12  
Actual Basis

Clear Lights Franchising Corporation  
Profit & Loss Detail  
January through July 2012

Type	Date	Num	Name	Memo	Class	Cl	Split	Amount	Balance
<b>Ordinary Income/Expense</b>									
<b>Advertising and Promotion Expense</b>									
Bill	2/6/2012	029624	T Olay Media				Accounts Paya	755.00	755.00
Bill	2/23/2012	3199	ImageProz				Accounts Paya	250.00	1,005.00
Bill	3/30/2012	3209	ImageProz				Accounts Paya	250.00	1,255.00
Bill	5/10/2012	April	ImageProz				Accounts Paya	250.00	1,505.00
Bill	5/10/2012	May	ImageProz				Accounts Paya	250.00	1,755.00
Bill	5/25/2012	3243	ImageProz				Accounts Paya	250.00	2,005.00
Bill	7/24/2012	3257	ImageProz				Accounts Paya	250.00	2,255.00
Total Advertising and Promotion								2,255.00	2,255.00
Total Expense								2,255.00	2,255.00
Net Ordinary Income								-2,255.00	2,255.00
Net Income								-2,255.00	-2,255.00



**Clear Lights Franchising Corporation**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2011**

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William A. Santora, CPA  
John A. D'Agostino, CPA, MST  
Heath N. Kahrs, CPA  
Robert S. Smith, CPA

Robert Freed, Principal  
Linda A. Pappajohn, Principal  
Stephen M. Conyers, CPA, Principal  
Stacey A. Wynne, CPA, CFE, CICA, Principal

### Independent Auditors' Report

To the Stockholders and Management  
Clear Lights Franchising Corporation

We have audited the accompanying balance sheet of Clear Lights Franchising Corporation (the Company) (an S corporation) as of December 31, 2011, and the related statements of operations and stockholders' deficit, and cash flows for the period from March 16, 2011 (inception) through December 31, 2011. These financial statements are the responsibility of Clear Lights Franchising Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clear Lights Franchising Corporation as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 29, 2012  
Newark, Delaware

**Clear Lights Franchising Corporation**

**Balance Sheet**

**December 31, 2011**

**Assets**

CURRENT ASSETS	
Cash	\$ <u>13,906</u>
TOTAL ASSETS	\$ <u>13,906</u>

**Liabilities and Stockholders' Deficit**

CURRENT LIABILITIES	
Accounts payable	\$ 250
LONG-TERM LIABILITIES	
Loan payable to stockholders	100,000
STOCKHOLDERS' DEFICIT	
Common stock - par value \$0.01, 5,000 shares authorized, issued, and outstanding	50
Additional paid-in capital	18,671
Accumulated deficit	<u>(105,065)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ <u>13,906</u>

See notes to financial statements.

Clear Lights Franchising Corporation

Statement of Operations and Stockholders' Deficit

For the Period From March 16, 2011 (Inception) Through December 31, 2011

FRANCHISE FEE REVENUE	\$ -
OPERATING EXPENSES	
Consulting fees	100,000
Other professional fees	4,565
Advertising and promotion	<u>500</u>
	<u>105,065</u>
NET LOSS	(105,065)
ACCUMULATED DEFICIT - BEGINNING	<u>-</u>
ACCUMULATED DEFICIT - ENDING	\$ <u>(105,065)</u>

See notes to financial statements.

Clear Lights Franchising Corporation

Statement of Cash Flows

For the Period From March 16, 2011 (Inception) Through December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (105,065)
Adjustments to reconcile net loss to net cash used in operating activities	
Changes in assets and liabilities	
Increase in accounts payable	<u>250</u>
Net cash used in operating activities	(104,815)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of common stock	50
Additional paid-in capital	18,671
Borrowings under loan payable to stockholders	<u>100,000</u>
Net cash provided by financing activities	<u>118,721</u>
Net increase in cash	13,906
CASH - BEGINNING OF YEAR	<u>-</u>
CASH - END OF YEAR	<u>\$ 13,906</u>

See notes to financial statements.

## Clear Lights Franchising Corporation

### Notes to Financial Statements

#### Note A - Summary of Significant Accounting Policies

##### 1. Nature of Business

The principal business activity of Clear Lights Franchising Corporation (the Company) relates to franchising the business of specialized, high quality headlight restoration for all types of vehicles. The Company incorporated as an S corporation in the State of Delaware on March 16, 2011 (inception). The stockholders of the Company are also the stockholders of Clear Lights, Inc., upon which the franchising corporation is based. Clear Lights, Inc. operates a vehicle headlight restoration business, currently serving the Kent and Sussex County regions of Delaware and a limited area of the Eastern Shore of Maryland.

##### 2. Cash and Cash Equivalents

Cash equivalents are included in cash. The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

##### 3. Franchise Fees

The Company recognizes franchise fee revenue under the full accrual method of accounting, whereby revenue from sales of individual franchises is recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided to the franchisee have been performed. For the period from inception through December 31, 2011, no franchise agreements were entered into and no franchise fee revenue was received, deferred, or recorded into income.

##### 4. Advertising

Advertising costs are charged to expense when incurred. Total advertising costs were \$500 for the period from inception through December 31, 2011.

##### 5. Income Taxes

The Company, with the consent of its stockholders, elected to be an S corporation under the Internal Revenue Code and similar state law. Under federal and state income tax rules related to S corporation status, items of income, deductions, and credits generally pass through on a pro-rata basis to the Company's partners. Therefore, no provision or liability for federal or state income taxes has been made.

**Clear Lights Franchising Corporation**  
**Notes to Financial Statements (Continued)**

**Note A - Summary of Significant Accounting Policies (Continued)**

**5. Income Taxes (Continued)**

Management has reviewed its federal, state, and local income tax positions and has determined, based on tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

**6. Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

**7. Subsequent Events**

The Company has evaluated subsequent events through August 29, 2012, the date the financial statements were available to be issued.

**Note B - Loan Payable to Stockholders**

During the period from inception through December 31, 2011, the Company obtained a loan from its stockholders. The loan is unsecured and has no stated repayment terms or interest rate. The loan payable to stockholders totaled \$100,000 at December 31, 2011.

**Note C - Contingent Liability**

Under an agreement entered into by the Company with a franchise consulting firm, the Company owes up to \$35,000 upon the sale of franchise rights, as follows: \$10,000 each resulting from the sale of the first three franchises and \$5,000 from the sale of the fourth franchise. As of December 31, 2011, no franchise rights were contracted or sold.



**CLEAR LIGHTS FRANCHISING CORPORATION**

**LIST OF CURRENT AND TERMINATED FRANCHISEES**

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**

There are no franchisees who have had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date.

**EXHIBIT G TO DISCLOSURE DOCUMENT**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

As you know, Clear Lights Franchising Corporation and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Business. In this Franchisee Disclosure Questionnaire, Clear Lights Franchising Corporation will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed Clear Lights Franchising Corporation Franchise Agreement and each exhibit, addendum and schedule attached to it?  
Yes \_\_\_ No \_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?  
Yes \_\_\_ No \_\_\_

If “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

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3. Have you received and personally reviewed our Disclosure Document we provided to you?  
Yes \_\_\_ No \_\_\_

4. Do you understand all of the information contained in the Disclosure Document?  
Yes \_\_\_ No \_\_\_

**EXHIBIT G TO THE DISCLOSURE DOCUMENT (continued)**

If “No”, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

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5. Have you discussed the benefits and risks of operating the Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?  
Yes \_\_\_ No \_\_\_
  
6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?  
Yes \_\_\_ No \_\_\_
  
7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the Franchised Business that we or our franchisees operate?  
Yes \_\_\_ No \_\_\_
  
8. Has any employee or other person speaking on our behalf made any statement or promise concerning a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?  
Yes \_\_\_ No \_\_\_
  
9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?  
Yes \_\_\_ No \_\_\_
  
10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?  
Yes \_\_\_ No \_\_\_



**EXHIBIT H TO THE DISCLOSURE DOCUMENT**

**MULTI-STATE ADDENDA**

**ADDENDUM TO THE  
CLEAR LIGHTS FRANCHISING CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF CALIFORNIA**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. Section 31125 of the California Corporations Code requires us to give you a Disclosure Document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the franchisor, any person or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

3. ITEM 17 of the Disclosure Document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
- The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.
- The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
- The Franchise Agreement requires application of the laws of a state other than the State of California. This provision might not be enforceable under California law.
- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in ITEM 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.
- The following URL address is for the franchisor's website:

[www.clearlights.net](http://www.clearlights.net)

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.corp.ca.gov](http://www.corp.ca.gov).

**FOR THE STATE OF CONNECTICUT**

1. ITEM 2 is amended to read as follows:

**President: Amy L. Mullen**

493 Marebear Lane  
Felton, Delaware 19943  
(302) 359-9532

Ms. Mullen is our President and has been since our incorporation in March 2011. In addition, Ms. Mullen is President of our Affiliate and has been since its incorporation in February 2011. Previously, from February 2010 to February 2011, Ms. Mullen was President of the sole proprietorship, Clear Lights, until it was incorporated in February 2011. In addition, Ms. Mullen has served as the Controller of East Coast Auto Body, Inc. since September 2005.

**Vice President: Norman H. Mullen**

493 Marebear Lane  
Felton, Delaware 19943  
(302) 359-9532

Mr. Mullen is our Vice President and has been since our incorporation in March 2011. In addition, Mr. Mullen is Vice President of our Affiliate and has been since its incorporation in February 2011. Previously, from February 2010 to February 2011, Mr. Mullen was Vice President of the sole proprietorship, Clear Lights, until it was incorporated in February 2011. In addition, Mr. Mullen has also served as the Vice President for East Coast Auto Body, Inc. since its incorporation in February 1991.

2. ITEM 3 is amended to read as follows:

- Neither the Franchisor nor any person identified in ITEMS 1 or 2 above (A) Has, at any time during the previous seven fiscal years, been convicted of a felony or pleaded nolo contendere to a felony charge if such felony involved fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade; (B) has, at any time during the previous seven fiscal years, been held liable in a civil action resulting in a final judgment or has settled out of court any civil action or is a party to any civil action (i) involving allegations of fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property, or restraint of trade, or (ii) which was brought by a present or former purchaser-investor and which involves or involved the business opportunity relationship; (C) is subject to any currently effective state or federal agency or court injunctive or restrictive order, or is a party to a proceeding currently pending in which such order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade. The statement required by this subdivision shall include the identity and location of the court or agency; the date of conviction, judgment, or decision; the penalty imposed; the damages assessed; the terms of settlement or the terms of the order and the date, nature, and issuer of each such order or ruling. A seller may include a summary opinion of counsel as to any pending litigation but only if counsel's consent to use such opinion is included in the disclosure statement.

- Neither the Franchisor nor any person identified in ITEMS 1 or 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.
- Neither the Franchisor nor any other person identified in ITEMS 1 or 2 above has during the 7 year period immediately preceding the date of this Disclosure Document, been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.
- Neither the Franchisor nor any person identified in ITEMS 1 or 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state or Canadian franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.
- Neither Company nor any person identified in ITEM 2 above is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities & Exchange Act of 1934) suspending or expelling these persons from membership in the association or exchange.

3. ITEM 4 is amended to read as follows:

- During the 7 year period immediately before of the Disclosure Document neither Company or affiliate or current officer or general partner of Company has: (A) Filed in bankruptcy; (B) been adjudged bankrupt; (C) been reorganized due to insolvency; or (D) been a principal, director, executive officer or partner of any other person that has so filed or was so adjudged or reorganized, during or within one year after the period that such person held such position with such other person. If so, the seller shall set forth the name and location of the person having so filed or having been so adjudged or reorganized, the date and any other material facts.
- During the 7 year period immediately before the date of the Disclosure Document neither Company nor Affiliate, or current officer or general partner of Company, has (a) filed as debtor (or had filed against it) a petition to start an action under the United States Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that ever filed as a debtor (or had filed against it) a petition to start an action under the United States Bankruptcy Code, or that obtained a discharge of its debts under the Bankruptcy Code during or within 1 year after the officer or general partner of Company held this position in the debtor company.



4. ITEM 5 is amended to disclose that the following language is deleted from the Disclosure Document:

- We will refund 50% of the franchise fee you paid if we terminate the franchise for certain failures to perform your pre-opening obligations under the Franchise Agreement. We do not give refunds under other circumstances.
- The non-refundable portion of the franchise fee is compensation to Clear Lights Franchising Corporation for our efforts in offering and selling a franchise to you, for our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance with franchise laws and regulations, site selection assistance and guidelines, the development and hosting of initial training programs and our participation in terminating the franchise.

5. ITEM 6 is amended to disclose that the following language, in the last sentence of the second paragraph under the table, has been deleted from the Disclosure Document:

- All fees are generally non-refundable.

## **FOR THE STATE OF HAWAII**

1. The following list reflects the status of our franchise registrations in the states that have franchise registration and/or disclosure laws:

- This registration is not currently effective in any state.
- This proposed registration is on file with or will shortly be on file with the States of California, Connecticut, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington and Wisconsin.
- There are no states that have refused, by order or otherwise, to register these franchises.
- There are no states that have revoked or suspended the right to offer these franchises.

2. The Franchise Agreement has been amended as follows:

- The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, and more specifically, Sections 4.2 and 16 and 18, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 4.2.9, 18.2.3 and 18.2.6 of the Franchise Agreement require franchisee to sign a general release as a condition of renewal or transfer of the franchise and Sections 5.2, 5.5 and 8.3 require franchisee to sign a general release as a condition to receiving a refund of a portion of the franchise fee following a termination of the franchise; this release shall exclude claims arising under the Hawaii Franchise Investment Law.
- Section 16.2.1.14 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

3. The Receipt Pages are amended to add the following:

- THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
- THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.
- THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

## **FOR THE STATE OF ILLINOIS**

- For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.
- No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire.
- Illinois law governs the Franchise Agreement (without regard to conflict of laws), and jurisdiction and venue for court litigation shall be in Illinois.
- Any provision in the Franchise Agreement requiring a general release is void if the provision requires a waiver of compliance with the Illinois Franchise Disclosure Act.
- Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void.

ITEM 17 of the Disclosure Document is amended to add the following:

- The conditions under which a franchise can be terminated and your rights upon non-renewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20.
- The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

## **FOR THE STATE OF INDIANA**

1. ITEM 8 of the Disclosure Document is amended to add the following:
  - Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.
2. ITEMS 6 and 9 of the Disclosure Document are amended to add the following:
  - The franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.
3. ITEM 17 of the Disclosure Document is amended to add the following:
  - Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
  - Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.
  - ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.
  - ITEM 17(v) is amended to provide that Franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.
  - ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

## **FOR THE STATE OF MARYLAND**

1. ITEM 5 of the Disclosure Document is amended to add the following:
  - Due to our financial condition, the State of Maryland Office of the Attorney General has required and we have agreed to defer collection of all initial fees as described in ITEM 5 of the Disclosure Document until we have completed all of our pre-opening obligations to you and you are open for business.
  
2. ITEM 17 of the Disclosure Document is amended to add the following:
  - Under the Maryland Franchise Registrations and Disclosure Law, Md. Code Ann. Bus. Reg. §14-201 et seq., no general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims under the Maryland Franchise Registration and Disclosure Law.
  - Any litigation between Franchisee and Franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
  - Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
  - In the event of a conflict of laws if required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
  - The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
  
3. Exhibit G to the Disclosure Document is amended as follows:
  - Any portion of the Disclosure Questionnaire which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any of these representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

## **FOR THE STATE OF MICHIGAN**

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

- A prohibition of your right to join an association of Franchisees.
- A requirement that you assent to a release, assignment, novation, waiver or estoppel that deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- A provision that permits us to terminate a franchise before the expiration of this term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice of the failure and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- A provision that permits us to refuse to renew a franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the Franchised Business are not subject to compensation. This subsection applies only if: (a) the term of the franchise is less than 5 years, and (b) you are prohibited by the franchise agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- A provision that permits us to refuse to renew a franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- A provision requiring that litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of litigation, to conduct litigation at a location outside this state.
- A provision that permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
  - The fact that the proposed transferee is our or Subfranchisor's competitor.
  - The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - Your or proposed transferee's failure to pay us any sums or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us a right of first refusal to

purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value and has failed to cure the breach in the manner provided in ITEM 17 (g).

- A provision that permits us to directly or indirectly convey, assign or otherwise transfer our obligations to fulfill contractual obligations to you unless a provision has been made for providing the required contractual services.

2. If our most recent financial statements are unaudited and show a net worth of less than \$100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our obligations, if any, to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

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

4. Any questions regarding this notice should be directed to:

State of Michigan  
Consumer Protection Division  
Attention: Franchise Section  
525 West Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, MI 48933  
(517) 373-7117

**FOR THE STATE OF MINNESOTA**

1. ITEM 13 of the Disclosure Document is amended as follows:
  - As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the marks, so long as you were using the marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
  
2. ITEM 17 of the Disclosure Document is amended as follows:
  - With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.
  - ITEM 17 shall not provide for a prospective general release of claims against us that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.
  - Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Clear Lights Franchising Corporation:

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

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

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

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

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



## **FOR THE STATE OF NEW YORK**

1. All references made herein to a “Disclosure Document” shall be replaced with the term “Offering Prospectus” as used under New York Law.

2. The FDD Cover Page is amended as follows:

- **REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, 120 BROADWAY, NEW YORK, NEW YORK 10271-0332. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**
- **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE CIRCULAR. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS CIRCULAR.**

3. ITEM 3 is amended by the addition of the following language:

- Neither franchisor, the franchisor’s predecessor or an affiliate offering franchises under the franchisor’s principal trademark, nor any person identified in ITEM 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither franchisor nor any person identified in ITEM 2 has any pending actions, other than routine litigation incidental to the business, that 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.
- Neither franchisor, the franchisor’s predecessor or an affiliate offering franchises under the franchisor’s principal trademark, nor any person identified in ITEM 2 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 held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding involving violation of any franchise law, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- Neither franchisor, the franchisor’s predecessor or an affiliate offering franchises under the franchisor’s principal trademark, nor any person identified in ITEM 2 is subject to any injunctive or restrictive order or decree relating to the franchises, or any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency.

4. ITEM 4 is amended to state that:
  - Neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Disclosure Document, has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; (c) was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.
  
5. ITEM 5 of the Disclosure Document is amended to add the following:
  - The franchise fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the franchised business for business.
  
6. ITEMS 6 and 11 of the Disclosure Document are amended to add the following:
  - The franchisee will not be required to indemnify franchisor for any liability imposed on franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.
  
7. ITEM 17 of the Disclosure Document is amended to add the following:
  - No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.
  - ITEM 17(d) is amended to provide that you may terminate the Agreement on any grounds available by law.
  - ITEM 17(j) is amended to state, that no assignment will be made except to an assignee who, in the good faith judgment of Franchisor, is able to assume our obligations under the Agreement.
  - ITEM 17(w) is amended to state that New York Law governs any cause of action that arises under the New York General Business Law, Article 33, Section 680-695.
  
8. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

## **FOR THE STATE OF NORTH DAKOTA**

1. ITEM 5 of the Disclosure Document is amended by the addition of the following language to the original language:

- Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

2. ITEM 17 of the Disclosure Document is amended to add the following:

- No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under North Dakota Law.
- In the case of any enforcement action, the prevailing party is entitled to recover all costs and expenses including attorneys' fees.
- The Franchise Agreement is amended to state that the statute of limitations under North Dakota Law will apply.
- ITEMS 17(i) and 17(q) are amended to state that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
- ITEM 17(v) is amended to state a provision requiring litigation to be conducted in a forum other than North Dakota is void with respect to claims under North Dakota Law.
- ITEM 17(w) is amended to state in the event of a conflict of laws, North Dakota Law will control.

**FOR THE STATE OF RHODE ISLAND**

ITEM 17 of the Disclosure Document is amended to add the following:

- The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.
- Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

**FOR THE STATE OF WASHINGTON**

1. ITEM 17 of the Disclosure Document is amended to add the following:
  - In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
  - A general release or waiver of rights signed by you will not include rights under the Washington Franchise Investment Protection Act.
  - Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act including the right to a jury trial may not be enforceable.
  - Transfer fees are collectable if they reflect our reasonable estimated or actual costs in effecting a transfer.
  - The Franchise Agreement requires any litigation to be conducted in a state other than Washington; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.
2. ITEM 21 of the Disclosure Document is amended to add the following:
  - We have not been in business for three years or more and cannot include all the financial statements required by the Rule.

**FOR THE STATE OF WISCONSIN**

ITEM 17 of the Disclosure Document is amended to add the following:

- The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement.

## Receipt

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

If Clear Lights Franchising Corporation offers you a franchise, Clear Lights Franchising Corporation must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant unless otherwise stated in your state's addendum. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the State of New York.

If Clear Lights Franchising Corporation does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise:

Amy L. Mullen  
493 Marebear Lane  
Felton, Delaware 19943  
(302) 359-9532

Norman H. Mullen  
493 Marebear Lane  
Felton, Delaware 19943  
(302) 359-9532

Date of Issuance: June 4, 2012

Our Agents for Service of Process are listed in Exhibit B.

I have received a Franchise Disclosure Document including the following exhibits on the date listed below:

- A. List of State Administrators
- B. List of State Agents for Service of Process
- C. Franchise Agreement
- D. Table of Contents to the Confidential Operations Manual
- E. Financial Statements
- F. List of Current and Terminated Franchisees
- G. Franchisee Disclosure Questionnaire
- H. Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to Clear Lights Franchising Corporation and keep the other for your records.

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

Return to:

(individually or as an officer, member or partner of)

Clear Lights Franchising Corporation  
493 Marebear Lane  
Felton, Delaware 19943

\_\_\_\_\_  
(Name of corporation, limited liability company or partnership)  
a \_\_\_\_\_ corporation  
(State of incorporation)  
a \_\_\_\_\_ limited liability company  
(State of organization)  
a \_\_\_\_\_ partnership  
(State where partnership formed)

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(individually or as an officer, member or partner of)

Clear Lights Franchising Corporation  
493 Marebear Lane  
Felton, Delaware 19943

\_\_\_\_\_  
(Name of corporation, limited liability company or partnership)  
a \_\_\_\_\_ corporation  
(State of incorporation)  
a \_\_\_\_\_ limited liability company  
(State of organization)  
a \_\_\_\_\_ partnership  
(State where partnership formed)