

FRANCHISE DISCLOSURE DOCUMENT

CREATING OUTDOOR VISIONS IN STONE, INC.
4904 Waters Edge Drive, Suite 200
Raleigh, North Carolina 27606
(919) 909-1848
www.covis-stone.com



The Franchisee will own and operate an outdoor hardscape and landscape construction business. CREATING OUTDOOR VISIONS IN STONE, INC. provides services to franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

The total investment necessary to begin operation of a COVIS franchise is between \$78,060 and \$172,950. This includes between \$27,375 and \$28,695 that must be paid to us or an 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, us 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 availability of disclosures in different formats, contact the Franchise Administration Department of CREATING OUTDOOR VISIONS IN STONE, INC., 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606 (919) 909-1848.

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

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

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

Issuance date: February 11, 2015

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit E 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 ALL DISAGREEMENTS BE SETTLED BY ARBITRATION IN NORTH CAROLINA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN NORTH CAROLINA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT NORTH CAROLINA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOUR SPOUSE, AND THE SPOUSES OF THE FRANCHISE OWNERS, PARTNERS, MEMBERS, AS THE CASE MAY BE ARE REQUIRED TO SIGN THE FRANCHISE AGREEMENT OR A PERSONAL GUARANTY OF THE FRANCHISE OBLIGATIONS. SUCH SPOUSE(S) IS/ARE JOINTLY AND SEVERALLY LIABLE FOR ALL DEBTS OF THE FRANCHISE, WHETHER OR NOT INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL AND MARITAL ASSETS OF THE FRANCHISE OWNERS AND SPOUSES AT RISK.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

STATE EFFECTIVE DATES

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

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

STATES	EFFECTIVE DATE
California	Not Registered
Florida	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Utah	Not Registered
Virginia	
Washington	Not Registered
Wisconsin	Not Registered

For all other states, this Franchise Disclosure Document is effective on the issuance date.

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EXHIBITS

Exhibit A	COVIS FRANCHISE AGREEMENT With Attachment A (Franchise Fees) Attachment B (Site Selection Addendum/Lease Rider/Territory Identification) Attachment C (Security Agreement) With Attachment 1 (Designation of Protected Area and Designated Marketing Area and Site Selection Addendum with Lease Rider) Attachment D (Personal Guaranty) Attachment E (Nondisclosure and Noncompetition Agreement) Attachment F (Option to Purchase Agreement) Attachment G (Excluded Services Addendum)
Exhibit B-1	STORE DIRECTORY/LISTING OF CURRENT FRANCHISEES
Exhibit B-2	LISTING OF CERTAIN PAST FRANCHISEES
Exhibit C	FINANCIAL STATEMENTS
Exhibit D	STATE SPECIFIC INFORMATION
Exhibit E	FEDERAL AND STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS
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Exhibit G	ADDENDUM TO RENEWAL FRANCHISE AGREEMENT
Exhibit H	AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER
Exhibit I	ACH/EFT TRANSFER AGREEMENT
Exhibit J	STATEMENT OF PROSPECTIVE FRANCHISEES
Exhibit K	RECEIPT

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

THE FRANCHISOR

To simplify the language in this Disclosure Document, “we,” “COVIS,” or “us” means CREATING OUTDOOR VISIONS IN STONE, INC. “You” means the person or company that buys the franchise, including, if any, such company's owners, partners, members, controlling shareholders, and guarantors. We are a North Carolina corporation, organized under the name “CREATING OUTDOOR VISIONS IN STONE, INC.” on July 6, 2011. Our principal business address is 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606. Exhibit E lists our agent for service of process in your state.

Our sole business since inception is selling COVIS franchises and providing training and other services to COVIS franchisees and our affiliates. We began offering franchises of the type offered here in 2014. Previously, in 2014, we offered licenses that were similar to our current franchise program. We treat the one licensee as a franchisee for all purposes. All of our outlets operate as COVIS. We have never sold franchises of any other kind. We do business and intend to do business under the names CREATING OUTDOOR VISIONS IN STONE, INC., and COVIS. We operate no business of the type being franchised.

PARENTS, PREDECESSORS, AND AFFILIATES

We have no predecessors.

Our affiliate is COVIS-RALEIGH, INC., which was formed on July 6, 2011. Our affiliate is 100% owned by us. COVIS-RALEIGH operates a single location of the type being franchised, but has never offered franchises.

COVIS-RALEIGH have never offered franchises in any kind of business.

THE FRANCHISE OFFERED

You will own and operate an outdoor living construction business emphasizing stone masonry such as outdoor fireplaces, grill islands, seating, patios, walkways and stone veneer. COVIS businesses are characterized by a unique system that includes: special paver stones, distinctive designs, techniques, hardware and software programs; standards, specifications, and procedures for operations; training and assistance; and advertising and promotion programs; all of which we may improve, amend, and further develop from time to time. The typical COVIS business is not operated from a leased space but is operated as a home-based business. The base of your operations may be warehouse space you elect to rent or purchase or a home-based office, provided it is equipped as we specify.

The fees for each COVIS business are the same. You will compete with other COVIS franchisees, landscapers, masons, and general contractors who primary sell to residential homeowners. These may include national and regional chains as well as

local operations. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other businesses.

There are no regulations known to us specific to the operation of a hardscape business. However, state and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your business, including those that (a) establish general standards, specifications, and requirements for construction and design; (b) establish standards and requirements for home-based businesses; (c) regulate matters affecting the health, safety, and welfare of your customers; (d) set standards pertaining to employee health and safety; (e) set standards and requirements for fire safety and general emergency preparedness; (f) regulate the proper use, storage, and disposal of waste, and other hazardous materials; (g) govern labor practices for your employees; and (h) regulations governing the application of the Affordable Care Act. The Americans with Disabilities Act (“ADA”) also may apply to the operation of your business. You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance. You may employ salaried help and/or independent contractors and will be required to observe general employment laws and regulations. You will be required to obtain whatever licenses may be necessary in your geographic area to provide hardscape services, including constructing and installing stone products, stone veneer and related products in customers’ homes. Your licensing requirement may include a contractor’s license.

ITEM 2. BUSINESS EXPERIENCE

Name	Position	Principal Occupation During the Past 5 Years
Marc Genest	Chief Executive Officer, President	Since our inception in July 2011, Mr. Genest has served as our Chief Executive Officer. Prior to that, from September 2010 to May 2011, he was a Sales Representative and Construction Manager for Canyon Stone in Youngsville, North Carolina. Before joining Canyon Stone, he was a Territory Manager handling sales and operations for Accu-Brick, in Woodruff, South Carolina, from April 2007 to August 2010.
Chris Simpson	Chief Financial Officer, Secretary	Mr. Simpson has served as our Chief Financial Officer since our inception in July 2011. Prior to that he was a Sales Representative with Canyon Stone from September 2007 through May 2011.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5. INITIAL FEES

The Initial Franchise Fee is \$25,000.

If you exercise the option to purchase an Extended Territory by executing the Agreement attached as Attachment F to the Franchise Agreement, you will pay an additional fee equal to 10% of the then-current Initial Franchise Fee for an 18 month option to purchase the additional territory. The option fee will be applied to the franchise fee for the additional territory if the option is exercised, but is otherwise fully earned upon receipt and non-refundable.

In addition to the initial franchise fee, you will be required to purchase one of two branding packages from us. The following chart describes what is included in each package:

PACKAGE	WHAT'S INCLUDED	PRICE
Package 1	5 Embroidered Golf Shirts 5 COVIS Team Issued t-shirts 1 Truck Decal 5 Yard Signs (used during job production) 500 Rack Cards 500 Business Cards 500 Door Hangers	\$2,375.00
Package 2	10 Embroidered Golf Shirts 20 COVIS Team Issued t-shirts 1 Truck Decal 5 Yard Signs (used during job production) 1000 Rack Cards 1000 Business Cards 1 Trade Show Sign 2000 Trifolds 1000 Door Hangers	\$3,695.00

Thereafter, you will be required to purchase replacements of these supplies from us. There are no other required purchases from us prior to opening.

All of the fees described in this Item are each payable in lump sum. All of the fees are fully earned upon receipt and non-refundable. During our most recent fiscal year, all of these fees were applied uniformly.

The Franchise Agreement provides that you may not bring class action mediations or arbitrations against us. If you want us to waive this restriction, you must pay us the greater of 15% of the Initial Franchise Fee or \$5,000 when you sign your Franchise Agreement. This fee is uniform for all franchisees and is not refundable.

ITEM 6. OTHER FEES

Name of Fee ¹	Amount	Due Date	Remarks
Royalty	For each territory each calendar year, 6% of Gross Sales until your Gross Sales for the calendar year reach \$500,000; 5% of Gross Sales between \$500,000 and \$1,000,000 during the calendar year; 4% of Gross Sales between \$1,000,000 and \$2,000,000 during the calendar year; 2% of Gross Sales between \$2,000,000 and \$4,000,000 during the calendar year, and 1% of Gross Sales greater than \$4,000,000 in the calendar year. Beginning after the 3 rd month through the 11 month of operation, you will be required to pay us the greater of the royalties calculated on a percentage basis or a minimum monthly royalty of \$1,500/month. Beginning in the 12 th month of operation, you will be required to pay us the greater of the royalties calculated on a percentage basis or a minimum monthly royalty of \$2,500/month.	The royalties will be electronically drafted from your bank account. You will have the option of selecting one or two installments each month. The calendar dates for installments will be determined and published by us. We can change them with 30 days' prior written notice.	See section 3(a) of the Franchise Agreement. "Gross Sales" are defined at Attachment A to the Franchise Agreement. ² No royalties are paid until the business begins operations.
Local Cooperative Fees	1% of Gross Sales	When designated by cooperative.	Cooperative payments are determined by majority vote of the cooperative members.

Name of Fee¹	Amount	Due Date	Remarks
Advertising Fees and Expenses	1% of Gross Sales, subject to increase.	Payment made by electronic funds transfer (EFT) each month. The calendar date for payment will be determined published by us. We can change them with 30 days' prior written notice.	Can be raised by COVIS to be as high as 2% of Gross Sales at its sole discretion.
Renewal Fee	\$15,000	Upon execution of new Franchise Agreement.	Payable in immediately available funds. Each renewal is for a single 15-year term.
Transfer Fee	\$10,000	When we approve franchise transfer.	Fee is inapplicable except to prospective purchasers. Fee is earned when the transfer is approved and paid at closing.
Collection and Interest Charges	18% or highest lawful rate if lower.	Immediately if payments not made when due.	This charge is in addition to other remedies such as late payment fees.
Initial Training	Initial franchise fee includes pre-opening training for 2 people.	On signing of Franchise Agreement. For 2 persons pre-opening, this is included in the initial franchise fee. For extra people, training costs an additional \$50 per hour per person and payment is due before training class commences.	The business shall be managed by a person, identified to us, who has undergone, or based on experience been relieved of, our training program. You will be responsible for paying your own lodging, transportation, and food expenses incurred for attending training.

Name of Fee ¹	Amount	Due Date	Remarks
Additional Training (if desired or required)	Standard rate of \$50 per hour per person plus out of pocket expenses and travel, with a minimum of 8 hours generally amounts to approximately \$400. Travel costs will include reimbursement for mileage at the then-current IRS published rate.	30-day notice of additional training with payment due before training class begins.	You may request additional training or we may require that you complete additional training. In addition to the training fee, you will be responsible for paying your own lodging, transportation, and food expenses incurred for additional training.
Project Consultation Fee	Up to 1% of the value of the job plus actual expenses incurred.	On Demand	If we agree the job will be accepted, you will pay us up to 1% of the value of the job. The percentage paid will be agreed upon between you and us based on the scope of work performed by COVIS, plus travel expenses including transportation, food and lodging, expended by us to visit you and/or the site. You are responsible for bidding the project.
Third Party Vendor Charges	Your share of any charges billed to us on behalf of your business	After 30 days' notice, billed by EFT	Sometimes it may be in the best interest of brand for vendors to bill us a system-wide charge for a product or service. We will then divide the invoice among our franchisees and charge you for your share.

Name of Fee¹	Amount	Due Date	Remarks
Business Directory Listings	Actual out-of-pocket costs	On Demand	You will place and pay the cost of business listings in the directories and categories we specify. Alternatively, we can do so on your behalf and at your expense.
Audit Fee	The cost of audit.	At once if audit shows 3% or greater underpayment.	You also pay the underpayment, if any. We pay for the audit if underpayment is 3% or less.
Legal Expenses	The cost of legal expenses we incur.	As incurred.	You must reimburse us for legal expenses incurred by us on your behalf to assist with leasing and other legal compliance issues.
Hold Harmless	If any, will depend on unknown factors.	Defense cost when suit occurs. Indemnification when payment required.	You agree to defend, indemnify, and hold us harmless should we be sued as a result of something you do or fail to do.
Attorney's Fees and Costs, and Arbitration	Depends on what we spend.	When court or arbitrator orders, if we win.	Loser pays winner's fees and costs to discourage meritless litigation. We could have to pay your fees.
Insurance Premium Reimbursement	Varies according to plan and provider.	Varies according to plan and provider. If we purchase, reimbursement to us due immediately on notice.	You may purchase through any provider. We must be named as additional insured. You must furnish us copies. If you do not purchase errors and omissions insurance, we may purchase it and you reimburse us.

Name of Fee ¹	Amount	Due Date	Remarks
Administrative Fee for Approving a Supplier or Product	15% of the value of the item to be purchased with a minimum payment of \$500.	Upon approval or disapproval	You must pay us upon approval or disapproval of an alternate supplier or product you request the administrative fee plus any out-of-pocket costs incurred in approval of the supplier. This fee must be paid before ordering from the supplier.
Enforcement Costs	Will vary.	As incurred.	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement. If we see no action on issues that tarnish our brand image or otherwise breach the Franchise Agreement, we reserve the right to engage our own lawyers at your expense to work on compliance. We will collect reimbursement from you by EFT for their fees.
Fines ³	Up to \$1,000 per infraction.	Upon notice of infraction. Will be collected by EFT.	Failure to operate in accordance with operating standards. Failure to timely submit reports will result in our assessment of a fine of \$500 and an administrative fee of \$50 per day until such reporting is received

Name of Fee ¹	Amount	Due Date	Remarks
Unapproved Advertising Fines	1 st infraction: \$250 2 nd infraction: \$500 3 rd infraction: \$1,000	Upon notice of infraction. Will be collected by EFT.	See Section 8(e) of the Franchise Agreement for requirement on approval of advertising you develop. These fines would apply to any advertising materials or techniques used without following the procedures outlined in the Agreements. Any fine is in addition to other remedies under Franchise Agreement.
Insufficient Funds	\$50 plus any fee charged us for uncollected funds.	Upon notice.	Failure to have sufficient funds available for payments to us.
Failure to attend required training/convention	Increase royalty up to 1% for balance of calendar year.	Upon notice of infraction. Will be collected by EFT.	Additional royalty to compensate us for your failure to attend training/convention.

Note 1: All fees and expenses described in this Item 6 are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. All flat fees described in this Item 6 are subject to adjustment due to inflation. Unless we have noted differently, we may increase these amounts based upon changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees. During our last fiscal year, all fees were uniformly applied to all franchisees.

Note 2: "Gross Sales" means the total of gross revenue that you derive from the operation of the Franchised Business, including, but not limited to, revenue from services rendered by the Franchised Business and from the sale of products based on retail price before coupon, whether from sales for cash or credit and regardless of the collection thereof. Gross Sales does not include sales taxes or gift card redemptions, nor does it include sales to other franchisees and company-owned businesses. Royalties on gift cards are assessed when the gift card is redeemed versus sold.

Note 3: Fines can be imposed if you fail to comply with system standards. In particular, if you fail to submit the required financial reports by the 7th day of the following month, we will assess a penalty of \$500.00 and an administrative fee of \$50.00 per day until such reporting is received. (Franchise Agreement Section 11(n)(ii).)

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT¹

TYPE OF EXPENDITURE	AMOUNT LOW	AMOUNT HIGH	METHOD OF PAYMENT	WHEN PAY	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$25,000	\$27,500	Cash or check.	Franchise fee is due on signing Franchise Agreement.	Us.
Training living expenses ³	\$3,900	\$5,000	As incurred.	Before opening.	Air travel, hotels, meals, incidentals.
Leased Real Property ⁴	\$0	\$1,500	Pursuant to terms of Lease Agreement.	Pursuant to terms of Lease Agreement.	Landlord.
Computer System and Telephone ⁵	\$1,210	\$1,850	As incurred.	Varies depending on contract with supplier.	Supplier.
Inventory ⁶	\$1,000	\$2,000	Vendor terms.	Vendor terms.	Approved vendors.
Deposits ⁷	\$0	\$500	As negotiated with supplier.	As negotiated with supplier.	Landlord, supplier.
Initial Advertising	\$3,000	\$6,300	Vendor terms.	Vendor terms.	Supplier.
Home Shows ⁸	\$4,000	\$9,000	Vendor terms.	Vendor terms.	Supplier.
Payroll ⁹	\$7,200	\$12,000	Cash or check.	Internal or established based on local law.	Employees.
Professional Fees ¹⁰	\$0	\$15,000	Varies.	Varies.	Vendor.
Vehicle ¹¹	\$1,650	\$20,000	Lump sum.	Varies depending on contract with supplier.	Supplier.
Equipment	\$500	\$600	Vendor terms.	Varies depending on contract with supplier.	Supplier or leasing company.

TYPE OF EXPENDITURE	AMOUNT LOW	AMOUNT HIGH	METHOD OF PAYMENT	WHEN PAY	TO WHOM PAYMENT IS TO BE MADE
Trade Show Signage	\$500	\$1200	As incurred.	Before opening.	Us.
Government Permits	\$100	\$500	As incurred.	Before opening.	State, local and municipal government agencies.
Additional Funds—3 Months ¹²	\$30,000	\$70,000	As incurred.	.Money to work with through first 90 days – as incurred.	Vendors, employees, utilities, landlord, suppliers, insurers, tradesmen, city, county.
TOTAL	\$78,060	\$172,950			

NOTES:

Note 1: The Initial Franchise Fee paid to us is non-refundable. All fees and payments are non-refundable unless otherwise noted or allowed by third-party vendor.

Note 2: The high estimate includes the current fee charged for purchasing the option for an additional territory.

Note 3: You are responsible for the cost of your transportation to our headquarters in Raleigh, North Carolina, for some of your training and for your food, and lodging while attending training. There is no separate training fee for the first 2 trainees. Additional trainees will require additional training fees. You are responsible for your travel expenses, including, without limitation, travel, lodging and meals.

Note 4: You may lease a space to use as your base of operations, at your option.

Note 5: This figure varies depending on the equipment you select and vendor you choose.

Note 6: There is no required initial inventory of pavers or other supplies. They will be purchased on an as-needed basis.

Note 7: This figure is a rough estimate of the average cost of the total amount of deposits paid for utilities at a new location if you choose to lease warehouse space. Figure will vary.

Note 8: Costs to attend the home shows may include transportation, booth rental, lodging, meals, and marketing materials.

Note 9: You may choose to employ and/or contract for individuals to assist in the operation of your Franchised Business, including but not limited to front office people, salespeople and installers. The high estimate assumes you are paying yourself a salary.

Note 10: You will need to retain an attorney, an accountant and other consultants to help you to establish your Franchised Business. Your cost will depend on the location of the Franchised Business, the prevailing rates of local attorneys, accountants and consultants. Your costs for these services are typically nonrefundable. You should

inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

Note 11: You are required to have a white, late model vehicle in good condition. You must send us pictures of the vehicle for us to approve the vehicle. Low assumes you already own a vehicle meeting our standards. High assumes new car purchase.

Note 12: You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses. We estimate the start-up phase to be 3 months from the date you open your business. These amounts do not include any estimates for debt service. You must also pay the fees described in Item 6 of this Disclosure Document. These figures are estimates and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied upon our experience in making these estimates. You should review these figures carefully with your business advisor. You should have a 3-month cash reserve to cover the operations of the Franchised Business. Your cash reserves should be based on the total monthly cost of operating the Franchised Business. You should consider rent, salaries, utilities, maintenance, supplies, payroll, taxes, loan payments and other related operating costs to arrive at your 3-month reserves. Your costs will be affected by factors in the local market, local economic conditions, local competition where your Franchised Business is located, which we cannot predict. For example, the wages and rental rates in the area where your Franchised Business is located will affect the size of your cash reserve. You may need to have more or less money in your cash reserve. You may need to have additional working capital to cover for low sales or high operating costs. You should speak with a financial advisor to get a more accurate estimate of the amount you should have in reserve based upon costs in your territory. The operating costs on which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. The payments made to third parties may be refundable depending on the terms offered by each third party. At the time you sign your Franchise Agreement, you will be required to provide us with a bank approval letter showing sufficient start up working capital and additional funds of at least \$75,000.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Distributors. You must purchase all supplies and equipment you use in the Franchised Business from us or a source we approve. While we are not restricted by the Franchise Agreement to do so, it is our current company policy to only designate ourselves to provide products or services as the only approved supplier when (i) the items are proprietary, (ii) the items utilize our trademarks and commercial symbols, (iii) we can negotiate a better price for our franchisees by leveraging the franchise system's bulk purchasing power, and/or (iv) we believe using us for services allows franchisees to benefit from the expertise developed by us in servicing our franchisees. We have designated recommended, but not required supplier of paving stones and ancillary products. You will be required to purchase from us t-shirts, golf shirts, yard signs, truck decals, business cards, rack cards, door hangers, trade show signs and trifolds after your initial supply, provided by us is exhausted. The initial supply of these items is covered by your Initial Franchise Fee. The initial supply will depend on what packages you select. Except for these promotion and marketing items, neither we nor any of our principals own any interest in any approved suppliers.

You are permitted to purchase the required laptop, iPad or iPhone and software (Online QuickBooks) from the source you choose, so long as the software is able to give us data polling access.

Even with the approved suppliers, only certain inventory items are approved. We have the right to change our business relationship with our approved supplier as well as the right to add and/or remove approved suppliers from the approved supplier list and approved products at any time.

You are required to use a credit card processing service, but you are not required to use any particular supplier for this service. Since you accept credit cards as a method of payment at your Franchise, you must comply with payment card infrastructure ("PCI") industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Notwithstanding the credit card processing requirement, we do not represent, nor certify to you or your customers that the credit card processing service approved or provided by us or an affiliate is compliant, whether or not certified as compliant, with the PCI Data Security Standards. Your credit card processing provider should assist you with this compliance.

We may maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). You may not establish or maintain any social media sites or other websites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all of your employees to adhere to the social media policy as well. Subject to the terms of the Franchise Agreement and Operations Manual, we may make available to you a sub-page on the Website that will be located at a sub-domain of the Website to be specified by us (the "Subpage"). You will be permitted to upload content onto the Subpage solely to promote, and provide customers information related to your business. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications (collectively, "Subpage Standards") issued by us. In the course of your business, you must use the email address issued by us.

At this time, we are the only approved supplier for uniform t-shirts, golf shirts, yard signs, truck decals, business cards, rack cards, door hangers, trade show signs and trifold after your initial supply is exhausted and we receive a benefit from such required purchases. No owners are currently approved suppliers other than us or own an interest in an approved supplier other than us or receive any benefit from required purchases from approved suppliers other than us. However, we reserve the right to do so in the future.

We do not provide Franchisees with any material benefits based upon a Franchisee's use of approved suppliers.

Method of Approving Suppliers. If you want to use a supply or equipment source that we have not approved, you must first submit to us information including product specifications, product components, product performance history, product samples, and any other relevant information. If available through our Operations Manual, or otherwise, we will provide you, at your request, our criteria and specifications for certain products. We will evaluate the proposed product by considering the technical and performance properties of the item. We may also consider other factors including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods, and financial ability of the product's producers and distributors. Our review is generally completed in 90 days. You will pay all fees incurred by us to obtain the necessary information prior to giving approval. Additionally, if approved you will pay us at the time the alternate supplier is approved and prior to ordering from the alternate supplier, an administrative fee equal to 15% of the value of the item(s) purchased with a minimum payment of \$500. We will advise you in writing of our decision. We impose these restrictions to safeguard the integrity of the both the Franchise System and our trademarks. We often negotiate purchase agreements with suppliers, including price terms, for the benefit of the franchisees; however, we are not required to do so. While we attempt to have our negotiations result in lower prices, we cannot guarantee they will do so. We may revoke our approval of a product at any time.

Authorized Suppliers. Where we have designated an approved supplier, you must use that supplier. In addition, you may not use certain suppliers or services as designated by us. For example, you may not use group buying services such as Groupon or Living Social without our prior approval. Not purchasing your business's paver inventory or any other items where we have designated an approved supplier would put you in violation of the Franchise Agreement. If you violate the Franchise Agreement we may, at our option, either take legal action against you to compel compliance, fine you and/or terminate your Franchise Agreement or fine you. Because of the volume of business Franchisees bring to our suggested suppliers, you may enjoy lower prices than you could receive from other suppliers. On the other hand, you may encounter higher prices than you would otherwise encounter if you use our recommended supplier. Our agreements may provide us with the right to receive revenue from your required purchases. We will have no obligation to share such revenue received with you. We have the right to alter our relationship with the above mentioned vendors or to create relationships in which we receive revenue at any time in the future and such modification or new vendor relationships could result in increased pricing for you.

Revenue Derived. To date, we have not received any revenue from franchisee purchases from authorized suppliers.

Required Purchase Percent of Revenue. The required purchase of products from authorized suppliers to establish and operate your franchise will represent between 1% and 5% of your overall purchases in operating a COVIS franchise. The cost as a percentage of revenue will vary depending on the product mix you sell to your clients, the revenue achieved by your business, and your business's cost structure. In the future, we may have other approved suppliers where we receive compensation from your relationship with them.

Warranty and Customer Service Requirements. We require our franchisees to meet certain customer service standards. Our franchisees guarantee the satisfaction of our customers. You will be required to work with us to resolve customer service disputes. Therefore, if a customer complains about their experience with COVIS, we have established certain procedures you are required to follow to resolve the concern, which could result in not charging the customer for the services provided or providing discounts for future services. We offer each of your customers a one-year limited warranty program covering labor, which you are required to utilize in your business. We do not charge you or the customer to participate in the warranty program. However, under the warranty program, you will be responsible for all labor and non-product materials cost associated with warranty repairs and we, through our suppliers, will provide the replacement product(s). The warranty is transferrable for a fee, which fee income we retain. In our experience, most manufacturers of the supplies you will use will offer a warranty on materials purchased from them.

Purchasing or Distribution Cooperatives. Currently you are not required to participate in a purchasing or distribution cooperative. However, we have the right to require you to participate in a local advertising purchasing cooperative in the future.

Insurance. You are obligated to obtain and maintain at your own expense, such insurance that we require from time to time from a nationally-recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of public liability insurance with complete operations coverage, with limits of liability for bodily injury, personal injury and advertising injury of not less than \$2,000,000 with limits of liability for property damage of not less than \$1,000,000 in each occurrence, \$2,000,000 of public and product liability coverage, and non-owned vehicle coverage of at least \$1,000,000. You are currently required to maintain, in the amounts we prescribe from time to time, cyber liability coverage in the amount we specify in the Franchise Agreement, including, but not limited to, property damage, fraud, and business interruption.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 1, 6(a)	Items 7, 8, and 11
b. Pre-opening purchases/leases	Sections 4, 10, 11, 12	Item 8
c. Site development and other pre-opening requirements	Sections 2(b)(vii), 7, 8(d), 10, 11(d) and (f), 12(a) and (b), Site Selection Addendum	Items 7, 11
d. Initial and ongoing training	Sections 11(a)(iii), 11(d)	Item 11
e. Opening	Section 1	Items 5, 7, 11

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
f. Fees	Sections 2(b)(viii), 3, 8, 11(e) and (n), 13(d)(viii), 13(e)(iii), 2(c)	Items 5, 6, 7, and 17
g. Compliance with standards and policies/Operations Manual	Sections 2(b)(x), 4(a)-(c), 11, Operations Manual	Items 13 and 15
h. Trademarks and proprietary information	Sections 7, 11(g), Operations Manual	Items 13 and 14
i. Restrictions on products/services offered	Sections 11(d) and (g), 12	Item 16
j. Warranty and customer service requirements	Sections 11(h)(h) and (h), 17(b)(vii)	Item 16
k. Territorial development and sales quotas	N/A	Not Applicable
l. Ongoing product/service purchases	Section 12	Not Applicable
m. Maintenance, appearance and remodeling requirements	Sections 10, 11(b) and (c)	Not Applicable
n. Insurance	Section 16	Items 6 and 9
o. Advertising	Section 8	Items 6 and 9
p. Indemnification	Section 19	Item 6
q. Owner's participation/management/staffing	Sections 11(a) and (b)	Item 15
r. Records and reports	Section 11(n)	Items 6, 16 and 17
s. Inspections and audits	Sections 11(n) and (o)	Item 6
t. Transfer	Sections 13 and 14	Item 17
u. Renewal	Sections 2(b) and (c)	Item 17
v. Post-termination obligations	Sections 7(d), 11(f), 14,15, 16, 17, 18, 19	Item 17
w. Non-competition covenants	Sections 11(f), 14,1 5, 18	Item 17
x. Dispute resolution	Sections 19, 21	Items 6 and 17

ITEM 10. FINANCING

We and our affiliates do not offer direct financing to our franchisees. We and our affiliates do not guarantee or co-sign our franchisee's notes, leases or any other obligations, and we are unable to estimate whether you will be able to obtain financing through any bank or other third party for any or all of your investment.

Neither we nor any affiliate currently receive payment from any person or persons in exchange for their obtaining or placing financing for you. We and our affiliates do not have any present practice or intent to transfer, assign, discount or sell to

a third party, in whole or in part, any note, contract or other instrument signed by you, but we and our affiliates reserve the right to do so in the future.

You will be required to sign a Security Agreement giving us a security interest in some of your business, including your Franchise Agreement. (Exhibit A, Attachment C.) We will be able to exercise our rights under the Security Agreement in order to secure your performance under the Franchise Agreement. (Exhibit A, Attachment C.) Any breach of the terms of the Franchise Agreement would justify us to take title to any property secured by the Security Agreement. (Exhibit A, Attachment C.)

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

Except as disclosed below, COVIS need not provide any assistance to you.

Pre-Opening Assistance

After you sign your Franchise Agreement, but before you open your business, we will:

1. Training: Offer you a training program. If you plan to operate your franchise using a General Manager, that manager must successfully complete the training program, unless we waive this requirement. Other managers may attend such said training. Starting with the third trainee, you the franchisee will be required to pay tuition for the trainee to attend such said training. (See Item 6 — Initial Training for more information.) We plan to conduct the training program on an as-needed basis, with prior notification to balance your convenience with the efficiencies achieved by training several classes at a time. All phases of training will be conducted at our corporate office or at an alternate location we designate (e.g., an existing Franchised Business), and it is generally two weeks in duration (5 days of classroom and 5 days of on-the-job training.) You must complete the training program to our satisfaction before we will authorize you to open your Franchised Business.

There is a charge for this training program. However, if you buy the franchise from us, your initial franchise fee includes the cost of initial training for up to two persons pre-opening. You bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals, and other living expenses you and your designees' incur.

The exact amount of time spent on each part of the training will depend on the time required for mastery by the student participating in the training and achieving 90 percent on all training materials and tests. We use various trainers throughout the training program, but all of the trainers will be certified by us as having mastered the subject matter they are teaching and have a minimum of 5 years of experience. Members of your training team may include some or all of Marc Genest and Chris Simpson.

TRAINING PROGRAM

SUBJECT	HOURS OF ON THE JOB TRAINING	HOURS OF CLASSROOM TRAINING	LOCATION
Installation Process	32 hours	8 hours	Raleigh, North Carolina
Sales Process	32 hours	8 hours	Raleigh, North Carolina
	64 hours	16 hours	Raleigh, North Carolina

2. Operations Manual. We lend you a set of our Operations Manuals. They contain mandatory and suggested specifications, standards, and procedures. They are confidential and remain our property. If you lose any volume of the manual, you must pay us \$1,000. Your employees are to see them only on a need to know basis, subject to confidentiality agreements. We may modify this material from time to time and its modified terms are binding on you. The Operations Manual is provided electronically and not in paper format. The Operations Manuals currently contain a total of 13 pages. (Franchise Agreement Section 11(f).) In the event there is a difference in your version of the Operations Manual and the version at our home office, our version governs.

VOLUME	NO. OF PAGES	TITLE & CONTENTS
1.	1	INTRODUCTION a. Founders, services, history and statistics
2.	1	What is Outdoor Living
3.	7	Processes a. Sales b. Installation
4.	2	Warranty a. Installation Warranty b. Manufacturer Warranty
5.	1	Trade Alliances a. Partners b. How to order c. Delivery
6.	1	Office/Administration a. Basics b. Local Operations

We may periodically amend, update or replace the contents of the Manuals. Beginning on the 30th day (or any longer time we specify) after

our delivery of written notice, or immediately if such change involves a court order or is related to a court proceeding or court proceeding and involves the Marks, you will comply with each amended, updated or replaced provision. Revisions to the Manuals will be based on what we, in our sole discretion, deem is in the best interests of the System, including promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving our and our franchisees' profitability.

3. List of Approved Vendors and Suppliers. Before you open your location, we will provide you with a copy of our list of recommended vendors and suppliers and all required suppliers. At any time that you or any of your affiliates are in breach of the obligations under the Franchise Agreement (for example, your failure to pay for the equipment or inventory when required), or any other agreement with us or any of our affiliates, we or our affiliate may defer the performance of our obligations under the Franchise Agreement or such other agreement, or defer the opening of your business, until you (or your affiliate's) breach has been cured. Our (or our affiliate's) exercise of that right will not constitute a waiver of our rights under the Franchise Agreement or such other agreement, including, without limitation, our (or our affiliate's) right to terminate the Franchise Agreement or such other agreement.
4. Site Selection. It is your responsibility to select and outfit your own location. We are not required to provide or assist you in locating a site or obtaining your business premises. However, if requested, we will advise you on recommended locations, remodeling of the premises, and the purchase or lease of equipment, signs, and fixtures. We must approve the site location and the lease if you do not own the premises. Generally, we approve or disapprove a site within 15 days of receiving the request. In the event Franchisor does not disapprove a proposed site by written notice to Franchisee within said 15 days such site shall be deemed approved by Franchisor. It is your responsibility to ensure that your premises conform to local ordinances and building codes as well as obtain any required permits. It is also your responsibility to construct, remodel and decorate the premises. You must receive approval and open your business within 6 months of signing the Franchise Agreement. Your failure to do so is a breach of the Franchise Agreement and you are not entitled to a refund. (Franchise Agreement Section 23.)
5. We are not required to provide you other supervision, assistance or services prior to opening. (Franchise Agreement Section 4.) You will be required to hire and train your staff in accordance to the standards of COVIS. If at that time your staff has received the proper training, we will assist you in putting the COVIS system into operation.
6. At the time of your first operations, we will send an officer, staff member, or a designated Franchisee or contractor to attend if possible, the first two days of your first field operation. (Franchise Agreement Section 4(h).) In addition, we will provide the same support to you at your first home show.

During the operation of the Franchised Business under your Franchise Agreement, we will:

1. Provide advice and consultation services to you. If you request advice or consultation service that requires us to make our staff present at your Franchised Business, we will charge to provide such service at the per diem cost found in the Operations Manual, plus expenses. (Franchise Agreement Section 4(e) - (i.)

ADVERTISING

1. Make available to you from time to time advertising materials we prepare for use by COVIS Franchisees generally. You may use such materials in any local advertising. You will pay for all associated costs. (Franchise Agreement Section 8.)
2. Make available to you vehicle decals. The cost of the initial vehicle detail is included in your Initial Franchise Fee. You will be responsible for contacting Sign-A-Rama to install the vehicle decal. The cost of the installation is also covered by your Initial Franchise Fee in the initial package you select.
3. You may develop advertising materials for your own use at your own cost. We encourage the sharing by Franchisees of advertising ideas and materials. We require you to submit advertising and promotional materials to us in advance and to obtain our approval before using them. You are required to follow our instructions in connection with any advertising or promotional materials we provide for your use. (Franchise Agreement Section 8(c).) Failure to follow our instructions regarding pre-approval of advertising materials will result in fines. These fines will be as follows: 1st infraction: \$250, 2nd infraction: \$500 and third infraction: \$1,000. Imposition of these fines will in no way waive our right to consider your use of unapproved advertising as a default-triggering event, such as that described at Franchise Agreement Section 17(c)(v).
4. National Advertising Fund. We have implemented an advertising fund program to pay for our national advertising program ("National Fund"). The National Fund is supported by a fee not to exceed 2% of your gross sales. The current required contribution level is 1% of gross sales. Other franchisees' National Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay National Fund fees. We have the sole discretion to settle or forgive any accrued and unpaid National Fund contributions owed by a franchisee. With any advertising funds paid, we have sole discretion as to how and where the money is spent to promote, enhance, or further the growth of the system, including, without limitation, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and internal personnel to assist in developing the COVIS brand name and average unit volumes, expenses associated with listings in telephone books, subsidies

of premiere/marquis businesses designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials) and for any other use we determine. Additionally, we can use the National Fund to pay for expenses incurred in developing and maintaining non-franchise sales portion of the COVIS website. We are not required to spend any advertising funds in your specific area or territory. Materials provided by the National Fund to all Franchisees may include video and audio tapes, mats, posters, banners, and miscellaneous point-of-sale items. You will receive one sample of each at no charge. If you want additional copies, you must pay duplication costs.

5. We occasionally provide for placement of advertising on behalf of the entire franchise system, including Franchisees. However, most placement is on a local basis, typically by local advertising agencies hired by individual Franchisees or advertising cooperatives. While we have not yet done so, we have the right in the future to use advertising fees paid by our Franchisees to place advertising in national media (including broadcast, print or other media). Advertising funds are used to promote the products sold by Franchisees. A brief statement regarding the availability of information regarding the purchase of COVIS franchises may be included in advertising and other items produced using the National Fund; provided that we will not use National Fund funds principally to sell franchises.

Currently, the advertising funds are payable to us. We have the right to establish in the future a nonprofit corporation or other business entity to collect National Fund advertising contributions from our Franchisees. The National Fund is administered by our accounting and marketing personnel under our direction. We may have the Fund borrow from us or other lenders to cover any National Fund deficits. We may have the fund invest any surplus for the National Fund's future use. You will be able to obtain an accounting annually upon written request to our Chief Executive Officer at our principal place of business. We claim no power to require that advertising cooperatives be formed, changed, dissolved or merged. During 2013 we spent 0% of the National Fund's income on the production of advertisements and other promotional material. (Franchise Agreement Section 8(a).)

Use of Advertising Fund in Most Recent Fiscal year
(percentage of total fund expenditures)

USE	PERCENTAGE
Media Placement	0
Events/Sponsorships	0
Unit Promotions	0
Administrative/Supplies	0
TOTAL	0%

6. Local Advertising Cooperatives. While we have not yet established any local advertising cooperatives, we have the exclusive right to require that advertising cooperatives be formed, changed, dissolved, or merged. If you are required to participate in an advertising cooperative, the amount of your contribution to the local advertising cooperative is described in the Disclosure Document. Each local advertising cooperative must adopt written governing documents. Each cooperative may determine its own voting procedures; however, each company-owned Franchisee will be entitled to one vote in any local advertising cooperative. The members and their elected officials are responsible for administration of the cooperative. Advertising cooperatives must prepare quarterly and annual financial statements prepared by an independent CPA and must be made available to all Franchisees in the advertising cooperative. The Cooperative is not a trust fund. We shall have no fiduciary duty to you in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative. (Franchise Agreement Section 8(b).)

SYSTEM IMPROVEMENTS

1. System Improvements. Make available to you from time to time all improvements and additions to the Franchise System to the same extent and in the same manner as they are made available to COVIS franchisees generally. (Franchise Agreement Section 4(i).)
2. Additional Training. Offer to your managers and employees (or to those of someone who buys your business from you) a training program designed for new Franchisees. We will charge you for this at the rate found in our then-current fee schedule, a current copy of which is included in the Operations Manuals. You must pay for it at the time of training, unless other billing arrangements have been agreed to. Also, you will bear all indirect training costs and expenses, such as salary expenses of your employees and all expense of travel, lodging, meals, and other living expenses you and your designee incur. We may make certain additional training mandatory, in which case you will be required to attend. We may charge a fee for additional training in addition to the indirect training costs and expenses that you will be responsible for.
3. Conferences and Conventions. While we are not required to do so, from time to time we may offer conferences and other training courses relating

to our industry and to the conduct of the Franchised Business. This obligation cannot be delegated to non-owner managers without our approval. You are required to attend all conferences and other required training courses. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to you. We have the right to charge you a tuition fee for each attendee, whether or not the attendee is required to attend. Additionally, you will be responsible for all transportation, lodging, food and other costs incurred by the manager in attending such seminar. If you do not attend a scheduled required event, you will be charged 1% percent of your annual revenue for the balance of the calendar year.

4. **Social Media.** We also may maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all of your employees to adhere to the social media policy as well.
5. **Website.** We will maintain a website (the "Website"), which may include any account, page or other presence on a social and business networking media site (such as Facebook, Twitter, LinkedIn) and online blogs and forums ("Networking Media Site") in order to promote the Marks, or any or all of the Franchised Businesses within the System. We will have the sole right to control all aspects of the Website, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Website at any time without notice to you. We may require that you maintain and utilize a specific e-mail account in connection with the Franchised Business. You may not establish or operate a website, web page, domain name, Internet address, blog, forum or email address that in any way concerns, discusses or alludes to us, the System or your business without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Marks, or the business that (a) does not comply with our social networking guidelines described in the Operations Manuals, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. You may not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which we may create. Subject to the terms of the Franchise Agreement and Operations Manual, we may make available to you a sub-page on the Website that

will be located at a sub-domain of the Website to be specified by us (the "Subpage"). You will be permitted to upload content onto the Subpage solely to promote, and provide customers information related to your business. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications (collectively, "Subpage Standards") issued by us. The Subpage may not contain content which references any other Franchised Businesses other than your Franchised Business. You may not upload, publish, display, or otherwise include or use any content on the Subpage without receiving our approval. Once we approve the initial content of the Subpage, you must submit any changes to us before you make any changes. We may, at any time, cease to make the Subpage available to you or the public. We may also design the Website for taking delivery orders from customers and routing that to you. We will be solely responsible for the development of all online ordering. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload, content, onto, or otherwise use, the Subpage shall immediately cease and we may cease to make the Subpage available to you.

COMPUTER SYSTEMS/POINT OF SALE

1. Computer System/Point of Sale. You may purchase the required laptop, iPad and/or iPhone with accompanying required software at the supplier you choose. You are required to have internet access and the ability to allow us to poll your software-generated data. You must also acquire a GPS navigation system.
2. The software for your point of sale system may be either proprietary to COVIS or commercially produced software. Currently, the hardware and software used are not proprietary and is online QuickBooks. In order to promote system-wide compatibility, COVIS, at its option, may in the future require you to purchase the software and/or computer hardware from COVIS or its designated supplier. The software is software that with your compatible hardware, records customer orders, customer names, addresses, and other information and such other functions deemed necessary by us in the operation of your business. It will also generate accounts receivable, accounts payable, and other functions. You must purchase or lease sufficient hardware, modem, and communications software as is necessary to communicate with us. Current computer system requirements are also updated from time to time in the Operations Manual. As the current computer system requirements change, you may be required to upgrade or update your hardware and software. There are no restrictions on the frequency or the cost of upgrading. You agree that COVIS shall have the free and unfettered right to retrieve any data and information from your computers as COVIS, in its sole discretion, deems appropriate, including electronically polling the daily sales, and other data of the Franchised Business ("Data Mining"). You agree that the Data Mining to be conducted by COVIS is necessary for the successful operation of the Franchise System and you consent to the installation of

any and all software and/or hardware as may be necessary in order to facilitate the Data Mining and you agree to connect your computer system to the internet and pay all expenses including hardware and software licenses to facilitate Data Mining. Also, you agree to hold COVIS, its agents, and assigns harmless with regards to any damages that may occur to your computer, software, and/or data or information contained on it as a result of the Data Mining. There is no contractual limit on our right to access data. If the software is proprietary to us, we will grant you a license to use the software upon signing the software licensing agreement and payment of the license fee. Currently we do not have any proprietary software, but we may develop some in the future. We have no contractual obligation to upgrade the software. You will be provided, at your expense, with upgrades, updates, revisions and new releases to the software at such time as they are prepared. You may also be provided with a limited telephone support network. We have the right to impose a monthly maintenance fee for such proprietary software. You must pay the monthly maintenance fee if you wish to use the proprietary software (which we may raise upon 90 days' notice). (Franchise Agreement Section 11(q).)

TYPICAL LENGTH OF TIME TO OPEN YOUR BUSINESS

Development Schedule. The typical length of time we estimate between your signing of the Franchise Agreement (or first paying us money) and opening your Franchised Business is 1 to 2 months. Prior to opening your business, you must perform the following tasks. We may assist you in this effort.

TASK	TIME FRAME	FORM OF HELP
Complete Business Plan	2 months before opening	Guidance from COVIS
Sign Franchise Agreement	2 months before opening	Assistance from COVIS
Establish Vendor Relationships	1 month before opening	Assistance from COVIS
Attend Phase 1 of COVIS training	2 months before opening	Manuals and Classroom Training from COVIS
Attend Phase 2 of COVIS training	2 months before opening	Manuals and Classroom Training from COVIS
Initial Marketing	1 month before opening	Guidance from COVIS

The factors that may increase or decrease the time periods discussed above are: the amount of time and effort you commit to opening process, including training, your credit and personal financials, zoning, and licensing requirements. Delays or a lack of effort by you, your contractors, or your prospective landlord will increase these time periods, and will result in the delayed training of you and your staff.

If you change your employment, business or financial status before the opening of your business, you do so at your own risk. Any and all such changes should be made only as a result of careful thought and advanced planning after obtaining advice from appropriate professional advisors.

Franchise Advisory Council. While we are not required to do so, we may in the future maintain a Franchise Advisory Council (“FAC”). The FAC will provide advice to us on various matters, including advertising. The FAC will serve in an advisory capacity only and will have no operational or decision-making power. We will appoint the members of the FAC and have the power to change or dissolve it at any time. Only owners of franchises can serve as members of the FAC. Managers cannot be elected to the FAC.

ITEM 12. TERRITORY

Your Territory will have a minimum population that is generally at least 100,000 and a maximum population that is generally no more than 1,500,000. A larger population may be allowed under certain exceptional circumstances (e.g., densely populated urban areas, or where a high percentage of the territory is impoverished). You will maintain rights to your specified territory even if the population in your Territory increases. You may operate your Franchised Business from your home if local zoning permits. See Items 5 and 7 for more information.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, provided you are in full compliance with your Franchise Agreement, we will not operate or grant a franchise for the operation of another COVIS franchise with rights to market or provide services within your Territory during the term of your Franchise Agreement. You will be granted these certain exclusive rights for your specified Territory, however, we reserve other rights in your Territory (described below) such that your Territory is not completely exclusive to you. We and our affiliates may allow others to perform or we may perform the same or similar services in your Territory. As a result other company-owned or Franchised Businesses may compete with you in your Territory and may have a financial or other impact on your business.

We also reserve other rights in your Territory (described below), your Territory is not completely exclusive to you. For example, we may, while your Franchise Agreement is in effect, sell or allow others to sell: any products or services anywhere using different trademarks; the same or similar products and services, competitive with those you will provide, anywhere using different channels of distribution; different products and services anywhere using the Marks; or the same products and services using the same trademarks anywhere outside your Territory. In addition to allowing us and in certain circumstances others to offer products and services in your Territory, in the specific case when a System Account is involved we may also designate or authorize a corporate employee, another franchisee or any other third party to perform or assist you in performing services, within your Territory if you refuse or, in our judgment, are not qualified, interested, able or available to perform services for any customer in the Territory, if you request assistance; or if a customer, orally or in writing, specifically requests services in the territory from a different franchisee or any other third party. If we allow others to provide services in your Territory, you will not be entitled to any compensation for the sales or services performed. Subject to the rights granted to you in your Franchise Agreement we may provide in the Operations Manuals for other programs in which we offer and sell, and/or authorize others to offer and sell, using the Marks or other marks, goods and services in your Territory that are identical or similar to and/or competitive with those provided at your location. We may also

acquire businesses or be acquired by a business offering similar products and services anywhere.

You cannot advertise for or attempt to solicit customers for any products or services, including using Internet, telemarketing or other direct marketing, outside your Territory. You may only provide products/services to customers outside your Territory in accord with our policies and procedures and only with our prior written consent. We may set forth in the Operations Manuals or otherwise in writing the conditions under which we would grant our consent to your servicing or selling outside of your Territory and our consent may be conditioned upon whether you have obtained a required level or the highest level of quality or service as determined by a rating system we designate, which may change from time to time and whether or not the such geographical area outside your Territory has been license to another. Our Operations Manuals may also set specific rules for engaging in, and what may constitute, marketing within your Territory and other related matters, including what telephone area codes and exchanges that may be used within the territory (depending on the areas covered by those area codes/exchanges); which publications or media in which you may advertise (depending on whether the circulation of the publication/media is wholly or mostly within your Territory); participation in promotional events, tradeshow, continuing education programs, chambers of commerce and industry association meetings; the post office box, mailing address or email address that may be displayed on advertising; how, when and from which customers or accounts you may solicit work (depending on their location and the location and/or duration of the work); requirements for referral of work; enforcement, administration and interpretations of provisions of marketing/territory rules and procedures; and other matters; and these rules may change in our sole discretion.

We do not otherwise limit or restrict your solicitation of customers in your Territory.

Neither we nor any other party are required to pay you as a result of us exercising in your Territory any of our rights described in this Item.

We do not generally grant any right of first refusal to obtain an additional territory. You may, if qualified, purchase an 18-month option for an additional territory by paying us, at the time you purchase your franchise, a fee of 10% of the Initial Franchise Fee for the Territory you wish to buy. You must enter into an Option to Purchase Agreement, the form of which is attached as Franchise Agreement Attachment F. At any time within the 18-month period, you may purchase the additional territory by paying us the balance of the Initial Franchise Fee. The 10% deposit will be applied to the purchase price. We do not refund your deposit if you decide not to purchase the additional territory. You may acquire an additional territory during the term of the Franchise Agreement by entering into another Franchise Agreement or, at our option, an amendment to your existing Franchise Agreement, for that particular territory.

If you are renewing your Franchise Agreement you must pay us the rates stated in the renewal Franchise Agreement. In order to qualify for renewal or purchase of an additional territory you must be in full compliance with the terms of your current Franchise Agreement. If you do not qualify for renewal we may in some cases, but are not required to, offer to enter into a Franchise Agreement with you for a smaller territory and you would then have the option to accept that territory on the terms offered.


ITEM 13. TRADEMARKS

The primary trademarks, service marks, and trade names you are to use as Franchisee are the COVIS and COVIS design service marks, trademarks and trade names.

On September 18, 2014, we applied to the U.S. Patent and Trademark Office to register the COVIS design mark on the Principal Register.

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

The chart below shows our trademark portfolio as each mark is used in commerce.

APPLICATIONS			
	SERIAL NO.	FILING DATE	MARK
1.	86398250	September 18, 2014	

We also license to COVIS Franchisees any additional trademarks and service marks we use in the operation of COVIS business. In addition to the principal marks, we may register other secondary trademarks used to promote the business, which marks we would then also license to you. Some of these marks may be registered trademarks and others may be those for which we claim common law trademark protection.

Presently, there are no agreements in effect that significantly limit our rights to use or license the use of the trademarks listed in this Item in a manner material to the franchise. All uses of the “COVIS” mark of which we are aware occur with our permission. We know of no infringing use of the “COVIS” trademarks or design marks that could materially affect your use of them.

With respect to each of the above federal registrations, all affidavits of use have been timely filed. We intend to file all necessary affidavits of use and renewal applications when they become due. None of the registrations are due for renewal. There have as yet been no presently effective determinations of any trademark office, administrator, or court. There are no pending interference, infringement, opposition, or cancellation proceedings, nor any currently effective material determinations of the United States Patent and trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending litigation involving any of the above marks or names.

A federal or state trademark or service mark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area. So, prior to entering into the Franchise Agreement, you should check and be sure

that there are no existing uses of our marks or names or any marks or names confusingly similar to any of them within the market area where you want to do business. If you find any similar names or marks, you must immediately notify us. Any action to be taken in that event is strictly within our discretion.

Your right to use the Marks is derived solely from Franchise Agreements entered into between you and us for the purpose of operating a COVIS outlet. All usage of the Marks by you and any goodwill established from this usage is to our exclusive benefit. After the termination or expiration of the Franchise Agreement, you may not, except with respect to businesses operated by you according to Franchise Agreements granted by COVIS, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, COVIS or use in any manner or for any purpose any Mark or other distinguishing signs of a COVIS outlet or any colorable imitation of same.

You may not use any Mark as part of any corporate name or with modifying words, terms, designs, or symbols except for those licensed by us. You may not use any Mark in connection with any business or activity, other than the business conducted by you according to Franchise Agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us.

You must immediately notify us in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark, or service Mark of which you become aware. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will take any action we determine appropriate and will have complete control of any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding caused by any infringement, challenge, or claim or otherwise relating to any Mark. We will indemnify and reimburse you for damages obtained by a third party based on your use of the "COVIS" trademark or service mark provided you have at all times fully complied with the indemnification provisions of the Franchise Agreement. We have the right, and you agree at our direction, to modify or discontinue the marks or names in question, or to add marks, names, logotypes and/or commercial symbols. Whenever we make a decision to modify, add, or discontinue the marks, names, logotypes, and/or commercial symbols and we retain the right to license the modified or discontinued marks, you agree to make, at your expense, such modifications as may be necessary to comply with our decisions related to use of our marks. If you fully comply with the indemnification provisions of the Franchise Agreement and we lose the right to license the COVIS mark or other proprietary marks to you, we will pay the reasonable cost of changing over your signage, business cards, and stationery in an amount not to exceed your initial investment in these items.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright registration, but you can use the proprietary information in our Operations Manual, techniques, and business processes all of which are trade secrets owned by us. Although we have filed no applications for a copyright registration for the Operations Manual, we claim a copyright and the information is proprietary. The Disclosure

Document describes limitations on the use of this manual by you and your employees. Also, there are significant copyrights and trademarks that are material to this franchise and we will protect the proprietary nature of those items to the full extent of the law.

If you or those responsible for the obligations of your corporation or company your (“Principals”), officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulae, products, packaging or other concepts and features relating to stone paving, hardscape construction, landscaping and related operations and services, business practices or the manufacturing, production, marketing or sale of outdoor hardscape and landscape construction services, or related goods in connection with the Franchised Business (the “Innovations”), you (or they) will be deemed to have assigned all of your (or their) rights, title and interests in the Innovations, including any intellectual property rights, to COVIS. You and your Principals, officers, managers and employees also must cooperate with COVIS in connection with protecting the Innovations.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by COVIS. You must use the proprietary information only in the manner required by COVIS and in no other manner. This information is strictly confidential. And you may not disclose to any person, or use any of that information for any purposes, except disclosure to a person who has signed and delivered to COVIS a confidentiality agreement and use as necessary in connection with the operation of your COVIS business. In addition, you must fully and strictly comply with all security measures required by COVIS for maintaining the confidentiality of all information designated by COVIS as trade secrets.

You will not have the exclusive right to use the Innovations or any of COVIS patents or patent applications, copyrights or proprietary information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the proprietary information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information is limited and temporary. Upon expiration or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the proprietary information in any manner or for any purpose whatsoever.

You must immediately notify COVIS of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information. COVIS will decide, in its sole discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information, and will control any proceedings and litigation. COVIS is not required to protect your right to use the Innovations, the patents or patent applications, the copyrights or the proprietary information. COVIS will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of COVIS Innovations, claimed subject matter of any patents or patent applications, copyrights and proprietary information in compliance with the Franchise Agreement.

COVIS may, in its sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information and/or use other information and/or rights in their place. If it decides to do so, you must do so also, at your expense. However, if COVIS required you to modify or discontinue use of any material Innovation, the claimed subject matter of any patents or patent applications, the copyrights or proprietary information and/or use other information and/or rights in their place at any time other than upon renewal of the franchise, and that requirement is a direct result of proceedings or litigation that determined that COVIS and its franchisees' use of such Innovation, claimed subject matter of any patents or patent applications, copyright or preparatory information infringed upon a third party's rights, COVIS will bear the cost of those modifications or discontinuances.

During the term of the Franchise Agreement, you must maintain, to the extent collected, a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers who supply you this information (the "Customer List"). You must provide the Customer List to us upon request. The Customer List will be our property at all times, and you must not disclose the Customer List to any person or entity other than us, or sell the Customer List (or any portion of it) to any person or entity without our express written consent.

You and each of your Principals, officers, managers and employees will be bound by certain provisions protecting COVIS proprietary rights.

You must strictly limit access to the confidential information to your employees, to the extent they have a "need to know" to perform their jobs. All persons to whom you grant access to the Manuals or any other confidential information, any person who attends any training program we conduct, and all of your employees must sign our form of confidentiality agreement. If you are a partnership, limited liability company or corporation, all of your owners, officers, or directors and any of these individuals' spouses are bound by the confidentiality provisions in the Franchise Agreement.

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

If you are an individual, you must directly perform or supervise the operation of the franchise unless we consent otherwise (Franchise Agreement Section 11). You must obtain and maintain an immigration status that will allow you to live and work in the United States for the initial term of this Agreement and for the length of any renewal terms of the Agreement. If you do not have or maintain the required status the Franchise Agreement will immediately terminate by its terms with no further notice or opportunity to cure and we will have no liability to you, and no refund of any fees, will be made.

If we agree that you need not personally perform or supervise operation of the franchise, an individual who has successfully completed our training program ("General Manager") must directly supervise the franchise, and that individual must be a bona fide General Manager, as determined by us. The General Manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17.

If you are a corporation or other legal entity, direct, on-site supervision must be done by a designated shareholder and/or owner who has successfully completed our training program (“Operating Principal”) unless we consent otherwise (Franchise Agreement 11). The Operating Principal must sign a written statement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17. If we agree that an Operating Principal need not personally perform or supervise the operation of the franchise, a General Manager must directly supervise the franchise. The General Manager need not have an ownership interest in the franchise. If you are a corporation or other legal entity, your principal shareholders, members and/or owners must sign a Guaranty of Principal Owners agreeing to pay all obligations under the Franchise Agreement (Franchise Agreement signature page).

While you own the franchise, you cannot have an interest or relationship with any competitors. An Existing Business that you own when you sign the Franchise Agreement may be allowed by us on the terms stated in the Excluded Services Addendum if we agree, in writing (Franchise Agreement, Attachment G). All services must be performed through the Franchised Business.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only the goods and services which conform to our standards and specifications (see Item 8). You must offer the goods and/or services that we designate as required for all franchisees and you may elect to offer other products and/or services only if we approve them in advance. We may change the authorized services and/or products that we require you and all franchisees to offer by adding additional services and/or products or deleting products and/or services, or both and there are no limits on our right to make changes. If we make any changes we will notify you. We have no plans to make significant changes in the future.

You must honor our warranty policies for installations, repairs and replacements as described in the Operations Manuals. This policy states that we handle warranty claims on a case-by case basis with some basic guidelines and, as a result, you may be obligated to perform warranty work, at no charge, on certain repairs and replacements, including some repairs and replacements that another franchisee originally performed in your Territory.

You must comply with all applicable laws and regulations and obtain all appropriate governmental approvals for the Franchised Business including obtaining any licenses or permits required by your locality for performing the work of the franchise. To ensure that the highest degree of quality and service is maintained, you must operate in conformity with the methods, standards and specifications in the Operations Manuals and as we may otherwise require in writing periodically. You must not deviate from our standards and specifications without our prior written consent.

You may provide services and products outside your designated Territory only under the terms and conditions we specify in the Operations Manuals. You may not advertise or solicit customers outside your Territory.

We require that the telephone numbers and electronic identities you use in connection with the Marks and/or in connection with your Franchised Business are owned and controlled by us or a supplier we approve. Other than us or a supplier approved in writing by us and on terms we approve, we do not allow you to have your telephone numbers or other electronic identities owned by a third party, even if the third party is a company affiliated with you.

You have the sole discretion as to the prices to be charged to your customers, although we will offer you guidelines and advice. We currently have preferred customer plans that offer customers discount prices under certain terms and conditions. You are not required to offer these plans to customers but, if you do elect to participate in our preferred customer plans, you must offer the discount prices set by the plans in accordance with the terms of the plan.

We do not otherwise limit or restrict your solicitation of customers in your Territory.

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

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	Franchise Agreement § 2(a)	Initial term is 15 years
b. Renewal or extension of the term	Franchise Agreement § 2(b)	One 15-year renewal term provided you remain a franchisee in good standing.
c. Requirements for Franchisee to renew or extend	Franchise Agreement § 2(b)	You must be in good standing and exercise your option within a window of time. You must agree to the terms of the Franchise Agreement then being offered, make required upgrades to your business, secure a sufficiently long lease term, sign a release, and pay your renewal fee of \$15,000. You must acknowledge by returning a receipt that you have received the then-current Franchise Disclosure Document. You must agree to the terms of the franchise agreement then being offered. You may be asked to sign a contract with materially different terms and conditions than your original contract. The royalty rate and protected territory could be different, but will be no greater than the royalty and protected territory we then impose on similarly situated renewing franchisees.

PROVISION	SECTION IN AGREEMENT	SUMMARY
d. Termination by Franchisee	Franchise Agreement § 17(e)	For cause, if we breach a material provision of the contract and fail to cure 90 days after written notice then you can terminate with 30 days' notice if you are compliant with the terms of your agreement. Also upon expiration of the franchise term if you do not exercise your option to renew.
e. Termination by Franchisor without cause	N/A	We cannot terminate except for cause.
f. Termination by Franchisor with cause	Franchise Agreement §§ 17(a) and (b)	Section 17 describes causes for termination upon notice, including your cure rights. Section 17(a) deals with automatic termination, including pre-opening termination. The laws of your state may provide additional rights to you concerning termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
g. "Cause" defined – defaults that can be cured	Franchise Agreement § 17(c)	Non-compliance, non-payment, late reporting, non-willful under-reporting, and the like.
h. "Cause" defined – defaults that cannot be cured	Franchise Agreement §§ 17(a) and 17(b)	A provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101.
i. Franchisee's obligations on termination/ non-renewal	Franchise Agreement § 18	Pay us sums due without set-off; return our property including Operations Manuals and business data; discontinue use of Licensed Marks; cooperate with our lease assignment rights, sell us your business if we exercise our purchase option; unless we take over the premises, remove all signs with Marks immediately; cease representing self as a present or past COVIS Franchisee; destroy or surrender marks, names, indicia; discontinue ads; assign us phone numbers; sell us such inventory and other business assets as we request.
j. Assignment of contract by franchisor	Franchise Agreement § 13(a)	We may freely assign our rights and duties under the Agreement. However, no assignment will be granted except to an assignee who in our good faith judgment is willing and able to assume our obligations.
k. "Transfer" by franchisee – definition	Franchise Agreement § 13(b)	Broadly defined to include bequests, fractional interests, shares, death, incapacity etc.; our consent is always required; but you must pay us transfer fees only for certain transfers.

PROVISION	SECTION IN AGREEMENT	SUMMARY
l. Franchisor's approval of transfer by franchisee	Franchise Agreement § 13(d)	Our prior written agreement is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.
m. Conditions for franchisor's approval of transfer	Franchise Agreement § 13(d)	Transferee must assume your obligations under the franchise agreement, attend and successfully complete our training program, and execute a franchise and collateral agreements in the then-current form; and you must release us of all claims. Guarantees and share restriction agreements are required if transfer is to a corporation or LLC. If a sale is involved, you must offer us a 30-day right of first refusal and a transfer fee of \$10,000, depending on whether the sale is to an existing or new franchisee, must be paid. A purchaser must have a credit rating, moral character, reputation and business qualifications satisfactory to us, and meet all then-current requirements of new Franchisees.
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement § 13(c)	We have the option to purchase your business before you sell it in an approved transfer and the option to purchase your business upon termination or expiration of the franchise agreement.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement § 13(c)	None except a right of first refusal should you sell or terminate your business. Upon termination you may have to assign your lease and phone numbers to us without compensation, assign us the lease and sell us the remaining business assets for their fair market value.
p. Franchisee's death or disability	Franchise Agreement § 13(g)	Your qualifying heirs may take the franchise by assignment under normal rules; or estate may sell; the business must be kept open. No transfer fee to heirs. All other transfer requirements apply. Your interest must be transferred to an heir or approved buyer within 9 months after your death or disability.
q. Non-competition covenants during the term of the franchise	Franchise Agreement § 14(b) and (c)	You must not own or otherwise engage in any other similar business that provides hardscape construction and landscaping products and services that are substantially the same as those sold by COVIS during the term. You will be required to get your managerial staff to agree to follow this same non-competition covenant.

PROVISION	SECTION IN AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated/ expires	Franchise Agreement § 14(a)	Franchise Agreement: For 2 years after termination or expiration of the franchise, you must not own or engage in any other similar business located within 10 miles of your Territory or any business location licensed by us that provides hardscape construction and landscaping products and services that are substantially the same as those sold by COVIS. You will be required to get your managerial staff to agree to follow this same non-competition covenant.
s. Modification of the agreement	Franchise Agreement § 11(f), 24(f)	We reserve the right to amend this Agreement if a Franchise Agreement change is agreed to by 75% of the then-current Franchisees. Otherwise no modifications to the Agreement other than in writing.
t. Integration/ merger clause	Franchise Agreement § 24(c)	No modifications to the Agreement other than in writing, but we can change the Operating Agreement. Also, your agreement terms automatically change if 75% of the then-current franchisees agree with the change. Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document or Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement § 21(a)	Except for certain claims, all disputes not first settled informally must be arbitrated in Raleigh, North Carolina, under rules of the American Arbitration Association.
v. Choice of forum	Franchise Agreement § 21(a) and (b)	AAA, Raleigh, North Carolina; North Carolina courts (if any), which provision is subject to the subjectivity of individual state laws.
w. Choice of law	Franchise Agreement § 21(h)	North Carolina law, except federal Lanham Act and federal Arbitration Act, which choice of law is subject to the subjectivity of individual state laws.

ITEM 18. PUBLIC FIGURES

We use no public figures to promote the 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.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

A. AVERAGE OF REVENUE AND CERTAIN EXPENSES

The expense information which follows our affiliate location in Raleigh, North Carolina, since expense data is not available for franchised locations. This analysis was constructed using the actual sales and expenses of the Raleigh, North Carolina during the entire period. However, certain charges which you will be required to pay to us under the franchise agreement and other differences in the expenses of a franchised locations are included in the table, as noted below.

The business used in this analysis is substantially similar to the franchised business. However, the amount of sales and expenses incurred will vary from location to location. In particular, the sales and expenses of your franchised business will be directly affected by factors which include the franchised business' geographic location; competition in the market; presence of other competitors; the quality of both management and customer service; contractual relationships with vendors; the extent to which you finance the operation of your franchised business; your legal, accounting and other professional fees; federal, state and local income taxes, gross profits taxes or other taxes; cost of any automobile used in the business; other discretionary expenditures; accounting methods used and certain benefits and economies of scale which our affiliate may derive. A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS DESCRIBED BELOW.

Covis Raleigh Statement of Expenses (Unaudited) Eleven-Month Period Ended November 30, 2014				
Category	Amount	Percentage of Average Revenue	Number of Locations Achieving Amount	Number of Locations Below Amount
Gross Income	\$1,682,106.81	100%	1	0
Supplies	\$526,480.64	31.30%	1	0
Labor	\$587,186.75	34.90%	1	0
General Administrative Expense	\$271,280.63	16.13%	1	0
Income before Royalties, other franchise related expenses, and owner's compensation	\$297,158.79	17.67%	1	0

Our auditors have not performed any procedures on the financial information in the tables above, and assume no responsibility for that information. While we have not audited these results, which have been reported to us by our affiliate, we have no reasonable basis to question their reliability. As of the twelve-month period ended December 31, 2014, the average time in operation of the Raleigh location is 3 years.

Operating results are subject to numerous risks and uncertainties, including duration and severity of economic conditions both locally and nationally, supply and demand changes for the products sold by franchisees, competitive conditions and consumer preferences, relationships with customers and property owners, and the availability of capital.

The following notes should assist in interpretation of the following table of results.

1. Gross Income. The gross income is all income received by the business less any discounts or refunds.
2. Supplies. This line represents the cost of supplies used on customer projects. You may have the opportunity to take advantage of volume discounts on particular items negotiated by us; however, availability of such volume discounts is generally limited to geographic areas in which we currently operate the franchised business. The cost of items such as produce, which are often purchased locally, may vary according to the location of the franchised business. Additionally, freight and shipping costs and the amount of mark-up imposed by suppliers will also vary.
3. Labor. Includes payroll expense for both management and hourly employees as well as payments to independent contractors. Does not include owner's salary or draws.
4. General Administrative Expense. This item includes all other expenses not included in supplies and labor, including such items as employee benefits, direct operating expenses, marketing expenses, utilities, rent, general administrative expenses, automotive expenses, and repairs.
5. Income Before Franchise Related Expenses and Owners' Compensation. You will be required to pay a continuing royalty fee equal to 5% of Gross Revenues per month as described in Item 6. The Income Before Occupancy and Royalties does not include a deduction for the royalties you will pay or any other fees payable to us as listed in Item 6. Additionally this number does not include any owners' compensation or debt service expense.

Some outlets sold this amount. Your individual results may differ. There is no assurance you will sell as much. You should conduct an independent investigation of the revenue, costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

ITEM 20. LIST OF OUTLETS AND FRANCHISE INFORMATION

Table 1
Systemwide Outlet Summary for years 2012, 2013, and 2014ⁱ

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2012	0	0	0
	2013	0	0	0
	2014	0	1	+1
Company Owned	2012	1	1	0
	2013	1	2	+1
	2014	2	2	0
Total Outlets	2012	1	1	0
	2013	1	2	+1
	2014	2	3	+1

Table 2
Transfers from Franchisees to New Owners (Other than the Franchisor) for years 2012, 2013, and 2014

STATE	YEAR	NUMBER OF TRANSFERS
North Carolina	2012	0
	2013	0
	2014	0
Totals	2012	0
	2013	0
	2014	0

Table 3
Status of Franchised Outlets For years 2012, 2013, and 2014

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS - OTHER REASONS	OUTLETS AT END OF THE YEAR
Maryland	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1
Totals	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1

ⁱ Prior to 2015, we offered license agreements, which operate in the same manner as our franchised locations. As such these units are identified in Item 20 as franchised locations.

Table 4
Status of Company-Owned Outlets
For years 2012, 2013, and 2014

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
North Carolina	2012	1	0	0	0	0	1
	2013	1	1	0	0	0	2
	2014	2	0	0	0	0	2
Totals	2012	1	0	0	0	0	1
	2013	1	1	0	0	0	2
	2014	2	0	0	0	0	2

Table 5
Projected Openings as of December 31, 2014
For Year 2015

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Florida	0	0	0
Georgia	0	0	0
North Carolina	0	1	0
Pennsylvania	0	1	0
South Carolina	0	1	0
Texas	0	0	0
Tennessee	0	1	0
TOTALS	0	4	0

Among the attached Exhibits you will find:

Exhibit B-1 STORE DIRECTORY/Listing of Current Franchisees lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of January 1, 2015.

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees.

Exhibit B-2 also lists, to the extent known, the names, addresses, telephone numbers, email address and website of each trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored, or endorsed.

There are no independent franchisee organizations that have been asked to be included in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C are unaudited financial statements for the period ending December 31, 2014. Our fiscal year end is December 31. We have not been franchising for three years or more and do not have three years of audited financial statements as required by this Item.

ITEM 22. CONTRACTS

Copy of the following contracts or documents are also attached as Exhibits to the disclosure agreement:

- Exhibit A COVIS FRANCHISE AGREEMENT with attached Site Selection Addendum/Lease Rider/Territory Identification, Security Agreement, Designation of Protected Area and Designated Marketing Area
- Exhibit F General Release Agreement
- Exhibit G Addendum to Renewal Franchise Agreement
- Exhibit H Agreement and Conditional Consent to Transfer
- Exhibit I ACH Transfer Agreement

ITEM 23. RECEIPT

You will find copies of a detachable receipt in Exhibit K at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

EXHIBIT A
CREATING OUTDOOR VISIONS IN STONE, INC.
FRANCHISE AGREEMENT

OHIO FRANCHISEE NOTICE OF RIGHT TO CANCEL

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to CREATING OUTDOOR VISIONS IN STONE, INC., 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606, (919) 909-1848, not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date)_____

FRANCHISE AGREEMENT LOCATION FRANCHISE

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _____, 20____ by and between CREATING OUTDOOR VISIONS IN STONE, INC., a North Carolina corporation ("Franchisor," "We" or "Us"), with its principal office located at 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606, and _____, a _____ together with the undersigned Shareholders and Guarantors (hereafter collectively referred to as the "Franchisee" or "You"), with its principal office located at _____.

RECITALS:

A. Franchisor has expended time, money and effort to develop a unique system for operating an outdoor hardscape and landscape construction business. (The methods of operation are referred to herein as the System; the chain of current and future COVIS outlets are referred to herein as the "Chain.")

B. The distinguishing characteristics of the System include the name COVIS, special paver stones, distinctive designs, techniques, hardware and software programs; standards, specifications, and procedures for operations; training and assistance; and advertising and promotion programs; all of which Franchisor may improve, amend, and further develop from time to time

C. Franchisor identifies its goods and services with certain service marks, trade names and trademarks, including, but not limited to the stylized COVIS Creating Outdoor Visions in Stone, (federal trademark application serial number 8639825), which have been and which may hereafter be designated by Franchisor for use in connection with the System (the "Marks").

D. Franchisee desires to obtain a license from Franchisor for use of the Marks and the System solely for the operation of a business at the location listed below (the "Outlet") and Franchisee desires to use the Marks and the System, and to obtain and use the methods, know how, experience and form of operation acquired, devised and/or established by Franchisor and other benefits derived from this license relationship strictly in accordance with the provisions set forth below.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Grant.

Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license to establish, own,

and operate under the System, one Outlet at the location (“Location”) specified in the Site Selection Addendum (“Site Selection Addendum”) attached hereto as Attachment B. Franchisee agrees to identify the Franchised Business and all of the items and services Franchisee sells or offers for sale only by the Marks. Franchisee has no right to use the System or the Marks for any purpose other than expressly provided herein.

Pursuant to this grant, Franchisee, at its own expense, shall equip, staff, open and operate the Outlet at the Location, in accordance with this Agreement. Unless otherwise agreed in a writing executed by Franchisor, Franchisee shall commence operating the Outlet within six (6) months after the execution of this Agreement, and shall diligently operate such business in accordance with this Agreement for the Term stated herein. Failure to timely open the Outlet shall constitute an event of default under the Agreement.

(a) Additional Reservation of Rights. Franchisor and our affiliates reserve any and all rights not expressly granted to Franchisee under this Agreement, including, without limitation, the right to sell anywhere (including within the Territory) products and services (including to Franchisee’s customers) under the COVIS name, or under any other name, through any channel of distribution.

2. Term, Expiration, and Additional License Period.

(a) Initial Term. The initial term of this Agreement shall commence upon the execution of this Agreement, and shall expire at midnight on the day preceding the fifteenth (15th) anniversary date of execution of this Agreement (the “Term” or the “Initial Term”), unless this Agreement has been sooner terminated in accordance with the terms and conditions herein.

(b) Additional License Period. Upon expiration of the Initial Term, Franchisee will have the right to be granted a renewal of the License for one (1) additional consecutive period of fifteen (15) years from date of expiration on the Initial Term (the Renewal Term), provided the following conditions have been met:

(i) Franchisee has given Franchisor written notice of its intent to renew the License not less than six (6) months nor more than nine (9) months prior to the expiration of the Initial Term; provided that if Franchisor has not received notice from Franchisee of its desire to renew within such period, Franchisor will notify Franchisee in writing and Franchisee shall have a period of ten (10) days from the date notice is given to provide Franchisor with notice of its intent to renew;

(ii) Upon receipt of the Disclosure Document and the franchise agreement for the Renewal Term, Franchisee will acknowledge such receipt by executing the acknowledgement of receipt form contained in the Disclosure Document and returning it to Franchisor.

(iii) Franchisee is not in default of any of the provisions of this Agreement both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(b) and at the commencement of the Renewal Term;

(iv) All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Collected Advertising Funds (as defined herein) and each Cooperative (as defined herein) of which Franchisee is a member;

(v) Franchisee has not received more than three (3) notices of default during any consecutive twenty-four (24) month period during the Initial Term;

(vi) Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the form of COVIS Franchise Agreement being offered to new franchisees on the date Franchisee gives the notice under Section 2(b)(i), including all exhibits, attachments and Franchisor's other then-current ancillary agreements, which agreements shall supersede this Agreement in all respects, and the terms and conditions of which may substantially differ from this Agreement;

(vii) Franchisee secures the right to continue possession of the Premises (as defined herein) for a period at least equal to the term of the Franchise Agreement to be executed as provided in Section 2(b)(vi), or alternatively Franchisee secures premises at another location approved by Franchisor for the same period;

(viii) Franchisee has paid to Franchisor a renewal fee equal to Fifteen Thousand Dollars (\$15,000) which fee shall be due in immediately available funds upon the execution of the Franchise Agreement to be executed as provided in Section 2(b)(vi);

(ix) Franchisee executes and delivers to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Franchisee may have against Franchisor and its affiliates and subsidiaries, and their respective officers, directors, shareholders and employees to date in both their corporate and individual capacities in a form and content satisfactory to Franchisor; and

(x) Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Outlet as Franchisor may require, including, without limitation, renovation or

replacement of automobile signage, equipment, furnishings, fixtures and decor, to reflect the then-current standards and image of the System.

(xi) Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Franchised Location for the duration of the renewal term, unless Franchisor determines that the location of Franchisee's business is no longer viable for the operation of Franchisee's Outlet, in which case Franchisor may condition Franchisee's right to renew on Franchisee's obtaining a new site for Franchisee's Outlet that Franchisor approves.

(xii) If Franchisee fails to perform any of the acts set forth in subsections (i) through (xi) of this Section 2(b) in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a Renewal Agreement, and will cause Franchisee's right to enter into a Renewal Agreement to expire without further notice or action by Franchisor.

(c) **Expiration.** Renewal of the License after the Initial Term shall not constitute a renewal or extension of this Agreement, but shall be conditioned upon satisfaction of the above provisions and shall, upon expiration of the Initial Term, be governed by the Franchise Agreement then executed by Franchisee. If Franchisee fails to meet any of the conditions under Section 2 with respect to renewal of the License, then the License shall automatically expire at the end of the Initial Term.

3. Franchise Fees and Payments.

(a) **Initial Franchise Fee and Royalties.** In consideration of Franchisor's execution of this Agreement and the services that Franchisor will perform, Franchisee agrees to pay to Franchisor, at its principal office as set forth on the first page of the Agreement, or at such other place as Franchisor may from time to time designate, the following fees:

(i) An initial franchise fee of Twenty-five Thousand Dollars (\$25,000)

(ii) In further consideration of the grant of the License and in consideration for the right to use Franchisor's Marks and System, Franchisee agrees to pay to Franchisor a monthly continuing royalty fee (the "Continuing Royalty"), as set forth on Attachment A attached hereto. The Continuing Royalty will be due and payable in either one (1) or two (2) installments per month at Franchisee's election. The calendar dates for installments will be determined by Franchisor and can be changed by Franchisor with thirty (30) days' advanced written notice to Franchisee ("Due Date"). If Franchisee fails to pay the full amount of the Continuing

Royalty when due or Franchisee has insufficient funds to cover the electronic transfer when initiated by Franchisor, Franchisee shall pay interest on the amount due and unpaid at an interest rate equal to the lower of eighteen percent (18%) or the maximum interest rate allowed by law.

(iii) On each Due Date, Franchisor will transfer from the Franchisee's bank operating account ("Account") the amount reported to Franchisor in Franchisee's sales report or determined by Franchisor by the records obtained by Franchisor, as well as any other amounts due to Franchisor under this Agreement or any other agreement between Franchisor and Franchisee. If a transfer from Franchisee's Account is refused, an administrative fee of Fifty Dollars (\$50) will be assessed, as well as reimbursement to Franchisor of any fee its bank charges for uncollected deposit funds. If Franchisee has not reported Gross Sales to Franchisor for any fiscal period, Franchisor will transfer from the Account an amount equal to the greater of (i) the Minimum Continuing Royalty as defined on Attachment A or (ii) Franchisor's good faith estimate of Franchisee's Gross Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Sales, or underpaid the royalty fee or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after, Franchisor and Franchisee determine that such credit is due. Alternatively, the Franchisor shall have the right in lieu of the royalty report submission procedure outlined above to obtain the Gross Sales data derived directly from electronic communication with Franchisee's point of sale system.

In connection with payment of the royalty fee by EFT, Franchisee shall: (1) comply with procedures specified by Franchisor in the Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the royalty fee and other amounts payable under this Agreement, including any interest charges; (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof; and (5) maintain a single bank account to make all payments required by this Agreement. Franchisee must advise Franchisor at least fifteen (15) business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor. To ensure the orderly electronic transfer of the royalties and all other fees as outlined

in this Section 3, Franchisee will enter into and maintain a banking agreement with the financial institution which will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and a copy of that agreement will be submitted to Franchisor prior to the effective date of this Agreement. In addition, payments of other fees such as reimbursement of Franchisee's share of expenses paid by COVIS to third party vendors who bill us a system-wide charge for a product or service may be collected through EFT if not paid by Franchisee within thirty (30) days of notice.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth. Franchisee shall not be entitled to set off, deduct or otherwise withhold any royalty fees, advertising contributions, interest charges or any other monies payable by Franchisee under this Agreement on grounds of any alleged non-performance by Franchisor of any of its obligations or for any other reason.

(iv) If Franchisee is delinquent in the payment of any obligation to Franchisor, its subsidiaries, affiliates or designees, then Franchisor (or such subsidiaries, affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application.

(v) Franchisor and our affiliates reserve the right to increase the amount of any fee, stated as a fixed number and excluding royalty and Collected Advertising Funds contributions, provided for in this Agreement or related agreements, due us or an affiliate ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by Franchisor. Franchisor will notify Franchisee of the amount or percentage adjustment within thirty (30) days prior to the effective date.

(b) No Offset or Retention of Funds. Franchisee may not offset or withhold payments owed to Franchisor (and/or any of Franchisor's Affiliates) for amounts purportedly due Franchisee (or any Affiliate of Franchisee's) as a result of any dispute of any nature or otherwise, but will pay such amounts to Franchisor (or Franchisor's Affiliates) and only thereafter seek reimbursement

4. Franchisor Services.

During the Term, Franchisor agrees to provide to Franchisee the following services:

(a) review of Franchisee's design of the Outlet and related facilities to be used in the operation of the Outlet (provided Franchisee chooses not to operate as a home-based business);

(b) specifications for automobiles, fixtures, furnishings, decor, signs and equipment;

(c) pre-opening management training program for the General Manager (as defined in Section 11(a) and one or more managers approved by Franchisor, and such other persons as Franchisor may reasonably designate, and such other training for employees of Franchisee at the locations and for such periods as may be designated by Franchisor from time to time; provided that Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages and for the cost of the training program for any trainees beyond the initial two (2) which is included in the Initial Franchise Fee;

(d) Franchisee agrees that Franchisor is not obligated to provide any training or assistance to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisee also acknowledges that Franchisor is not obligated to provide any services to Franchisee that are not set forth in this Agreement. If Franchisee believes Franchisor has failed to adequately provide any preopening services to Franchisee or to Franchisee's employees, whether with respect to site selection, selection and purchase of equipment and supplies, training, or any other matter affecting the establishment of Franchisee's Outlet, Franchisee must notify us in writing within thirty (30) days following the opening of Franchisee's Outlet or Franchisee will be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment, and complied with all representations made to Franchisee.

(e) At Franchisee's reasonable request, Franchisor will promptly provide such advice and information as it considers reasonably appropriate to assist Franchisee with all methods and procedures associated with the System marketing and advertising; management and administration, the use of the Image or any changes to it and the use and application of Products and Services. Franchisee understands and agrees that such advice and information may be rendered by phone, electronically, through the Manuals, training and/or by such other means as Franchisor deems appropriate in its sole discretion. Franchisor

may, in its discretion, convene meetings of franchisees as it considers necessary or appropriate, in its discretion.

(f) Franchisee hereby grants Franchisor and its agents the right to enter the Premises, or the Franchised Business at any time prior to occupancy by the Franchisee in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents. Franchisee shall cooperate with Franchisor's representatives with those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer, vendor, contractor, sub-contractor or Franchisee employee. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by the Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring the Franchisee to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards or requirements. If the Franchisee's operation is a home-based business, such inspections will be carried out at an agreed time and only include those parts of the home used for operation of the Business and in the Franchisee's (or an employee or agent's) presence.

(g) Franchisor's supervision and periodic inspections and evaluations of Franchisee's operation as described more fully in Section 11(o), which supervision, inspections and evaluations shall be conducted at such times and in such manner as shall be reasonably determined by Franchisor.

(h) At the time of Franchisee's first operations, Franchisor will send an officer, staff member, or a designated Franchisee or contractor to attend if reasonably possible, the first two days of Franchisee's first field operation. In addition, Franchisor will send an officer, staff member, or a designated Franchisee or contractor with Franchisee to its first home show to provide support services.

(i) Franchisor shall communicate to Franchisee information relating to the operation of a COVIS outlet, and to the extent necessary or pertinent to the operation of the Outlet, Franchisor's know-how, new developments, techniques and improvements in the areas of management, employee training, marketing and hardscape and landscape construction and service.

(j) Franchisor will provide, at no expense to Franchisee, a list of equipment and supplies for the Franchised Business, and Franchisor reserves the right to amend and/or modify such list(s). Franchisor shall provide

Franchisee an initial supply package as set forth in the then-current Operations Manuals, including business cards, uniform t-shirts, golf shirts, yard signs and a vehicle decal, which initial supply package shall be included as part of Franchisee's Initial Franchise Fee. Franchisee shall be responsible for arranging with Franchisor's designated supplier for the installation of the vehicle decals. Replacement or additional decals, signage, business cards, t-shirts and golf shirts are the responsibility of the Franchisee. Franchisee shall use the approved supplier for replacement of these items at Franchisee's expense.

(k) Franchisor may in certain situations incur legal expenses while providing assistance to Franchisee with respect to, without limitation, lease negotiations, employment related matters, or other legal compliance issues. Such assistance may be at the request of Franchisee or required by Franchisor and may be provided by Franchisor in-house or by outside counsel; provided however, that Franchisor shall have the sole discretion as to whether or not to provide legal assistance. In the event Franchisor does incur legal expenses on behalf of Franchisee, Franchisee shall reimburse Franchisor for such expenses immediately upon notice from Franchisor. Franchisor may, at its option, be reimbursed by EFT.

5. Territorial Provisions.

(a) Territory. Subject to the provisions of this Section 5, provided Franchisee is not in default, Franchisor agrees that during the Term it will not locate nor license another to locate its Premises, operate a COVIS outlet, perform services or market its services within the area identified in the Site Selection Addendum (the "Territory"). Until such time as the Territory is identified and agreed upon in the Site Selection Addendum, no Territory will be granted to Franchisee and Franchisor shall have the right to locate other franchises anywhere Franchisor determines and the right to permit other franchises to operate and market anywhere without interfering with any territorial rights of Franchisee. Franchisee expressly acknowledges that it may not market or solicit business from customers outside of its Territory, provided that Franchisee may, with the approval of Franchisor, solicit or market outside the Territory in accordance with the policy contained in the then-current version of the Operations Manuals. Franchisee acknowledges that COVIS outlets owned by Franchisor or Franchisor's affiliates may solicit business and from customers and provide services similar to that of COVIS franchisees without regard to the customers' geographic location and that other COVIS franchisees may solicit or market within the Territory pursuant to compliance with the policy in the then-current version of the Operations Manuals. Franchisor does not warrant or represent that no other COVIS outlet will solicit or make any sales within the Territory, and Franchisee hereby expressly acknowledges and agrees that such solicitations or sales may occur within the Territory. Franchisor shall have no duty to protect Franchisee from any such sales, solicitations, or attempted sales. Franchisee recognizes and acknowledges that (i) it will compete with other

COVIS outlets which are now, or which may in the future be, located near or adjacent to Franchisee's Territory, and (ii) that such outlets may be owned by Franchisor or third parties, or both. Franchisee further acknowledges that only Franchisor shall be permitted to solicit business from customers by means of computerized or other electronic remote-entry systems (such as, for example, the internet) capable of accepting jobs placed from within or outside the Franchise Territory.

(b) Other Businesses. Franchisee understands and agrees that Franchisor has the right, either directly or through affiliated entities, to franchise or license others to operate or franchise businesses other than COVIS outlets and Franchisee agrees that Franchisor and its affiliates may do so within the Territory; provided, that such businesses do not provide landscape and hardscape services under the Marks. Notwithstanding, Franchisor or its affiliate may operate a business providing landscape and hardscape services within the Territory regardless of the marks used to promote the business. Franchisee understands and agrees that Franchisor has the right, directly or through third parties, to manufacture or sell, or both, within Franchisee's Territory, supplies and equipment used in a landscape and hardscape construction service business, as well as to provide services to customers within Franchisee's Territory regardless of whether or not such services or supplies are provided under the Marks.

(c) Encroachment Damages. Franchisee agrees that in the event Franchisor inadvertently assigns Franchisee as part of Franchisee's Territory, a portion of another franchisee's protected territory or assigns a portion of Franchisee's Territory to another Franchisee, or otherwise inadvertently expressly permits another franchisee to encroach on Franchisee's Territory in violation of this Agreement, that it would be difficult, if not impossible, to determine what damages may arise from such action by Franchisor. Therefore, the parties expressly agree that the liquidated damages from such an inadvertent assignment of territory to two or more franchisees or permitted encroachment shall entitle the affected franchisees to a partial refund of the Initial Franchise Fee as damages, which damages shall not exceed a pro-rata refund of the portion of the Initial Franchise Fee allocated on a population basis to the affected area. Franchisee agrees that the liquidated damages described herein are Franchisee's sole remedy against Franchisor in the event of an inadvertent assignment or permitted encroachment by Franchisor.

6. Premises.

(a) Leased Premises. If Franchisee intends to operate as other than a home-based business and chooses to lease the premises where the Franchised Business will be operated (the "Premises"), Franchisee shall submit to Franchisor executed copies of all such leases immediately after execution and at such other times as Franchisor may request. The term of the leases plus all

options for Franchisee to renew shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Exhibit 1 of Attachment B attached hereto, or shall contain terms and conditions substantially similar to those contained in Exhibit 1 of Attachment B which Franchisor has approved in writing. At Franchisee's request, Franchisor shall offer assistance to Franchisee in selecting a site for the location and advising Franchisee in negotiating an acceptable lease agreement for the site. Franchisor shall not represent Franchisee in a legal capacity and advises Franchisee to seek independent legal counsel in the review and negotiation of its lease agreement.

(b) Owned Premises. If Franchisee intends to operate as other than a home-based business and chooses to own the Premises from which it operates the Franchised Business, Franchisee shall furnish Franchisor proof of ownership prior to the date Franchisee commences any construction, build-out or remodeling of the Premises. In the event that the Franchisee proposes to lease the Premises from any owner, member, manager, partner, director, officer or other Principal of Franchisee, or from any person or entity related to or affiliated with Franchisee or one or more of Franchisee's owners, partners, directors, officers or other Principals (the "Related Party"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement approved by the Franchisor with the Related Party and deliver a copy to Franchisor.

(c) Premises Identification. Regardless of whether the Premises are owned, leased or home-based, Franchisee shall remove all signs and other items and indicia which serve, directly or indirectly, to identify the Premises as a COVIS outlet within ten (10) days of the expiration or termination of this Agreement. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as a COVIS outlet and to make such other modifications as are reasonably necessary to protect the Marks and COVIS, and to distinguish the Premises from COVIS outlets.

(d) Suitability of Premises. Regardless of whether the Premises are owned, leased or home-based, it shall be the responsibility of Franchisee to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed or remodeled in accordance with the terms of this Agreement. Franchisee shall obtain all permits and licenses that may be required to construct, remodel and operate the Outlet. Franchisee agrees that the Premises will not be used for any purpose other than the operation of the Outlet in compliance with this Agreement.

7. Proprietary System and Marks; Franchisor Property Rights.

(a) Ownership; Use by Others. Franchisor and its affiliates shall have and retain all rights associated with the Marks other than those expressly licensed herein, including, but not limited to the following: (a) to use the Marks in connection with selling products and services by Franchisor or its affiliates anywhere; (b) to grant licenses to others for the Marks, in addition to those licenses already granted to existing Franchisees; and (c) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee. Franchisee acknowledges that any unauthorized use of the System or the Marks is and shall be deemed an infringement of Franchisor's rights. Franchisee shall execute any documents deemed necessary by Franchisor or its counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid Franchisor in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks, slogans, logos and emblems subsequently adopted by Franchisor. Franchisee shall give notice to Franchisor of any knowledge that Franchisee acquires the use by others of the same or similar names or marks or of any claim or litigation instituted by any person or legal entity against Franchisee involving the System or any of the Marks. Franchisee shall cooperate with Franchisor in any suit, claim or proceeding involving the System or the Marks or their use to protect Franchisor's rights and interest in the System and the Marks. In the event of any settlement, award or judgment rendered in favor of Franchisor relating to the use or ownership of the System or the Marks, such settlement, award or judgment shall be the sole property of Franchisor and Franchisee shall not be entitled to or make any claim for all or any part of it.

(b) Use of Marks. During the term of this Agreement or thereafter, directly or indirectly, Franchisee shall not commit any act of infringement or contest or aid in contesting the validity or ownership of the System or the Marks, or take any other action to disparage them. Franchisee shall use the Marks only in connection with the operation of the Franchised Business in the Territory specified herein, and shall use them only in the manner authorized by Franchisor. Franchisee shall prominently display the Marks in the manner prescribed by Franchisor on all signs, t-shirts, golf shirts, business cards, advertisements and other supplies and materials designated by Franchisor. Franchisee shall not fail to perform any act required under this Agreement, or commit any act which would impair the value of the Marks or the goodwill associated with the Marks. Franchisee shall not at any time engage in any business or market any products or service under any name or mark which is confusingly or deceptively similar to any of the Marks. Franchisee shall not use any of the Marks as part of its corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem in connection with the Outlet that has not been authorized by Franchisor. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor

or applicable state law. Franchisee shall not attempt to register or otherwise obtain any interest in any internet domain name, website or URL containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee also acknowledges that its use of the marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement.

(c) Designation as Franchisee. Franchisee shall take such additional action as may be necessary under the laws of the state in which the Outlet is operated to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post in a conspicuous location at the business premises, as well as on vehicles, invoices, purchase orders, marketing materials and the like that “This COVIS Franchise is independently owned and operated by Franchisee under license from CREATING OUTDOOR VISIONS IN STONE, INC..”

(d) Discontinuance of Use: Additional Marks. Franchisor has the right to change, revise, or substitute different Marks for use in identifying the System, the Premises, the Franchisee Business, and the products and services sold or offered for sale through the Outlet, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Marks will be beneficial to the System. In such circumstances, the use of the substitute proprietary marks shall be governed by the terms of this Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with the Franchisor’s directions regarding any such Mark within thirty (30) days after receipt of notice from Franchisor or, if such modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any such modification or discontinuance. Franchisee shall also use such additional or substitute Marks as Franchisor shall direct.

(e) Changes in Law Affecting Marks. In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall sign any documents and do such other act and think as in the opinion of Franchisor may be necessary to effect the intent and purpose of the provisions of this Agreement; provided, however, that Franchisor shall bear all costs associated with such request.

(f) Copyrights. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights relating to the System or the COVIS concept, including, but not limited to, the Manuals, construction plans and specifications and marketing materials, (collectively, the

“Copyrights”) belong solely and exclusively to Franchisor. Franchisee has no interest in the Copyrights beyond the nonexclusive License granted in this Agreement.

(g) Ideas and Innovations. All inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Franchised Business and/or the System (collectively referred to as “Inventions and Ideas”) developed by the Franchisee and/or any personal guarantors, either in whole or in part during the Term, shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. Franchisee and all guarantors of this Agreement hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title and interest in such Inventions and Ideas.

(h) Customer and Other Data. Franchisee shall maintain a current list of the names, home addresses, work addresses, email addresses and telephone numbers of the customers and past customers who have provided such information to the Franchised Business (the “Client List”). Franchisee shall provide the Client List to the Franchisor upon request. The Client List shall be the property of Franchisor. Franchisee shall not disclose such information to any person or entity other than Franchisor, or sell such list(s) or any portions thereof to any person or entity without the express written consent of Franchisor. Likewise, other data collected by Franchisee or Franchisee’s information technology system (“Customer Data” and the other data collectively referred to herein as “Franchisee Data”) is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchisee Data to Franchisor at any time that Franchisor requests it. Franchisor hereby grants Franchisee a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that Franchisor establishes periodically and applicable law. Franchisee shall not be due any compensation based upon Franchisor use of the Franchisee Data. Franchisee may not sell, transfer, or use Franchisee Data for any purpose other than marketing COVIS products and services.

8. Advertising.

(a) Contributions and Expenditures. Recognizing the value of advertising and the importance of the standardization of advertising to the further

hence of the goodwill and public image of the System, Franchisor and Franchisee agree as follows:

(i) **Monthly Contributions and Expenditures.** Each month during the Term, Franchisee shall make the following contributions and expenditures for advertising, minus any Franchisee/Landlord funded amounts with cooperating tenants within shopping center:

(A) **Local Cooperative Fees Contribution.** Franchisee shall contribute to the Local Cooperative, as defined in Section 8(b), such amount as the Cooperative may designate from time to time, which amount shall be between one percent (1%) and two percent (2%), not to exceed two percent (2%) of the Monthly Gross Sales of the Outlet, except as set forth in Section 8(a)(ii).

(B) **Advertising Fees and Expenses Contribution.** Franchisee shall contribute between one percent (1%) and two percent (2%) of its Monthly Gross Sales directly to Franchisor to be used as Franchisor directs on marketing and advertising in Franchisor's sole discretion. Currently, the contribution rate is set at one percent (1%). The aggregate amount that Franchisee may be required to spend on local advertising together with Cooperative contributions in the aggregate will not exceed four percent (4%) of the Monthly Gross Sales of the Outlet.

(C) **Banner Ad Contribution.** Franchisee will contribute Seven Hundred Dollars (\$700) per month for digital banner ad placement.

(ii) **Increases in Contributions.** The Franchisor may increase the maximum required contribution to the Advertising and Marketing to more than three percent (3%) of net sales. Increases to the Local Cooperative contribution can be increased by a majority vote of the cooperative members, but not to an extent that the total contributions in the aggregate to the Cooperative and to Franchisor would exceed four percent (4%) of Gross Monthly Sales.

(iii) **Advertising Fees and Expenses.** Franchisor shall establish and maintain a bank account for the purpose of administering the Advertising Fees and Expenses collected from Franchisees as described herein (the Collected Advertising Funds). Franchisee shall make contributions to the Collected Advertising Funds as set forth in this Section 8.

(A) Franchisee agrees and acknowledges that contributions to the Collected Advertising Funds are intended to increase recognition of the Marks and to further the public image

and acceptance of the System and that Franchisor does not undertake any obligation to ensure that expenditures from the Collected Advertising Funds in or affecting and geographic area are proportionate or equivalent to contributions to the Collected Advertising Funds by COVIS outlets operating in such geographic area or that Franchisee or the Outlet will benefit directly or in proportion to its contribution to the Collected Advertising Funds. Neither Franchisor nor any of its respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Collected Advertising Funds, including without limitation, with respect to contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct.

(B) Franchisor shall make contributions to the Collected Advertising Funds for each outlet that it owns.

(C) As long as Franchisee is in compliance with this Section 8, Franchisee will be furnished with advertising materials which were produced by means of expenditures from the Collected Advertising Funds for distribution to licensees of the System on the same terms and conditions as such materials are furnished to other franchisees.

(D) Franchisee shall make its monthly contribution to the Collected Advertising Funds on the date and in the manner as Franchisor may designate from time to time, including bank drafting. Franchisee agrees to make such contributions by electronic funds transfer (EFT) or in such other manner as the Franchisor may require. The calendar date for payment will be determined and published by Franchisor. Franchisor can change the collection date with 30 days' prior written notice. Contributions to the Collected Advertising Funds may be used for administrative costs and overhead that Franchisor may reasonable incur in administering the Collected Advertising Funds and for the cost of in-house personnel assisting with marketing activities. For administrative convenience and at Franchisor's option, in lieu of collecting the percentage designated in Section 8(a)(ii)(A), the Franchisor may designate a fixed amount as a monthly payment, derived from Franchisee's historical sales performance. Franchisor will use commercially reasonable efforts to have the amount certain reasonably relate to the anticipated annual Collected Advertising Funds contribution which would otherwise be due if the exact percentage were calculated. Upon delivery by thirty (30) days prior written notice by Franchisee to Franchisor, Franchisee can thereafter elect to abandon the sum certain royalty in lieu of the percentage designated in Section 8(a)(ii)(A).

(E) All contributions to and any earnings on the Collected Advertising Funds, shall be used exclusively to meet all costs of maintaining, administering, or directing, and preparing promotional and/or advertising activities. Franchisor has the sole discretion how and where the Collected Advertising Funds are spent to promote, enhance, or further the growth of the system, including, without limitation, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and in-house personnel to assist in developing the COVIS brand name and sales volumes, expenses associated with listings in telephone books, subsidies of premiere/marquis businesses designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials) and for any other use Franchisor determines. Additionally, Franchisor can use the Collected Advertising Funds to pay for expenses incurred in developing and maintaining non-franchise sales portion of the COVIS website. A brief statement regarding the availability of information regarding the purchase of COVIS franchises may be included in advertising and other items produced using the Collected Advertising Funds; provided that Franchisor will not use Collected Advertising Funds principally to sell franchises.

(F) All sums paid by Franchisee into the Collected Advertising Funds shall be maintained in an account separate from the other monies of Franchisor and may be used to defray reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Collected Advertising Funds and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional, and marketing programs. The Collected Advertising Funds and any earnings shall not otherwise inure to the benefit of the Franchisor.

(G) It is anticipated that all contributions to and earnings from the Collected Advertising Funds shall be expended for promotional and/or advertising purposes during the taxable year wherein which the contributions and earnings are received. If, however, excess amounts remain in the Collected Advertising Funds at the end of such taxable year, all expenditures for the following taxable year(s) shall be made first out of accumulated earnings from the previous year, next out of earnings in the current year, and finally from contributions.

(H) The Collected Advertising Funds are not and shall not be an asset of Franchisor or its designate. A statement of the operation of the Collected Advertising Funds as shown on the books of the Collected Advertising Funds shall be prepared annually by an independent certified public accountant selected by Franchisor and shall be made available to Franchisee. Upon request, Franchisor shall make available for inspection by Franchisee the books and records of the account holding the Collected Advertising Funds. At Franchisor's option, Franchisor can create a separate entity to be the recipient of Franchisee's Collected Advertising Funds contributions and Franchisee agrees, upon Franchisor's request, to tender Collected Advertising Funds payments to said entity.

(I) The Collected Advertising Funds are not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Collected Advertising Funds or any aspect of the operation of the Collected Advertising Funds.

(J) Franchisor, in Franchisor's discretion, may spend in any fiscal year an amount greater or less than the aggregate contributions to the Collected Advertising Funds in that year, and the Collected Advertising Funds may borrow from Franchisor or other lenders to cover deficits of the Collected Advertising Funds or cause the Collected Advertising Funds to invest any surplus;

(b) Regional Cooperative Advertising. Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate from time to time a geographical area in which the Outlet is located for the purpose of establishing an advertising cooperative (the Cooperative). If a Cooperative has been established applicable to the Outlet at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Outlet is established at any later time during the Term, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Outlet be required to contribute to more than one Cooperative. The following provisions shall apply to each Cooperative:

(i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

(ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members.

(iii) Franchisor shall make contributions to each Cooperative of which it is a member on the same basis as required of comparable franchisees within the System.

(iv) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All such programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in Section 8(e).

(v) Subject to the provisions of Section 8(a)(ii)(A), each cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative.

(vi) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit such statements and reports as may be designed from time to time by the Cooperative. The Cooperative shall submit to Franchisor such statements and reports as Franchisor may designate from time to time.

(vii) Notwithstanding the foregoing, Franchisor, in its sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one or more outlets owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in its sole discretion, may also exempt one or more outlets owned or controlled by Franchisor from the requirement of membership in a Cooperative for such periods as Franchisor deems appropriate.

(viii) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative.

(c) **Supplemental Advertising.** Franchisee shall have the right to conduct, at its separate expense, supplemental advertising in addition to the expenditures specified in this Section 8. All such supplemental advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(d) **Directory Advertising.** Franchisee shall arrange for the listing of the Outlet's telephone number and address in business directories designated by

Franchisor under the name COVIS or such other name as the Franchisor may designate. All advertising and promotion in such media (beyond a simple listing of name, address, and telephone number) shall be subject to Franchisor's approval. Franchisor has the right to arrange for such listings for franchisees under the System and, at Franchisee's expense, for Franchisee; in which case Franchisee shall pay Franchisor as Franchisor may designate. Franchisee's rights to retain its assigned telephone number, local directory listing and advertisements and internet listings are subject to the provisions of Section 18(i) of this Agreement.

(e) Approval by Franchisor. Prior to their use by the Cooperative or by Franchisee, samples of all advertising and promotional materials not prepared or previously approved by Franchisor within the 90-day period preceding their intended use shall be submitted to Franchisor for approval. If disapproval is not received within twenty (20) days from the date of receipt by Franchisor of such materials, Franchisor shall be deemed to have given the required approval. Neither the Cooperative nor Franchisee shall use, and shall cease using, any advertising or promotional materials that Franchisor may at any time disapprove, regardless of whether any such items had been previously approved by Franchisor.

(f) Franchisor Advertising. Franchisor will, from time to time, offer to provide to Franchisee such approved advertising and promotional plans and materials as Franchisor deems advisable. Franchisor expressly disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor. Franchisor shall have the right to include promotion of available franchises in all marketing and advertising materials, including, but not limited to, signage, table tents, print media, and TV or radio spots.

(g) Ownership of Advertising. Franchisor shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by Franchisee, Franchisor, the Cooperative or the Collected Advertising Funds. Any participation by Franchisee in any advertising, whether by monetary contribution or otherwise, shall not vest Franchisee with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including, copyrights, generated by such advertising. If requested by Franchisor, Franchisee shall assign to Franchisor any contractual rights or copyright it acquires in any advertising.

(h) Use of Website. Franchisee will not, directly or indirectly, establish or operate a website, web page, domain name, internet address, blog, forum or

email address that in any way concerns, discusses or alludes to the Franchisor, the System or the Franchisee's Franchised Business without Franchisor's written consent, which Franchisor is not obligated to provide. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any domain names, internet addresses, blogs, forums or social media sites, unless specifically approved by the Franchisor, which approval Franchisor are not obligated to provide. Franchisee will not post, and will take such steps as necessary to ensure that its employees do not post, any information to a social media relating to the Franchisor, the System, the Marks, or the Franchised Business that (a) does not comply with the Franchisor's then-current social networking guidelines described in the Operating Manuals, (b) is derogatory, disparaging, or critical of the Franchisor, the System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which Franchisor may create. Franchisee specifically acknowledges and agrees that, except for social media site postings (which will be subject to this Section), any Website will be deemed advertising under this Agreement, and will be subject to (among other things) Franchisor's approval under this Agreement.

(i) **Online Use of Marks.** Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any email address, domain name, and/or other identification of Franchisee in any electronic medium except as permitted by Franchisor's then-current policies. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by email or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

(j) **Social Media.** Franchisor may from time to time maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). Franchisee shall not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without Franchisor's advance written consent. Franchisor may designate from time to time regional or territory-specific user names/handles to be maintained by Franchisee. Franchisee must adhere to the social media policies established from time to time by Franchisor and Franchisee will require all of Franchisee's employees to do so as well.

(k) **Group Buying Services and Discounts.** Franchisee agrees not to use any group buying services, including, without limitation, Groupon or Living Social, or provide discounts or coupons without first obtaining express written permission of Franchisor. As with all advertising, advertisements placed with a group buying service or advertisements conveying discounts or coupons are subject to the approval process of Section 8(e).

9. Telephone Number. Franchisee shall establish a local telephone number for the Outlet. Franchisee shall keep Franchisor notified as to the current telephone number for the Outlet. In no event shall Franchisee use such number for any other business. If Franchisee operates a home-based business, Franchisor shall establish a separate number for the outlet than that used personally at Franchisee's home. Franchisee further covenants that in the event it obtains any additional or substitute telephone service or telephone number at the Outlet, it will promptly notify Franchisor and such additional or substitute number shall be subject to the terms of this Section 9.

10. Construction, Design and Appearance: Equipment.

(a) Construction. Franchisee is solely responsible for the construction of the Premises and the Franchised Business. Franchisee will commence any required construction promptly after execution of a lease for or closing on the purchase of the Premises. Franchisee shall maintain continuous construction of the Franchised Business and Premises until completion. Franchisee will complete construction in accordance with the plans and specifications for the Franchised Business which have been approved in advance by Franchisor and will not deviate, except as permitted below, from such plans and specifications without the prior written consent of Franchisor. Such Standard Plans shall not contain the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (ADA) or similar rules governing public accommodations for persons with disabilities, nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation as may be necessary to obtain permits or authorization to build a specific Outlet (Applicable Law). It is Franchisee's sole responsibility to make sure that the design and construction of the Franchised Business and the Premises are in compliance with all Applicable Laws including without limitation, the ADA. Franchisee shall indemnify and hold Franchisor harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Franchised Business fail in any way to comply with any Applicable Laws, including, without the limitation, the ADA. Franchisee shall make no changes to any building plan, design, layout or decor, Spec. Sheet, or any equipment or signage except as necessary to comply with Applicable Law without the prior written consent of Franchisor, and shall maintain the interior and exterior decor in such manner as may be prescribed from time to time by Franchisor. Franchisee acknowledges the specifications on the Spec. Sheet may exceed the requirements of Applicable Law. Franchisee shall obtain at Franchisee's expense all permits necessary to operate the Outlet, including, but not limited to, any required contractor's or similar licenses.

Franchisor reserves the right to require Franchisee to generally refurbish the Franchised Business and/or the Premises at Franchisee's expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for COVIS franchises and may include, without limitation, structural changes, installation of

new materials and equipment, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Franchisee shall not be obligated to perform such refurbishment, if the Franchisor's request is made either prior to the start of the sixth year of the Term or within five (5) years from the last date the Franchisee refurbished the Franchised Business and/or the Premises pursuant hereto.

(b) Vehicle; Vehicle Signs; Yard Signs; Uniform T-Shirts and Golf Shirts. At all times Franchisee must lease or own a vehicle dedicated to the operation of the Franchised Business that meets Franchisor's then-current standards as set forth in the Operations Manuals. At all times the vehicle used for the Franchised Business shall display the vehicle decal in good condition. The vehicle decal must be replaced when necessary to ensure good condition, without fading, peeling, cracking or similar irregularities. Franchisee shall display yard signs in a prominent location on the premises where the services of the Franchised Business are being performed. If a customer objects to the display, such signage may be removed. A t-shirt or golf shirt designated by the Franchisor shall be worn by all principals and employees of Franchisee when representing the Franchised Business.

(c) Signs at Premises. Franchisee shall prominently display, at its own expense, both on the interior and exterior of the Premises, advertising signs in such form, color, number, location and size, and containing such Marks, logos and designs as Franchisor shall designate. Any other such advertising signs shall be obtained from a source designated or approved by Franchisor. Franchisee shall obtain all permits and licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon the premises any sign or advertising of any kind to which Franchisor objects.

(d) Remodeling and Re-equipping. Franchisee agrees that it will, within six (6) months from the date of written notice from Franchisor, remodel or re-equip the Outlet in accordance with the specifications provided by the Franchisor. Such remodeling and re-equipping may include, without limitation, replacing worn out, obsolete, or dated equipment, fixtures, furnishings and signs; structural modifications, redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at such times as Franchisor, in its sole discretion, deems necessary and reasonable; provided, that Franchisor may not require any remodeling requiring an expenditure in excess of Five Thousand Dollars (\$5,000) during the first two (2) years of the Term. FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT.

11. Operations, Standards of Quality, Inspections.

(a) **General Manager.** Franchisee shall designate an individual to serve as the General Manager for the Outlet. The General Manager shall meet the following qualifications:

(i) The General Manager shall devote full time and best efforts to the supervision and conduct of the development and operation of the Outlet and shall agree in writing to be bound by Section 13, 14, 15 and 23 of this Agreement at such time he or she becomes an owner of an interest in Franchisee.

(iii) The General Manager shall be approved by Franchisor and shall complete Franchisor's initial training requirements and shall participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by Franchisor. If at any time for any reason the General Manager no longer qualifies to act as such, Franchisee shall promptly designate another General Manager subject to the same qualifications set forth in this Section 11. If the General Manager owns a portion of the Franchised Business, any sale or transfer of any portion of the General Manager's interest in Franchisee shall be deemed a transfer of an interest and shall be subject to the terms and conditions of Section 13 hereof and any failure to comply with such terms and conditions shall be deemed a default by Franchisee under this Agreement; provided, however, if the General Manager owns twenty-five percent (25%) or less of Franchisee, then a transfer of the General Manager's interest to a Permitted Transferee (as defined herein) or a successor General Manager shall not require Franchisor's consent, shall not be subject to Franchisor's right of first refusal and shall not be subject to a transfer fee. Franchisee shall promptly notify Franchisor in writing of any such transfer and provide all information about the transferee and the terms of the transfer as Franchisor may reasonably request.

(b) **Management of the Outlet.** The General Manager and one or more competent managers approved by Franchisor (who shall have completed Franchisor's initial training program to Franchisor's satisfaction) shall personally devote their full time and best efforts to the management and operation of the Outlet in order to ensure compliance with this Agreement and to maintain Franchisor's high standards. Management responsibility shall include, without limitation, presence of the General Manager, manager, or an assistant manager who has successfully completed any training required by Franchisor before being designated as a General Manager, manager, or assistant manager at the Premises or on job sites during all business hours; maintaining the highest standards of product and service quality and consistency; maintaining the Premises and job sites in the highest condition of sanitation, cleanliness and appearance in accordance with industry standards; and supervising employees to ensure that the highest standard of service is provided and to ensure that

Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. The Franchisor shall receive advance written notice of any change in the General Manager or assistant manager.

(c) Compliance with Franchisor's Standards. Franchisee shall operate the Outlet through strict adherence to Franchisor's standards, specifications and policies as they now exist, and as they may from time to time be modified. Such standards and policies include, without limitation: (i) specifications and preparation methods of design and installation of landscaping and hardscaping; (ii) hours of operation of the Franchised Business, which will be as set forth in the Operations Manuals and may change from time to time; (iii) employee uniform requirements and specifications; (iv) use of specified emblems and Marks on vehicles, shirts, yard signs, business cards other products. Franchisee agrees to follow the instructions of Franchisor as well as Franchisor's employees, agents, and/or Franchisor's area directors or developers.

(d) Training. It will be solely Franchisee's responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner at the Franchised Business and Franchisee shall implement and maintain an employee training program, at Franchisee's expense, pursuant to all specifications, standards and procedures prescribed by the Franchisor. Franchisee shall ensure that all employees have all necessary certifications and credentials as required by applicable state laws and licensing regulations, and that all employees must satisfy all continuing educational training requirements as may be specified by applicable laws, regulations. In the event that the Franchisee is unable to, or fails to, provide the employee training required by this Section, Franchisor may, at Franchisee's expense, which amount shall be Fifty Dollars (\$50) per hour per trainer with an eight (8) hour minimum, plus expenses, including reimbursement for mileage at the then-current IRS reimbursement rate and shall not be less than Four Hundred Dollars (\$400) per day per trainer, provide the training to Franchisee's employees. Training by Franchisor will be at reasonable times and subject to availability of Franchisor's representatives. In the event that Franchisor provides training to Franchisee's employees upon Franchisee's request, Franchisee hereby releases, indemnifies and holds harmless Franchisor and its affiliates, agents and employees from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's employees as set forth herein.

(e) Project Consultation. If requested by Franchisee, Franchisor will provide consultation services to Franchisor regarding the efficacy of accepting a particular project. If Franchisor agrees the job should and will be accepted, Franchisee will pay Franchisor up to 1% of the value of the job. The percentage paid will be agreed upon between Franchisor and Franchisee based on the scope of work performed by COVIS, plus travel expenses including transportation, food and lodging, expended by Franchisor to visit you and/or the site. Franchisee is responsible for bidding the project.

(f) Manuals. Franchisor will provide Franchisee with one or more manuals, which may be in electronic form, which shall contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor and (ii) information relative to other obligations of Franchisee hereunder and the operation of the Outlet (the Manuals). The Manuals shall at all times remain the sole property of Franchisor and shall promptly be returned to Franchisor upon the expiration or other termination of this Agreement. Franchisor may, from time to time, revise the contents of the Manuals. To the extent that Franchisor shall deem it necessary or appropriate, Franchisor will provide Franchisee with policy and procedure statements or other written or electronic notice of specifications standards and procedures, policies, designs, design tools, equipment, products, materials and other standards and specifications contained in the Manuals, policy and procedure statements and other written notices as issued from time to time by Franchisor. Franchisee acknowledges and agrees that all information in the Manuals, policy and procedure statements and other notices constitute confidential information and trade secrets, and shall not be disclosed at any time by Franchisee. Franchisee shall not copy, disclose, duplicate, record or otherwise reproduce, in whole or in part, for whatever reason, the Manuals or any other communication or information provided by Franchisor. Franchisor shall have the right to modify the policies and procedures of the Manuals at any time, which modifications shall be binding upon Franchisee. In the event Franchisee has a different version of the Manuals than those maintained at Franchisor's headquarters, the Franchisor's headquarters copy shall govern.

(g) Variations in Standards. Because complete and detailed uniformity under varying conditions may not be possible or practical, Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary standards within the Outlet or any other outlet in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of Franchisee's Territory, business practices or customs, or any other condition which Franchisor deems to be of importance to the operation of such Outlet or the Chain. Franchisee acknowledges that because of these factor and others, there may be variations from standard specifications and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee.

(h) Franchisee Developments. Franchisor shall have the right to use and incorporate into the System for the benefit of other franchisees and Franchisor any modifications, ideas or improvements, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents, without any liability or obligation to Franchisee or the developer thereof.

(i) Compliance with Laws. Franchisee shall at all times during the Term comply with all laws, ordinances, rules and regulations of all applicable

governmental bodies, and pay any and all taxes, assessments, fines and penalties arising out of the operation of the Outlet, including state and federal unemployment taxes and sales taxes.

(j) Courtesy, Cooperation, Fair Dealing and Ethical Business Practices. In all dealings with customers, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. At all times and under all circumstances, Franchisee and its employees shall treat all customer and other persons, including Franchisor's agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with Franchisor and its agents, officers, and employees in all aspects of the franchise relationship. Franchisee will not engage in any illegal discriminatory practices. Franchisor makes no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with Franchisee's establishment or operation of Franchisee's business. It is Franchisee's sole responsibility to determine what licenses, permits, authorizations or otherwise are required and to obtain them, all at Franchisee's expense. Franchisee will refrain from any practice which may injure the goodwill associated with the Marks. Franchisee will notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, Franchisee, Franchisee's business and/or the Marks.

Franchisee agrees to comply and/or assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise. Franchisee agree to comply and assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to Franchisee's business as may be required by us or by law. Franchisee confirms that Franchisee is not listed in the Annex to Executive Order 13224 and agrees not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee's indemnification responsibilities as provided in Section 19 of this Agreement pertain to Franchisee's obligations hereunder.

(k) Business Relations. Franchisee shall at all times operate the Outlet in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all its bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which

would be to tend to disrupt, damage or jeopardize Franchisee's relationship with suppliers or customers, Franchisor's good reputation, or the good reputation of Franchisor's other licensees. Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Franchised Business, the Marks, the services and/or products sold at the Franchised Business, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

(l) **Crisis Situations.** Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a material impact on the Franchisee, Franchisor, Franchised Business, or which could have a deleterious effect on the COVIS brand, Marks or System. Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by the Franchisor or as specified in the Operating Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters.

(m) **Change in Marital Status.** In the event that the Franchisee is an individual and is married at the time this Agreement is signed, both spouses must sign this Agreement, and if any one or more of the personal guarantors of the Franchisee is married, both spouses must sign the personal guaranty attached as Attachment D to this Agreement. Further, should the marital status of Franchisee or one or more of the personal guarantors change during the Term, Franchisee shall promptly inform Franchisor of that change and Franchisee agrees that any new spouse will sign this Agreement either as a Franchisee or as a personal guarantor, whichever is applicable.

(n) **Books and Records; Financial Reporting.**

(i) **Books and Records.** Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles.

(ii) **Submission of Performance Reports.** Franchisee shall submit to Franchisor, for review or auditing, financial statements, including a balance sheet and income statement prepared on a monthly basis, Gross Sales reports and performance reports for monthly periods, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and place reasonably required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manuals or otherwise in writing. Such reporting shall be submitted no later than the seventh (7th) day of the month following the

reporting period or such other date specified in writing by Franchisor. Failure to do so will result in Franchisor's assessment of a penalty of Five Hundred Dollars (\$500.00) and an administrative fee of Fifty Dollars (\$50.00) per day until such reporting is received. If Franchisee prepares and submits to Franchisor monthly profit and loss statements, Franchisor may require Franchisee to have a certified public accountant review such statements on a quarterly basis, the expense of which shall be borne entirely by the Franchisee, and then submit such quarterly reviews to the Franchisor. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against the Franchisee, the Franchised Business and/or any of the personal guarantors (if any) under this Agreement.

(iii) Submission of Financial Statements and Tax Returns.

Franchisee shall submit, within sixty (60) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement and cash flow report prepared and certified by a certified public accountant which cover the previous twelve (12) months of operations of the Franchised Business. The statements shall include a statement of income and a balance sheet certified by Franchisee as true and correct and shall be furnished within forty-five (45) days after the end of each fiscal year of the Outlet. The fiscal year of the Outlet must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Outlet.

(iv) Audit of Franchisee's Records.

Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Outlet and remove copies thereof from the Outlet premises. Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Outlet books, records and accounts. If any inspection or audit reveals that an underpayment exists, Franchisee shall immediately pay to Franchisor the amount owing to Franchisor, as determined by the inspection or audit. Upon discovery of an understatement of three percent (3%) or more, in addition to prompt payment of the underreported amount, Franchisee shall reimburse Franchisor for any and all expense connected with such inspections or audits, including but not limited to reasonable accounting and legal fees as well as interest as provided for in Section 3(a)(iii) of this Agreement. Such payments shall be without prejudice to any other remedies Franchisor may have under this Agreement or otherwise at law.

(v) **Forms.** Franchisee will use only such forms, including, without limitation, those used in and generated by the required software, as are approved by Franchisor in the Operating Manuals or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the required software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and make available to the Franchisee all or a portion of such forms on the intranet system in addition to, or in lieu of, providing hard copies to the Franchisee.

(vi) **Payroll.** At Franchisor's request, Franchisee will use a payroll service designated by Franchisor, or another service approved in writing by Franchisor, at Franchisor's discretion, which will include as part of its service the impounding and payment of all employee withholding taxes payable to the Internal Revenue Service and state and local taxing authorities. Franchisee will be responsible for all charges related to the payroll service. In addition, upon Franchisor's request Franchisee must submit copies of all quarterly Form 941s and all proofs of payment related thereto to Franchisor within ten (10) days of the date such forms and payments are submitted to pertinent governmental agencies.

(o) **Inspections.** Franchisor and its agents shall be permitted, with or without notice, to enter the Franchised Business or job site before and after the opening date in order to inspect, photograph, and/or videotape on-going new construction, equipment and operations, and the performance of any and all services provided in and around the Franchised Business, the Premises and/or the job site to ensure compliance with all requirements of this Agreement; provided however, if the Franchisee's operation is home-based, such inspections will be carried out only in those areas used for operation of the Franchised Business at an agreed time and in the Franchisee's (or an employee or agent's) presence. Upon written notification from Franchisor of a scheduled inspection, Franchisee must be present during such inspection. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as the Franchisee's customers and former customers. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to Franchisor's then-current plans and specifications, the Operating Manuals, or other standards or requirements, and to repair or replace anything in the Franchised Business that does not so conform. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Franchised

Business or its Premises comply with applicable laws, codes, ordinances, regulations or governmental standards.

(p) Computer/POS System. Franchisee, at its expense, shall purchase or lease and thereafter maintain such computer/POS hardware and software, broadband high-speed internet service, active email account, required dedicated telephone and power lines, modem(s) printer(s), and other computer-related accessories or peripheral equipment as is necessary to run the required software, for the purpose of, among other functions, recording sales and other record keeping and central functions as well as training and promotion or compliance with system standards. Franchisor reserves the right in the future to require Franchisee to connect to its computer system and/or to video surveillance cameras. Franchisee shall provide such assistance as may be required to connect its computer/POS system with Franchisor's computer system. Franchisor shall thereafter have the right from time to time and at any time to retrieve and use for any purpose such data and information from Franchisee's computer/POS system and video surveillance cameras Franchisor, in its sole and exclusive discretion, deems necessary or desirable. In view of the contemplated interconnection of computer/POS systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it will strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's computer/POS systems. Franchisor shall have no liability to Franchisee as a result of Franchisor access or failing to access the computer/POS system or video surveillance cameras. If such functions are implemented the terms and compliance procedures will be specified in the Operations Manuals.

(q) Maintenance of Telephone/Computer/POS System. Franchisee will secure and maintain separate business telephone lines for telephone, email and facsimile use at the Franchised Business as specified by Franchisor in the Operating Manuals or otherwise. Franchisee will also secure and maintain cable, DSL or other form of high speed internet connection at the Franchised Business as specified by Franchisor in the Operating Manuals or otherwise. Franchisee will provide continuous telephone answering coverage by an employee whenever the Franchised Business is open for business. Franchisee will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone lines and internet connections at the Franchised Business and the operation of all computer hardware and software associated with the computer/POS System. Franchisee will additionally acquire and maintain a computer system, as well as all software and telecommunications infrastructure as required by the Operating Manuals, for maintaining the computer/POS System. The computer system shall meet or exceed the minimum requirements periodically prescribed by Franchisor, including all hardware, software, and internet, intranet and email connections specified by Franchisor. Such requirements will be updated from time to time as deemed necessary by Franchisor in accordance with changing technology and industry standards. Franchisee must periodically update, as required by the Franchisor

and/or the software manufacturer, all software purchased for and installed on the computer system, solely at the Franchisee's expense. Franchisor shall have the right to access all information related to the operation of the Franchised Business from a remote location, without the need for Franchisee's consent, at the times and in the manner prescribed by Franchisor. Franchisor reserves the right to, in the future require an approved supplier of computer/POS maintenance, information technology troubleshooting, proprietary software, and related consulting at an additional charge, which supplier may be an affiliate of Franchisor.

(r) Secret Shoppers; Toll-Free Number; etc. Franchisor may, at its sole discretion, institute various programs for verifying customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. Franchisor will share with Franchisee the results of such programs as they pertain to Franchisee's Outlet and Franchisee agrees to reimburse Franchisor for all costs associated with any and all such programs, which cost may be drafted by EFT at the discretion of Franchisor.

(s) Credit Card Processing. Franchisee agrees to use credit card processing services and to purchase and maintain, at Franchisee's expense, any equipment necessary to permit such credit card processing functionality, if required. Currently, Franchisee is free to choose its credit card processing service provided it interfaces with the required software. Franchisee may be required to use Franchisor, an affiliate of Franchisor or a third party service designated by Franchisor for credit card processing services in the future. Notwithstanding the credit card processing requirement, Franchisor does not represent, nor does it certify or warrant, to Franchisee or Franchisee's customers that the credit card processing service approved or provided by Franchisor or an affiliates is compliant, whether or not certified as such, with the PCI Data Security Standards.

(t) PCI Standards.

(i) Directive. Franchisee shall comply with, abide by, or, as applicable, and adopt policies consistent with the then-current version of Franchisor's policies as described in Franchisor's Information Privacy and Security Directive for Franchisees (the Directive). Franchisee acknowledges that Franchisor may supplement, modify or amend the Directive from time to time in its sole discretion, and that Franchisee shall comply with such modifications or amendments within thirty (30) days of notice from Franchisor. Franchisor may provide Franchisee with certain other model privacy and information security policies as necessary for consideration by Franchisee from time to time.

(ii) Security Breach. If Franchisee becomes aware of any actual or suspected unauthorized processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or access to any information (i) that can be used to identify, locate or contact an individual (collectively, Personal Information); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS (as defined in subsection (e) below) (iii) that might reasonably expose Franchisor to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into Franchisee's or Franchisor's computers, networks, servers or IT resources (a Security Breach), Franchisee shall immediately notify the Franchisor's Chief Executive Officer via telephone of such matter and shall thereafter cooperate with Franchisor to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by Franchisee unless Franchisor has authorized the provision of notice and the form of such notice in writing. Franchisee shall reimburse Franchisor for all reasonable Notification Related Costs (hereinafter defined) incurred by Franchisor arising out of or in connection with any such Security Breach that is directly or indirectly caused by Franchisee or its personnel. Notification Related Costs shall include Franchisor's internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as Franchisor deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) public relations and other similar crisis management services; (v) legal and accounting fees and expenses associated with Franchisor's investigation of and response to such event; and (vi) costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances.

Franchisee warrants and represents and covenants that it shall comply with applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, (i) the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the PCI-DSS), (ii) the Directive, (iii) all applicable federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information. Franchisee warrants and represents not to transmit or cause any other party to transmit advertisements or solicitations by email or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such

email advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to emails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

Notwithstanding anything in this Agreement to the contrary, Franchisor shall disallow Franchisee's continued acceptance of credit cards if i) Franchisee violates (A) Franchisor's then current Privacy Policy, (B) any law or regulations applicable to data security related to credit card processing, including but not limited to any law relating to consumer privacy, or (C) any of the operating rules or regulations of American Express, VISA, MasterCard, Discover, or any similar entity (collectively Associations), or ii) Franchisor is directed to terminate Franchisee's credit card acceptance by any of the Associations.

(iii) Inspection. Franchisor, through its employees and/or any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee enter upon and inspect the Franchised Business premises or job site and examine Franchisee's computer hardware, software, databases, business records and other supporting records and documents in order to verify compliance with the Directive. Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with the Directive, this Agreement or the Franchise Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation travel expenses, room and board, and compensation of Franchisor's employees and/or agents. If the Franchisee's operation is home-based, such inspections will be carried out only in those areas used in the operation of the Franchised Business at an agreed upon time and in the Franchisee's (or an employee or agent's) presence.

(u) Franchise Advisory Council. Franchisor may, but is not obligated to, form a Franchise Advisory Council selected by Franchisor in Franchisor's sole discretion, which shall provide Franchisor input as Franchisor may request from time to time (FAC). The FAC exists at Franchisor's pleasure, and Franchisor is not obligated or bound by any input provided by the FAC. The FAC will consist of franchisees in full compliance with this Agreement and/or our representatives. Franchisor has the right to add or remove members of the FAC in our sole discretion.

(v) Warranty Programs. Franchisee agrees to comply with and participate in Franchisor's then-current customer support and warranty policies and programs.

12. Products and Services.

(a) **Products and Services.** Franchisee agrees that it will use only those services, supplies, uniforms, and other products and materials in the operation of the Outlet as Franchisor shall have specifically designated or approved. Franchisee may be required to purchase from Franchisor certain products that involve trade secrets or are proprietary or that have been specially prepared by Franchisor or at Franchisor's direction or that Franchisor considers integral to the System. Franchisor may designate one or more designated suppliers, which may be the Franchisor or an affiliate, for any services, products, equipment, or supplies used in the operation of the Outlet, in which event Franchisee must purchase every item exclusively from the designated supplier. Franchisor or its affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with Franchisor, Franchisee, or other outlets in the System, and Franchisor may alter, modify or create new relationships in which they receive payments, or for such other reasons as Franchisor at its sole discretion deems appropriate, at any time in the future. Franchisor may use any amounts that it receives from suppliers for any purpose that Franchisor deems appropriate. Franchisor and its affiliates may negotiate supply contracts with its suppliers under which Franchisor is able to purchase products, equipment, supplies, and services at a price lower than that at which our franchisees are able to purchase the same items. Products other than those required to be obtained from Franchisor or a designate supplier may be purchased from any source provided that the particular supplier and products have been approved by Franchisor or which Franchisor has specifically designated that Franchisee is free to choose the supplier. Franchisee may request approval for a product or supplier from Franchisor pursuant to the then-current process and standards set forth in the Operations Manuals. If an alternate supplier is approved at Franchisee's request, Franchisor will pay Franchisee at the time of approval or disapproval and prior to ordering from the alternate supplier, an administrative fee equal to the greater of 15% of the value of the item(s) purchased or Five Hundred Dollars (\$500). In addition, Franchisee must reimburse Franchisor for its out-of-pocket costs for evaluating the product or supplier. Franchisor may, from time to time, amend the list and this section of approved products and suppliers.

(b) **Required Vendors.** In order to maintain system standards, consistency, and quality, Franchisor reserves the right to require Franchisee to purchase products and services from specified vendors, which may be Franchisor. Franchisor, hereby reserves the right to specify different terms for different franchisees. Franchisor makes no representation or warranties about any of the services performed by or any of the products produced or sold by or through the approved suppliers or through Franchisor. Franchisor has the right to discontinue providing required products to Franchisee and to designate additional or substitute suppliers. Payment for supplies purchased from Franchisor will be drafted from Franchisee's account by EFT monthly on the same day of the month royalty payments are collected.

(c) **Pricing.** Franchisee shall have the right during the Term to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; and (2) complies with any prices specified by Franchisor; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by the Franchisor. Any pricing policies established by Franchisor will apply to all franchisees within Franchisee's market. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Franchisee must provide to Franchisor a price list containing all of the prices charged for the products supplied by the Franchised Business. The price list must be updated and supplied to Franchisor every time Franchisee alters its prices and, in any event, at least annually. Notwithstanding the foregoing, Franchisee is required to comply with the terms and conditions of the System's warranty programs, which may be amended from time to time.

(d) **System Changes.** Franchisee acknowledges that the System, the services, designs, and products offered by the Outlet may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products, and services) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications. Franchisee agrees there is no limit to Franchisor's ability to modify the System.

13. Transfer; Franchisor's Right of First Refusal.

(a) **Transfers by Franchisor.** This Agreement, and any and/or all of our rights and/or obligations under it, are fully transferable by us in our sole discretion and will inure to the benefit of any person or entity to whom Franchisor transfers it, or to any other legal successor to our interest in this Agreement. If Franchisor transfers this Agreement, or any and/or all of our rights and/or obligations under it, all past, current and future obligations of its (and of any of our Affiliates) to Franchisee will cease and be forever extinguished. Franchisor shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment, and Franchisee's obligations and duties shall be and remain the same notwithstanding any such assignment. Franchisor may be sold and/or Franchisor may sell any or all of our assets to a competitive or other entity, Franchisor may participate in an initial, or other, public offering or private placement of our stock, may merge, acquire other entities and/or assets (competitive or not), be acquired by a competitive or other entity, and/or may undertake any refinancing, leveraged buy-out and/or other transaction. Franchisee waives any and all claims, demands and/or damages with respect to any transaction or otherwise allowed under this section or otherwise.

(b) **Transfers by Franchisee.** The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee. Franchisee

recognizes that Franchisor has granted the License in reliance on the business and financial capacity and other attributes of Franchisee, the personal skill, qualifications and representations of equity owners of Franchisee (the Owner(s)) and in reliance upon Section 13, 14, 15 and 23 of this Agreement. Therefore, neither Franchisee's interest, rights, or privileges in the Agreement, the License or the Outlet, nor the Owner's interest in Franchisee or the Owner(s), in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, may be transferred in any manner, except as provided in this Section 13. Notwithstanding the foregoing, and subject to Franchisor's advance written approval, as provided for in Section 13(d)(v) below, an Owner may transfer all or a portion of his interest in Franchisee to another Owner or to Franchisee (such person or entity being referred to as a Permitted Transferee) and such a transfer shall not be subject to the restrictions of this Section 13, including but not limited to the transfer fee set forth herein. For purposes of this Agreement, the term "transfer" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against Franchisee's assets to secure a loan for the construction, remodeling, equipping or operation of the Outlet), transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary.

(c) Franchisor's Right of First Refusal. Except as to permitted transfers under Section 13(b) above or transfers to an heir pursuant to Section 13(g), if Franchisee decides to transfer during this Agreement's term the Franchised Business, the Franchised Business's assets, an ownership interest in Franchisee, Franchisee's lease, or a controlling ownership interest in an entity that owns a controlling ownership interest in Franchisee, the provisions will apply to the proposed transfer. However, under the circumstances listed in subparagraph (i) below, Franchisor has certain rights, to acquire the Franchised Business upon the termination or expiration of this Agreement.

(i) Exercise of Option.

Upon

(a) Franchisor's termination of this Agreement according to its terms and conditions,

(b) Franchisee's termination of this Agreement without cause,

(c) expiration, termination or non-renewal of this Agreement (if Franchisor offers, but Franchisee elects not to acquire, a successor franchise, or if Franchisor does not offer Franchisee a successor franchise due to its failure to satisfy the conditions for a successor franchise set forth in Section 2(b), or

(d) the planned transfer by Franchisee or owners of Franchisee of fifty percent (50%) or more of the assets or equity of Franchisee in one or more transactions.

Franchisor has the option, exercisable by giving Franchisee written notice before or within sixty (60) days after the date of termination or expiration, (i) to purchase the Franchised Business and the fee simple interest in the Premises (if Franchisee or one of its affiliates owns the Premises and it is not Franchisee's home) or, if Franchisee (or one of its affiliates) does not own the Premises or Franchisor chooses not to purchase Franchisee's (or its affiliate's) fee simple interest in the Premises, (ii) to purchase the Franchised Business and exercise the rights under subparagraph (ii) below. Franchisor has the unrestricted right to assign this option to purchase.

Franchisor is entitled to all customary warranties and representations in our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

(ii) Right to Premises.

Provided the premises is not the home of Franchisee, if Franchisee leases the Premises from an unaffiliated lessor, or if Franchisor chooses not to purchase Franchisee's (or its affiliate's) fee simple interest in the Premises, Franchisee agree (as applicable) at our election:

(a) to assign Franchisee's leasehold interest in the Premises to Franchisor;

(b) to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease; or

(c) to lease the Premises to Franchisor for an initial ten (10) year term, with two five (5) year renewal terms (at our option), on commercially reasonable terms.

(iii) Purchase Price.

The purchase price for the Franchised Business and, if applicable, the fee simple interest in the Premises will be their fair market value, provided that these items will not include any value for:

(a) the Franchise or any rights granted by this Agreement;

(b) goodwill attributable to our Marks, brand image, and other intellectual property; or

(c) participation in the COVIS network;

Franchisor may exclude from the assets purchased any operating assets or other items that are not reasonably necessary (in function or quality) to the Franchised Business's operation or that Franchisor has not approved as meeting System Standards for COVIS outlets, and the purchase price will reflect these exclusions. In the event the contemplated transaction is a transfer as defined above, then Franchisor, at Franchisor's option, shall have the option to match the potential transferee's proposed written offer to purchase the same assets and/or equity on the same terms. Notwithstanding the foregoing, Franchisor shall have the right to substitute cash consideration for any non-cash consideration. Franchisor shall have thirty (30) days from the date Franchisor receives the written offer to exercise this right of first refusal by giving written notice of Franchisor's intent to exercise the option. Failure to do so shall constitute a waiver of the right.

(iv) Appraisal.

If Franchisor and Franchisee and Franchisee cannot agree on fair market value and the transaction is not a transfer transaction as defined above, fair market value will be determined by one (1) independent accredited appraiser upon whom Franchisor and Franchisee agree who will conduct an appraisal and, in doing so, be bound by the criteria specified in subparagraph (3). Franchisee and Franchisor agree to select the appraiser within fifteen (15) days after Franchisor notifies Franchisee that Franchisor wishes to exercise its purchase option (if Franchisee and Franchisor have not agreed on fair market value before then). Franchisee and Franchisor will share equally the appraiser's fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment. The purchase price will be the appraised value. If Franchisor and Franchisee cannot agree on the appraiser, he or she will be chosen by the Senior Resident Superior Court Judge located in Wake County, North Carolina.

(v) Closing.

Franchisor (or its assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined or the right of first refusal is exercised, although Franchisor (or its assignee) may decide after the purchase price is determined not to purchase the Franchised Business and/or the fee simple interest in the Premises. Franchisor may set off against the purchase price, and reduce the purchase price by, any and all amounts Franchisee or its owners owe Franchisor or our affiliates. At the closing, Franchisee agrees to deliver instruments transferring to Franchisor (or its assignee):

(a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by Franchisee;

(b) all of the Franchised Business's licenses and permits that may be assigned or transferred; and

(c) the fee simple or leasehold interest in the Premises and improvements or a lease assignment or lease or sublease, as applicable.

If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, Franchisor (or its assignee) and Franchisee will close the sale through an escrow. Franchisee and its owners further agree to execute general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its owners, affiliates, officers, directors, employees, agents, successors, and assigns. If Franchisor exercises its rights under this Section 13(c), Franchisee and its owners agree that, for two (2) years beginning on the closing date, Franchisee and its owners will be bound by the non-competition covenant contained herein.

(vi) Approval of Transfers.

If Franchisor decides not to exercise its right of refusal set forth above, Franchisor shall have the right to approve or disapprove the proposed transfer; provided, however, Franchisor's consent shall not be unreasonably withheld as provided in Section 13(d). If Franchisor approves the transfer in writing, Franchisee (or Owner, as applicable) may make the proposed transfer on the exact terms and conditions specified in Franchisee's notice to Franchisor within sixty (60) days after the expiration of Franchisor's right of first refusal. If the transfer is not consummated within such 60-day period, Franchisee may not thereafter transfer such interest without again complying with this Section 13.

(d) Conditions on Transfer. Franchisor agrees that it will not unreasonably withhold its consent to a proposed transfer if all the following conditions are satisfied:

(i) Franchisor shall have decided not to exercise its right of first refusal as provided in Section 13(c).

(ii) Franchisee is in full compliance with this Agreement and there are no uncured defaults by Franchisee hereunder, and all debts and financial obligations of Franchisee under this Agreement are current, including Franchisee's obligations to the Collected Advertising Funds, each Cooperative of which Franchisee is a member, and all vendors, including but not limited to, Franchisor or its affiliates.

(iii) The proposed transferee executes such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, including, but not limited to, the then-current version of the Franchise Agreement, and if required by Franchisor, the proposed transferee executes, and in appropriate circumstances, causes such other parties as Franchisor may require to execute, Franchisor's then-current ancillary agreements to this Agreement, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement, provided, however, that the royalty rate and Collected Advertising Funds payable by the transferee will not be increased to an amount which is greater than that which is required to be paid system-wide by Franchisor's new franchisees, the transferee will not be required to pay an additional Initial Franchise Fee and the protected territory of the Franchised Business, as designated in this Agreement will remain the same. The Franchise Agreement between Franchisor and Franchisee will terminate once an approved transfer is completed.

(iv) Franchisee and all of the personal guarantors of this Agreement, if any, execute a general release, in a form prescribed by Franchisor, releasing Franchisor and its affiliates, predecessors, successors and assigns, and their respective members, managers, officers, directors, shareholders and employees, in their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, fees, costs and expenses, including without limitation, claims and causes of action arising under federal, state and local laws, rules, regulations and ordinances, arising prior to and including the date the Transfer becomes effective.

(v) Prior to the date of the proposed transfer, the proposed transferee's principal operator and managers undertake and complete, to the satisfaction of Franchisor, such training and instruction as Franchisor shall deem necessary;

(vi) Franchisor is satisfied that the proposed transferee (and if the proposed transferee is an entity, all owners of any interest in such entity) meets all of the requirements for Franchisor's new franchisees applicable on the date Franchisor receives notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

(vii) The Owner transferring an interest in Franchisee acknowledges and agrees in writing that it is bound by Sections 14 and 15 of this Agreement;

(viii) Franchisee or the Owner, as applicable, pays to Franchisor a transfer fee of Ten Thousand Dollars (\$10,000). Such fee must be

deposited with Franchisor on a non-refundable basis on Franchisee's notification to Franchisor of the proposed transfer and prior to Franchisor's undertaking any review, drafting of documents, training or other activities. If Franchisor does not approve the transfer, Franchisee's transfer fee will be returned to Franchisee minus Franchisor's expenses incurred (including legal fees) for review and consideration of the transfer; and

(ix) The proposed transferee and all owners of any interest in a transferee that is an entity provided Franchisor, at least forty-five (45) days prior to the proposed transfer date, copies of financial statements for the preceding three (3) years, and where applicable, its certificate of incorporation and bylaws (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership.

(x) Within the time specified by Franchisor, Franchisee, at its expense, shall refurbish the Franchised Business, as necessary, to conform the Franchised Business to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, vehicles, trade dress, presentation of the Marks, and equipment.

(xi) Franchisor's consent to a Transfer of any interest in Franchisee or the Franchised Business granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

(e) Transfer of License. Franchisee may not transfer its rights or interest in this Agreement and/or the License without the prior written consent of Franchisor, which consent may be granted or denied in the reasonable discretion of Franchisor. In the event Franchisor approves a transfer pursuant to this Section 13(e), the following requirements shall be met prior to the approved transfer:

(i) The proposed transferee shall execute such documents as Franchisor may reasonably require to evidence that it has assumed the obligations Franchisee under this Agreement, and any then-current ancillary agreements, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement;

(ii) The Franchisee acknowledges and agrees in writing that it is bound by Sections 14 and 15 of this Agreement; and

(iii) Franchisee pays a transfer fee of Ten Thousand Dollars (\$10,000) plus out-of-pocket expenses incurred by Franchisor.

(f) Ownership and Structural Changes. Except for transfers between Permitted Transferees, any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer and shall be subject to the provisions of Section 13(d). Notwithstanding the foregoing, if Franchisee consists of one or more individual(s), Franchisee may Transfer its interest under this Agreement to a corporation, limited liability company or other legal entity so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the Transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

(g) Death/Incapacity/Dissolution. Franchisor shall have the right to determine, in its reasonable business judgment, the mental or physical incapacity of Franchisee or of any individual holding an interest in the Franchisee. In the event of such a determination of mental or physical incapacity, the holder of such interest or any duly appointed guardian must promptly decide whether to retain the interest in the Franchised Business and, if necessary, select a qualified manager to direct its operation. The persons with such interest or such guardian may then apply to Franchisor for the right to retain that interest for the duration of the Term and any renewals of this Agreement. Likewise, if Franchisee is a corporation, partnership or other entity, upon the death or incapacity, determined at Franchisor's discretion, of an Owner or dissolution of Franchisee, the executor, administrator, conservator, trustee or other representative of such person or entity shall comply with the right of first refusal and consent provision set forth in Section 13; provided that if the transferee is an heir or a Permitted Transferee, Franchisor's right of first refusal and right to consent shall not apply and no transfer fee shall be payable. Further, if the transferee is required to be approved and is approved, and the transfer involves less than twenty-five percent (25%) of the ownership of Franchisee, no transfer fee shall be payable. If a Franchisee is one or more individual and any such person dies or becomes permanently incapacitated, and if the law of the jurisdiction where the Outlet is located so provides, nothing contained in this Section shall deny the spouse, heirs or personal representative of such a Franchisee the opportunity to participate in the ownership of the Outlet for a reasonable time after the death or incapacity of Franchisee, provided that the spouse, heirs or personal representative execute an acknowledgement that this Agreement is valid and in effect and otherwise meets all of Franchisor's then-current criteria for approving Franchisees. If the transfer fails to occur within nine (9) months of the date of

death, incapacity, or dissolution, then the license to operate the Outlet shall terminate.

14. Non-Competition.

(a) Franchisee's Non-Compete – In-Term. Franchisee acknowledges it will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of the COVIS concept that we have developed through monetary and other resource expenditures that provide competitive advantages to our System. During the Term, Franchisee and its owners, will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any business that provides outdoor living construction, hardscape services or landscape services that are the same or similar to those sold by COVIS outlets (Competitive Business) within Franchisee's Territory or any other territory in existence at the Effective Date or if permitted by law, in existence during the Term in the United States or by any means, including, without limitation, sales via the Internet or catalogs;

(ii) divert or attempt to divert any business or customer that had done business with or been a customer of the Outlet within the two (2) years before the expiration or termination of this Agreement, to any Competitive Business, by direct or indirect inducement or otherwise, as Franchisee agrees that all goodwill associated with Franchisee's operation under the Marks and the System, and all business and customer information associated therewith, inure to Franchisor;

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(iv) use any vendor relationship established through Franchisee's association with us for any purpose other than to purchase products for use or retail sale in the Outlet; or

(v) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees.

(b) Franchisee's Post-Termination Non-Compete. In partial consideration for Franchisor allowing Franchisee to license Franchisor's trademark and confidential information, Franchisee and each of the undersigned owners of Franchisee (Owners) covenant and agree that during the Term of this

Agreement and for a period of two (2) years after the termination or expiration of this Agreement, regardless of the reason for such termination or expiration (Termination Period), Franchisee shall not, during the term of this Agreement anywhere and, during the Termination Period, within a ten (10)-mile radius of (i) Franchisee's Territory, (ii) any other franchised location, or (iii) any business location at which the Franchisor or an Affiliate (as defined in Section 24(d) then conducts a COVIS business), engage, in any of the following activities:

(i) Directly or indirectly enter into the employ of, render any service to or act in concert with any person, partnership, corporation or other entity that owns, operates, manages, franchises or licenses any business that constitutes a Competitive Business.

(ii) Directly or indirectly engage in any such Competitive Business on its own account, or

(iii) Become interested in any such Competitive Business directly or indirectly as an individual, partner, shareholder, director, officer, principal, agent, employee, consultant, spouse, or in any other relationship or capacity; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 14(b) so long as Franchisee does not own, directly or indirectly, more than one percent (1%) of the securities of such corporation. To the extent required by applicable laws, the duration or the geographic areas included within the foregoing covenants, or both shall be deemed amended in accordance with Section 24(f).

Additionally, during the term of this Agreement, Franchisee agrees the restriction set forth above shall apply anywhere in the United States of America, which restriction is necessary to solidify the Franchisee's loyalty to the brand.

(c) **Managerial and Supervisory Employees.** Franchisee covenants that it shall cause all persons who are involved in managerial or supervisory positions with Franchisee to enter into an agreement to be bound by Sections 14 and 15 of this Agreement. Franchisee agrees to provide Franchisor with copies of such executed agreement upon request. If Franchisee has reason to believe that any person has violated any such provisions of this Agreement, Franchisee shall promptly notify Franchisor and cooperate with Franchisor to protect it against unfair competition, infringement, or other unlawful use of the Marks, trade secrets, designs, or System of the Franchisor. Franchisee further grants Franchisor the right, but not the obligation, to prosecute any such lawsuits at Franchisor's expense in the name of Franchisee.

(d) **Other Franchisees' Employees.** Franchisee agrees that it is strictly prohibited from hiring any employee of another franchisee (or otherwise employing such employee) within three (3) months after such employee's

termination of employment, unless Franchisee obtain the written consent of the employee's previous employer.

15. Trade Secrets and Confidential Information. Franchisee understands and agrees that Franchisor has disclosed or will hereafter disclose to Franchisee certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Outlet and as approved by Franchisor, Franchisee shall not, during the Term or at any time after the expiration or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the designs, construction methods, products, advertising, marketing, or methods of operation of the Outlet or the System. Franchisee shall disclose to its employees only such confidential, proprietary or trade secret information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Any and all information, knowledge, or know-how, including without limitation, drawings, materials, equipment, marketing, proprietary software, and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement.

All ideas, concepts, techniques or materials concerning Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the exclusive property of Franchisor as works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee hereby assigns ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably 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, at Franchisor's expense, take all actions reasonably necessary 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. Franchisee and all guarantors of this Agreement will divulge Confidential Information only to personnel, if any, who must have access to it in order to operate the Franchised Business. Further, Franchisee will require all personnel having access to any Confidential Information from Franchisor to execute an agreement, of the form attached as Attachment F, requiring them to maintain the confidentiality of information they receive in connection with their employment at the COVIS Franchise. Those agreements will be in a form satisfactory to Franchisor, including without limitation, specific identification of Franchisor as a third-party beneficiary of such agreements, with Franchisor having an independent right to enforce them.

16. Insurance.

(a) Types and Extent of Coverage. Franchisee shall obtain and maintain throughout the Term such insurance coverages with such limits as specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises):

(i) fire, extended coverage, vandalism, malicious mischief and special extended peril insurance at not less than ninety percent (90%) of the actual replacement value of the building (if owned), and contents, and improvement.

(ii) workers' compensation and other insurance required by law;

(iii) comprehensive general liability insurance on an occurrence basis naming Franchisor and its officers, directors and employees as an additional insured as follows;

(A) bodily injury to or death of one or more persons with minimum coverage of One Million Dollars (\$1,000,000);

(B) property damage or destruction with minimum coverage of One Million Dollars (\$1,000,000) per occurrence;

(D) non-owned vehicle coverage with minimum coverage of One Million Dollars (\$1,000,000).

(b) Other Insurance Requirements. Franchisee shall obtain from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of insurance listed above with complete operations coverage. From time to time in its discretion, Franchisor can increase or modify such limits of liability or require additional types of coverage. Said policies of insurance shall name Franchisor as an "additional insured" and shall expressly protect both Franchisee and Franchisor and shall require the insurer to defend both Franchisee and Franchisor in any action while reserving Franchisor's right to involve counsel of its own choosing in protection of its own and system wide interests. Additionally, Franchisee's insurance policy must waive on behalf of its insurer any right of subrogation by the insurance company against Franchisor, its officers, shareholders, and employees. Franchisee shall furnish to Franchisor a certified copy or certificate of insurance for each such policy, naming Franchisor as an additional insured and providing that such policies shall not be canceled, amended or modified without ten (10) days' prior written notice thereof to Franchisor. By doing the above, Franchisee will satisfy Franchisor's insurance mandate. Franchisee understands that doing so does not necessarily furnish Franchisee with protection levels adequate to its needs and that its obligation to

indemnify Franchisor as set forth above in this Agreement may exceed the amount of insurance Franchisee is required to obtain or does obtain.

(c) Franchisee will acquire and maintain in force cyber liability insurance coverage with single occurrence limits of not less than as set forth in Franchisor's pre-opening manual (it being understood that such policy will be in place within thirty (30) days following the Agreement Effective Date); all policies of insurance required to be maintained hereunder shall: (i) be written as primary policy coverage and not "excess over" or contributory with any other applicable insurance; (ii) contain a "separation of insureds" clause.

(d) Franchisor, or its insurer, shall have the right to participate in discussions with Franchisee's insurance company or any claimant (in conjunction with Franchisee's insurance company) regarding any claim of liability, and Franchisee agrees to adopt our reasonable recommendations to its insurance carrier regarding the settlement of any such claims.

(e) Franchisee shall provide Franchisor with certificates of insurance providing evidence of compliance with the foregoing requirements prior to opening the Outlet and annually thereafter or more frequently if required by Franchisor. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority to immediately procure such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through EFT as provided for in Section 8 of this Agreement.

17. Termination.

(a) **Automatic Termination.** Franchisee shall be in default under this Agreement, and this Agreement and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee in the event, (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of records for thirty (30) days or longer (unless an appeal or supersedes bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Outlet becomes subject to an attachment, garnishments, levy or seizure by any credit or any other person

claiming against or in the rights of Franchisee; (x) execution is levied against Franchisee's business or property; of (xi) the real or personal property of Franchisee's Outlet shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) Termination without Notice. Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted herein, without affording Franchisee any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by Franchisee, or five (5) days after mailing of such notice by Franchisor, upon the occurrence of any of the following events:

(i) Franchisee at any time ceases to operate or otherwise abandons the Outlet or forfeits the right to do or transact business in the jurisdiction where the Outlet is located;

(ii) An approved transfer is not affected within nine (9) months of the death or incapacity of any individual Franchisee; or the death, incapacity or dissolution of any owner of an interest in Franchisee;

(iii) Franchisee is given two (2) or more notices of being in default under any of the terms or requirements of this Agreement within any 24-month period, whether or not such defaults are timely cured after notice;

(iv) Franchisee fails to comply with any of the covenants of Franchisee set forth in this Agreement, or makes any material misrepresentation to Franchisor or breaches any warranty of representation made to Franchisor, whether in this Agreement or otherwise;

(v) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor; or

(vi) Franchisee, by act or omission, materially impairs the value of, or the goodwill associated with, the Chain, any of the Marks or the System.

(vii) Franchisee takes, withholds, misdirects, or appropriates for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers.

(viii) Franchisee loses or is denied any federal, state or local license the Franchisee must possess in order to operate the Outlet.

(ix) Pre-Opening Termination by Franchisor. Franchisee agrees that if during the period prior to the opening date: (a) any representations

or warranties of Franchisee and/or the General Manager prove to be inaccurate or false, (b) the General Manager fails to take or pass any of Franchisor's required training, and/or (d) General Manager and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the opening Date, then Franchisor shall have the right to immediately terminate this Agreement and the relationship between Franchisor and Franchisee without any duty to provide Franchisee any notice or opportunity to cure such breach.

(x) Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services.

(c) **Termination with Notice.** Except for those defaults provided for under Section 17(a) or 17(b), Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document provided by Franchisor, or to carry out the terms of this Agreement in good faith. For such defaults, Franchisor will provide Franchisee with written notice and fifteen (15) days to cure or, if a default cannot reasonably be cured within fifteen (15) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cured within the fifteen (15)-day period, or if substantial and continuing action to cure has not been initiated, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct or remodel, or to commence operating the Outlet in accordance with this Agreement or Franchisee fails to provide prior to opening a commitment letter from a financial institution representing sufficient working capital within the range identified in Item 7 of the Franchise Disclosure Document provided to Franchisee;

(ii) Franchisee fails, refuses, or neglects to promptly pay any monies owing to Franchisor, its affiliates or the Collected Advertising Funds when due or to submit the financial or other information required under this Agreement;

(iii) Any person or entity owning twenty-five percent (25%) or more of Franchisee makes a transfer of such interest in violation of this Agreement; provided, however, that Franchisee's right to cure such a default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either (a) obtain Franchisor's approval thereof, or (b) if approval is not desired or the transfer or transferee is not approved by Franchisor, to reacquire the interest so transferred;

(iv) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Outlet;

(v) If Franchisee is convicted of or pleads guilty or nolo contendere to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is injurious to the Chain, the Marks, or the goodwill associated therewith, or if Franchisor has proof Franchisee has committed such a felony, crime or offense; including, but not limited to, abuse, abuse of customers, use of employees who do not meet Franchisor's then-current standards and training requirements, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at Franchisor's business;

(vi) Franchisee is found liable by any judicial, administrative, or arbitral body for violation of federal, state, or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or is found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age, or sexual orientation.

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer or landlord of the Franchisee or Franchised Business upon the occurrence of any default under this Section, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section, and to otherwise communicate with such lenders, creditors, customers or landlords with respect to any such default, or any such event or circumstance.

(d) **Relief in Equity.** Franchisee agrees that neither termination of this Agreement, nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee, or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence pursuant to this Agreement or the obligations of Franchisee and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option, (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

(e) **Termination by Franchisee.** This Agreement shall automatically terminate upon delivery of notice of termination to the Franchisor, if the Franchisor fails to perform any material obligation imposed upon it by this Agreement, and such failure is not cured within ninety (90) days after Franchisee delivers written notice of such failure to the Franchisor. In such case, Franchisee may terminate this Agreement at any time thereafter by delivering thirty (30)

days' written termination notice to the Franchisor provided Franchisee is otherwise compliant with Franchisee's obligation under this Agreement and any other agreement with Franchisor.

(f) Limitation of Services or Benefits. The Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating Franchisee's right to use the Franchisor's Web site free of charge, restricting or removing Franchisee's right to purchase products directly or indirectly from the Franchisor or its affiliates, limiting the Franchisor's advertising and promotional assistance, and restricting or removing Franchisee's right to use the Franchisor's proprietary computer software, if any. Nothing in this Section constitutes a waiver of any other right or remedy of the Franchisor under this Agreement. Franchisee acknowledges that the Franchisor's exercise of its rights pursuant to this Section shall not be deemed a constructive termination. Any services or benefits removed or limited pursuant to this Section may be reinstated at any time in the Franchisor's sole discretion.

(g) Step In Rights. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against Franchisee, upon an event of default by Franchisee and failure to cure such default within the applicable time period (if any), Franchisor or its affiliate has the right, but not the obligation, to enter upon Franchisee's business premises and exercise complete authority with respect to the operation of Franchisee's franchised business until such time as Franchisor determines that the default has been cured, and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor or its affiliate for all reasonable costs and overhead, if any, incurred in connection with its operation of Franchisee's franchised business including, without limitation, costs of personnel for supervising and staffing Franchisee's Outlet and their travel and lodging accommodations, plus a fee not to exceed Five Hundred Dollars (\$500) per day. If we undertake to operate the Outlet pursuant to this Section 17(g), Franchisee agrees to indemnify and hold Franchisor or its affiliate (and its representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of our operation of the franchised business.

(h) Cross-Defaults. Any default by Franchisee (or any owner or Affiliate of Franchisee's) under this Agreement shall be a default under any other agreement between Franchisor (or any of Franchisor's Affiliates) and Franchisee (or any owner or Affiliate of Franchisee's). Any such default under any other agreement or any other obligation between Franchisor (or any of Franchisor's Affiliates) and Franchisee (or any owner or Affiliate of Franchisee's) shall be a default under this Agreement. Any default by Franchisee (or any owner or

Affiliate of Franchisee's) under any lease, sublease, loan agreement, or security interest may be regarded as a default under this Agreement, regardless of whether or not any such agreements are between Franchisee (or any owner or Affiliate of Franchisee's) and Franchisor (or any of Franchisor's Affiliates).

(i) **Extended Cure Period.** Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to grant to Franchisee in Franchisor's sole discretion an extended cure period for any breach. Franchisee acknowledges that Franchisor's decision to grant such an extended cure period shall not operate as a waiver of any of Franchisor's rights and that Franchisor can choose to condition such an extension upon the signing of a General Release by Franchisee, each owner and Affiliates of Franchisee's.

18. Obligations upon Termination or Expiration.

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Outlet franchised under this Agreement:

(a) Franchisee shall immediately cease to operate the business licensed under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a COVIS franchisee with respect to such business;

(b) Franchisee shall immediately and permanently cease to use, in any manner whatsoever, all confidential information, methods, procedures and techniques used by or associated with the System, and the proprietary Marks COVIS and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the COVIS Chain;

(c) Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor and shall cease to use, and either destroy or convey to Franchisor, all signs, advertising materials, displays, stationery, forms and any other materials that bear or display the Marks;

(d) Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the mark COVIS or any other Marks of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination or expiration of this Agreement;

(e) Franchisee shall, if Franchisor so requests, assign or sublease to Franchisor any interest which Franchisee has in any lease for the Premises, provided such Premises is not Franchisee's home. In the event Franchisor does not elect to exercise its option to acquire any lease for the Premises, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination or expiration of this Agreement, make such modifications and alterations to the Premises as may be necessary to distinguish the appearance

of the Premises from that of other COVIS outlets and shall make such specific additional changes thereto as Franchisor may reasonably request;

(f) Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and the termination. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated;

(g) Franchisee shall pay to Franchisor all damages, costs and expenses including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement;

(h) Franchisee shall immediately deliver to Franchisor all Manuals, policy and procedure statements, instructions, and other materials related to operating the Outlet, including, without limitation, brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing;

(i) Franchisor shall have the option, to be exercised within thirty (30) days of termination, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, directory listings and advertisements (whether in print or part of an internet directory), and email addresses and/or internet domain names which contain the Mark of Franchisor or its affiliates, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted herein. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

(j) Franchisee shall comply with the covenants contained in this Agreement, including, but not limited to, the covenants not to compete and the covenants not to disclose trade secrets or confidential information.

(k) Comply with the purchase option set forth in Article 13(c).

19. Independent Contractor; Indemnification.

(a) Independent Contractor. It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to the normal rule of contract law. This Agreement does not create a fiduciary relationship between the parties and Franchisee is and shall remain an independent contractor. Franchisee agrees to hold itself out to the public as an independent contractor, separate and apart from Franchisor. Franchisee agrees that it shall not make any contract, agreement, warranty, or representation on the Franchisor's behalf without Franchisor's prior written consent, and Franchisee agrees that it shall not incur any debt or other obligation in Franchisor's name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

(b) Indemnification. Franchisor shall not be liable by reason of any act or omission of Franchisee in its conduct of the Outlet or for any claim, cause of action or judgment arising therefrom against Franchisee or Franchisor. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its officers, director, agents, and employees from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which Franchisor shall be a name defendant and which arises, directly or indirectly, out of the operation of, or in connection with, the Outlet, other than a claim resulting directly from Franchisor's negligence.

(c) Data Mining. All data provided by Franchisee, uploaded to Franchisor's system from Franchisee's system, and/or downloaded from Franchisee's system to Franchisor's system, is, and will be owned exclusively by Franchisor and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

(d) Privacy. Subject to commercial standards of reasonableness based upon local business practices, Franchisor may, from time-to-time, specify in the Operating Manual (or otherwise in writing) the information that Franchisee shall collect and maintain on the required software, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to or derived from the

Franchised Business (including, without limitation, data pertaining to or otherwise about customers) is and shall be the exclusive property of Franchisor, and Franchisor hereby grants a royalty-free nonexclusive license to Franchisee to use said data during the term of this Agreement. Franchisee shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

(e) **Payment of Taxes.** Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties, any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or lease of property or property rights provided by this Agreement other than taxes on Franchisor's net income.

20. Franchisee Representations.

(a) **FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESSMAN OR BUSINESS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, OR GUARANTEE, OR REPRESENTATION OTHER THAN AS SET FORTH IN THE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF THE FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS, OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE APPROVED LOCATION OF THE OUTLET. FRANCHISOR HAS NOT REPRESENTED THAT (I) FRANCHISEE WILL EARN, CAN EARN, OR IS LIKELY TO EARN A GROSS OR NET PROFIT, (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET, OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE OUTLET;**

(b) **FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE COMPLETE FRANCHISOR'S DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, THE ATTACHMENTS THERETO, AND THE AGREEMENTS RELATED THERETO, IF ANY, AT LEAST FOURTEEN (14)**

CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS SIGNED OR CONSIDERATION EXCHANGED.

(c) FRANCHISEE ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT OTHER FRANCHISEES OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED FRANCHISES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. FRANCHISEE FURTHER ACKNOWLEDGES THAT THE PROVISION OF THE FRANCHISE AGREEMENTS PURSUANT TO WHICH SUCH FRANCHISES WERE GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT FRANCHISEE'S OBLIGATION ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER FRANCHISEES; AND

(d) FRANCHISEE RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE LICENSE AND OPERATION OF THE OUTLET INVOLVE AN INVESTMENT OF SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF FRANCHISEE AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING BUT NOT LIMITED TO LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY FRANCHISEE. EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE FRANCHISED BUSINESS IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (1) COVIS OR COVIS AFFILIATES DO NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS; AND (2) FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE FRANCHISOR SYSTEM OR THE OPERATION OF THE FRANCHISED BUSINESS, WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE MANUAL.

(e) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE MAKES THE FOLLOWING REPRESENTATIONS AND WARRANTIES: (1) FRANCHISEE IS DULY ORGANIZED AND VALIDLY EXISTING UNDER THE LAWS OF THE STATE OF ITS FORMATION; (2) FRANCHISEE IS QUALIFIED TO DO BUSINESS IN

THE STATE OR STATES IN WHICH THE FRANCHISED BUSINESS IS LOCATED; (3) EXECUTION OF THIS AGREEMENT AND THE DEVELOPMENT AND OPERATION OF THE FRANCHISED BUSINESS IS PERMITTED BY ITS GOVERNING DOCUMENTS; AND (4) FRANCHISEE'S ARTICLES OF INCORPORATION, ARTICLES OF ORGANIZATION OR WRITTEN PARTNERSHIP AGREEMENT SHALL AT ALL TIMES PROVIDE THAT FRANCHISEE'S ACTIVITIES ARE LIMITED EXCLUSIVELY TO THE DEVELOPMENT AND OPERATION OF THE COVIS FRANCHISED BUSINESS.

(f) IF FRANCHISEE IS AN INDIVIDUAL, OR A PARTNERSHIP COMPRISED SOLELY OF INDIVIDUALS, FRANCHISEE MAKES THE FOLLOWING ADDITIONAL REPRESENTATIONS AND WARRANTIES: (A) EACH INDIVIDUAL HAS EXECUTED THIS AGREEMENT; (B) EACH INDIVIDUAL SHALL BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND A BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT; AND (C) NOTWITHSTANDING ANY TRANSFER FOR CONVENIENCE OF OWNERSHIP, PURSUANT TO THIS AGREEMENT, EACH INDIVIDUAL SHALL CONTINUE TO BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND A BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT. IF FRANCHISEE VIOLATES A TERM OR CONDITION CONTAINED WITHIN THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, WITHHOLDING ANY MONIES OWED TO FRANCHISOR IN THE ABSENCE OF A COURT ORDER PERMITTING THE WITHHOLDING OF SUCH MONIES, FRANCHISEE SHALL REIMBURSE FRANCHISOR FOR ALL REASONABLE COSTS INCURRED BY FRANCHISOR IN PURSUING THE ENFORCEMENT OF THIS AGREEMENT. THESE COSTS SHALL INCLUDE, BUT NOT BE LIMITED TO, COURT COSTS AND FEES, ACCOUNTING COSTS AND FEES, EXPERT WITNESS COSTS AND FEES, REASONABLE ATTORNEYS' FEES, THE REASONABLE VALUE OF FRANCHISOR'S EMPLOYEES' TIME, WITNESS FEES AND TRAVEL EXPENSES INCURRED BY FRANCHISOR. THE RECOVERY OF THE COSTS AND FEES SPECIFIED ABOVE SHALL INCLUDE THE RECOVERY OF ALL COSTS AND FEES INCURRED BY FRANCHISOR RELATING TO OR ARISING FROM ANY AND ALL DEFENSES, COUNTERCLAIMS AND/OR CROSSCLAIMS ASSERTED BY FRANCHISEE OR THE PERSONAL GUARANTORS UNDER THIS AGREEMENT. THIS OBLIGATION WILL GIVE RISE TO AND REMAIN A LIEN IN FAVOR OF FRANCHISOR AGAINST ANY AND ALL OF THE PERSONAL PROPERTY, GOODWILL, CASH, FURNISHINGS, EQUIPMENT, SIGNS, FIXTURES AND INVENTORY OWNED BY FRANCHISEE AND LOCATED ON AND AROUND THE PREMISES OPERATED PURSUANT TO THIS AGREEMENT UNTIL FRANCHISEE IS IN FULL COMPLIANCE WITH THIS AGREEMENT AND ANY AMOUNTS OWED ARE PAID IN FULL. ALL COSTS TO BE COLLECTED BY FRANCHISOR

PURSUANT TO THIS PROVISION SHALL BE COLLECTED VIA ELECTRONIC BANK TRANSFER AS SPECIFIED IN THIS AGREEMENT.

(g) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE HAS PROVIDED TO FRANCHISOR A CURRENT LIST OF ALL OWNERS AND FRANCHISEE AGREES THAT FRANCHISEE WILL ADVISE FRANCHISOR OF ANY AND ALL CHANGES IN OWNERSHIP.

(h) IF FRANCHISEE IS A CORPORATION, FRANCHISEE SHALL MAINTAIN STOP-TRANSFER INSTRUCTIONS AGAINST THE TRANSFER ON ITS RECORDS OF ANY VOTING SECURITIES, AND EACH STOCK CERTIFICATE OF THE CORPORATION SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF THIS STOCK IS SUBJECT TO THE RESTRICTION IMPOSED ON ASSIGNMENT BY CREATING OUTDOOR VISIONS IN STONE, INC.'S FRANCHISE AGREEMENT(S) TO WHICH THE CORPORATION IS A PARTY." IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH MEMBERSHIP OR MANAGEMENT CERTIFICATE OR OTHER EVIDENCE OF INTEREST IN FRANCHISEE SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF AN INTEREST IN THIS LIMITED LIABILITY COMPANY IS SUBJECT TO THE RESTRICTIONS IMPOSED ON ASSIGNMENT BY CREATING OUTDOOR VISIONS IN STONE, INC.'S, FRANCHISEE AGREEMENT(S) TO WHICH THE LIMITED LIABILITY COMPANY IS A PARTY." IF FRANCHISEE IS A PARTNERSHIP OR LLC, ITS WRITTEN AGREEMENT SHALL PROVIDE THAT OWNERSHIP OF AN INTEREST IN THE PARTNERSHIP IS HELD SUBJECT TO, AND THAT FURTHER ASSIGNMENT OR TRANSFER IS SUBJECT TO, ALL RESTRICTIONS IMPOSED ON ASSIGNMENT BY THIS AGREEMENT.

(i) Franchisee covenants that during the Term, it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Franchised Business and other franchised businesses established and operated by Franchisee under the System.

(j) Franchisee and all guarantors hereof acknowledge and agree that the obligations regarding the use of Confidential Information and trade secrets set forth in this Agreement will apply throughout the Term and after the expiration or termination of this Agreement, without limitation as to time or geographic scope. Franchisee covenants that upon termination or expiration, Franchisee will immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, trade secrets, methods, procedures and techniques associated with the System.

(k) Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Franchisor's approval of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

21. Governing Law, Jurisdiction and Venue.

(a) **Arbitration.** Franchisee acknowledge that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of North Carolina, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised, and where Agreement was rendered binding. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Franchisee and Franchisor, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days' written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in the City of Raleigh, North Carolina, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection (AAA), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee and Franchisor agree that arbitration shall be conducted on an individual – not a class-wide basis. Furthermore, Franchisee and Franchisor agree that the arbitrator or arbitrators shall not have authority to declare any Mark owned by Franchisor, its affiliate or that is otherwise a part of the System to be generic or invalid. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. Unless the parties agree in writing at the time an arbitration proceeding is commenced to have a single arbitrator, the matter shall be heard by three (3) arbitrators, with each party selecting one (1) arbitrator and the third (3) arbitrator to be selected by the AAA.

The arbitrator selected by the AAA shall have at least ten (10) years' experience in practicing franchise law, during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

(b) Injunctive Relief. Notwithstanding the provisions of Section 21(a) above, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, or in the first instance from an Arbitrator, to restrain any conduct by Franchisee in the development or operation of the Outlet that could materially damage the good will associated with the Marks and the Chain, provided that if Franchisee counters, as Franchisee may, by initiating arbitration, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Franchisee agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks.

(c) Attorney's Fees and Costs. The non-prevailing party agrees to reimburse the prevailing party for all expenses reasonably incurred (including attorney's fees): (i) to enforce the terms of this Agreement, an obligation owed to Franchisor by Franchisee and/or the Owners, or an obligation owed to Franchisee by Franchisor; and (ii) in the defense of any claim that one party asserts against the other party on which the prevailing party substantially prevails in court, arbitration or other formal legal proceedings, whether incurred prior to or in preparation for such proceedings or thereafter. In the event Franchisor is the prevailing party, Franchisor has the right to be reimbursed by Franchisee through initiation of an EFT.

(d) JURY TRIAL AND CLASS ACTION WAIVER. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND FRANCHISEE. NOTHING IN THIS PARAGRAPH SHALL AFFECT THE APPLICATION OF SECTION 21(b). NEITHER FRANCHISEE NOR FRANCHISOR SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER

PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE AND ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS OR GROUP ACTION. IF FRANCHISEE WANTS TO WAIVE THIS PROVISION, FRANCHISEE CAN DO SO BY PAYING TO FRANCHISOR PRIOR TO SIGNING THIS AGREEMENT AN AMOUNT EQUAL TO THE GREATER OF 15% OF THE INITIAL FRANCHISE FEE OR FIVE THOUSAND DOLLARS (\$5,000). THE PARTIES ACKNOWLEDGE THAT THIS AMOUNT IS A REASONABLE ESTIMATE OF THE VALUE OF THE WAIVER. UPON RECEIPT OF THIS AMOUNT, FRANCHISOR WILL GIVE FRANCHISEE A WRITTEN RECEIPT, ACKNOWLEDGING THE PAYMENT THEREOF AND FRANCHISEE'S RIGHT TO ARBITRATE ON A CLASS WIDE BASIS (OR JOIN ANY THIRD-PARTY CLAIM). WITHOUT THIS RECEIPT, FRANCHISEE MAY NOT ARBITRATE ON A CLASS-WIDE BASIS (OR JOIN ANY THIRD-PARTY CLAIM).

(e) WAIVER OF CERTAIN DAMAGES. EXCEPT FOR FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR UNDER THIS AGREEMENT AND CLAIMS WE BRING AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS, UNAUTHORIZED USE OR DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF FRANCHISEE'S OR ITS OWNERS NON-COMPETITION COVENANTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE ANY RIGHT TO OR CLAIM FOR PUNITIVE, CONSEQUENTIAL, MULTIPLE, INCIDENTAL OR OTHER DAMAGES IN EXCESS OF THE ECONOMIC DAMAGES ACTUALLY SUSTAINED, WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON STATUTORY OR COMMON LAW. EXCEPT FOR ANY SPECIFIC WRITTEN WARRANTIES EXPRESSLY PROVIDED IN CONNECTION WITH A SPECIFIC ITEM, FRANCHISOR SHALL NOT BE LIABLE TO ANY PERSON OR ENTITY IN RELATION TO ANY GOODS AND/OR SERVICES (INCLUDING ANY ASPECT OF THE LABOR OR INSTALLATION OF ANY EQUIPMENT, OR PRODUCTS) PROVIDED BY FRANCHISOR, FRANCHISOR'S AFFILIATES AND/OR ANY PERSON/COMPANY REFERRED/APPROVED BY FRANCHISOR OR THEM.

SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

(f) **Remedies Cumulative.** All rights and remedies conferred upon Franchisee and Franchisor by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

(g) **Nonwaiver.** No failure by Franchisor or Franchisee to take action on account of any default by the other, whether in a single instance or repeatedly shall constitute a waiver of any such default or of the performance required of Franchisee. No express waiver by Franchisee or Franchisor of any provision or performance hereunder or of any default by the other shall be construed as a waiver of any other or future provision, performance or default.

(h) **Governing Law.** This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of North Carolina and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of North Carolina and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be the Raleigh, North Carolina. Nothing in this Section 21(h) is intended, or shall be deemed, to make any North Carolina law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable. Any and all claims and actions arising out of or relating to this agreement, the relationship of franchisee and franchisor, or franchisee's operation of the franchised business, brought by franchisee against franchisor, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

22. Notices. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, or (ii) by registered or certified mail, return receipt requested, postage prepared, or by delivery to a nationally-recognized overnight courier service, in each case, addressed as follows, or to such other person or entity as either party shall designate by notice to the other in accordance herewith:

Franchisor: CREATING OUTDOOR VISIONS IN STONE, INC.
Attn: Chief Executive Officer
4904 Waters Edge Drive, Suite 200
Raleigh, North Carolina 27606

Franchisee: Address Identified on Attachment A.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) days after deposit in registered or certified U.S. Mail as described above.

23. Guaranty of Payment. Each owner of Franchisee (Guarantor), individually and unconditionally, by execution of this Agreement, jointly and severally guarantees the payment and performance of any and all of Franchisee's obligations under this Agreement (the Obligations). This Section 23 is referred to herein as the Guaranty.

(a) Guarantor expressly waives: (i) Notice of acceptance of this Guaranty by Franchisee; (ii) presentment and demand for payment of any of the Obligations; (iii) protest and notice of dishonor or of default to Guarantor or to any other party with respect to the Obligations; and (iv) notice of Franchisor amending, substituting for, releasing, waiving or modifying any of the Obligations.

(b) This Guaranty is a guaranty of payment, not of collection. Guarantor agrees that this Guaranty may be enforced by Franchisor without the necessity at any time of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the Obligations in any manner, and Guarantor hereby waives any rights to require Franchisor to proceed against Guarantor or to require Franchisor to pursue any other remedy or enforce any other right, including any and all rights under Section 26-7 through Section 26-9 of the North Carolina General Statutes. Guarantor further agrees that nothing contained herein shall prevent Franchisor from suing on this Agreement, or from exercising any other rights available to Franchisor under this Agreement, and the exercise of any such rights shall not constitute a discharge of any of Guarantor's obligations hereunder shall be absolute, independent and unconditional under any and all circumstances. Neither Guarantor's obligation under this Guaranty nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release, or limitation of the liability of Guarantor or any Co-Guarantors, or by reason of Guarantor's or any Co-Guarantors' bankruptcy or insolvency.

(c) This Guaranty shall continue in full force and effect until the Obligations are fully paid, performed and discharged. This Guaranty covers the Obligations, whether presently outstanding or arising subsequent to the date hereof. Guarantor warrants and represents to Franchisor: (i) that this Guaranty is binding upon and enforceable against Guarantor, in accordance with its terms; (ii) that the execution and delivery of this Guaranty does not violate or constitute a breach of any agreement to which Guarantor is a party or of any applicable laws; and (iii) that there is no litigation, claim, action or proceeding pending, or, to the best knowledge of Guarantor, threatened against Guarantor which would

materially adversely affect the financial condition of Guarantor or his ability to fulfill his obligations hereunder.

24. Miscellaneous.

(a) **Severability.** The invalidity or unenforceability of any one or more provision of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

(b) **Construction.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require. All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement as Franchisee.

(c) **Entire Agreement.** This Agreement, the documents incorporated herein by reference and the exhibits and attachments hereto, comprise the entire agreement between the parties and all prior understandings or agreements concerning the subject matter hereof are canceled and superseded by this Agreement, except that nothing in this Agreement or any related agreement is intended to disclaim any representations made in the Franchise Disclosure Document. This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of the Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

(d) **Affiliate.** As used in this Agreement, the term Affiliate shall mean any person or entity that is a COVIS franchisee of Franchisor or any sublicensee of Franchisor.

(e) **Assignees.** This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

(f) **Amendments.** Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by 75% of the then-current Franchisees. Otherwise, except for those permitted to be made unilaterally by Franchisor, no supplement, amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(g) **Waivers.** No failure of Franchisor to exercise any right given to it hereunder, or to insist upon strict compliance by Franchisee with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand full and exact compliance by Franchisee and shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission of Franchisor to exercise any right arising from such default affect or impair Franchisor's rights as to such default or any subsequent default. Franchisor has the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement, standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, or any Affiliate of Franchisee or Franchisor, without liability

(h) **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. One or more counterparts can be delivered by facsimile or .pdf file transmission.

(i) **Headings.** The headings used in the Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(j) **Time of Essence.** Franchisee agrees and acknowledges that time is of the essence with regard to Franchisee's obligations hereunder, and that all of Franchisee's obligations are material to Franchisor and this Agreement.

(k) **Territory Boundaries.** Territory boundaries are as described in the Site Selection Addendum, which is Attachment B.

(l) **Agreement Binding Upon Signature of Franchisor.** Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

(m) **Evolving Agreements.** Franchisee acknowledges that Franchisor has entered, and will continue to enter, into agreements with other Franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and Franchisees other than Franchisee may have different rights and obligations does not affect the parties' duty to comply with this Agreement.

(n) **Delegation.** Franchisor shall have the right to delegate Franchisor's duties under this Agreement to any affiliated or non-affiliated entity, agent, or employee and Franchisee agrees to such assignment without any right to approve such actions.

(o) **Security Interests.** Franchisee agrees to give no security interests, pledges or encumbrances in Franchisee's inventory, leasehold, fixtures, securities or franchise agreement without the prior written approval of Franchisor, which shall not be deemed a consent to assignment. Franchisor will not unreasonably withhold approval but is legitimately concerned to ensure: (a) that Franchisee not lose the business; (b) that the business not be lost to the franchise system; (c) any grant of a security interest will not impede or threaten Franchisor's security interest granted in the attached Security Agreement, hereby incorporated by reference, and (d) that Franchisor not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee.

(p) **Fines.** Other than fines issued pursuant to Section 11(n)(ii) above, for each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, offers unauthorized products or services, or otherwise fails to comply with System standards communicated to Franchisee, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to One Thousand Dollars (\$1,000) per occurrence. Alternatively, in the case of failure to attend required training or franchisor sponsored conventions, Franchisee's royalty fee for the balance of the calendar year shall increase by one percent (1%). The imposition of a fine pursuant to this section shall not act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, we have the right to collect any such fines by means of EFT.

(q) **Vendor Accounts.** Unless waived by Franchisor, for the first ninety (90) days following the opening of the Outlet, Franchisee agrees to operate on a cash on delivery (COD) basis with all approved suppliers. Following the 90-day COD period, provided Franchisee is current on all accounts, Franchisee shall have the right to apply for credit with the approved suppliers at terms to be approved by the supplier in each supplier's discretion.

(r) **Electronic Access.** Franchisor shall have the right at all times to access all information related to the operation of the Franchised Business from a remote location, without the need for Franchisee's further consent, including, but not limited to security camera systems through IP internet addresses using a required password. Franchisee shall at all times provide Franchisor with active passwords and login credentials.

(s) **Final Act.** The last signature applied to this Agreement shall be the signature of Franchisor's Chief Executive Officer at Franchisor's headquarters in North Carolina. The Agreement shall not be binding on Franchisor until signed by Franchisor.

FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND

REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER. IN ADDITION, FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH THE FRANCHISED BUSINESS WILL BE OPERATED. FRANCHISEE MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE FRANCHISED BUSINESS, FRANCHISOR IS NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM FRANCHISEE.

*

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

*

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

Franchisor:

**CREATING OUTDOOR VISIONS
IN STONE, INC.**

By: _____
Marc Genest, Chief Executive Officer

Franchisee:

By: _____
Name: _____
Title: _____

Shareholder(s) and Guarantor(s):

By: _____
Name: _____
Capacity: _____

By: _____
Name: _____
Capacity: _____

By: _____
Name: _____
Capacity: _____

By: _____
Name: _____
Capacity: _____

ATTACHMENT A TO FRANCHISE AGREEMENT

Fees and Payments

Initial Franchise Fee

The Initial Franchise Fee shall be payable as follows:

Twenty-Five Thousand Dollars (\$25,000), due with the execution of this Agreement.

Continuing Royalty

Percent of the Monthly Gross Sales. For purposes of this Attachment A, "Monthly Gross Sales" shall mean the gross sales of the Outlet (of any type), whether payment is evidenced by cash, credit, check, gift certificate, gift card, script, or other property or services and whether collected or not from Franchisee's monthly gross sales calculation (i.e., bank or credit card company fees and gift card vendor fees, excluding any sales tax amounts (including the face amount of all gift cards, which are included at the time of redemption) and gift card redemptions, for the month immediately preceding the due date of the Continuing Royalty as set forth in Section 3(a)(iii) of this Agreement. Beginning after the 3rd month through the 11 month of operation, the minimum monthly royalty will be \$1,500/month and beginning in the 12th month of operation and thereafter, the minimum monthly royalty will be \$2,500/month ("Minimum Continuing Royalty").

A.

For each territory each calendar year:

6% of Gross Sales until Franchisee's Gross Sales for the calendar year reach \$500,000;

5% of Gross Sales when Gross Sales are above \$500,000 and below \$1,000,000 during the calendar year;

4% of Gross Sales when Gross Sales are above \$1,000,000 and below \$2,000,000 during the calendar year;

2% of Gross Sales when Gross Sales are above \$2,000,000 and below \$4,000,000 during the calendar year; and

1% of Gross Sales when Gross Sales are greater than \$4,000,000 in the calendar year.

No deduction is allowed for payment provider fees. In the event Franchisee uses a group buying service such as Groupon or Living Social, Monthly Gross Sales shall

include the entire retail price of the services, goods or products sold before the application of any discount or coupon.

The following address is Franchisee's address under Section 23 of the Franchise Agreement.

Franchisee's Address for Notice:

ATTACHMENT B TO FRANCHISE AGREEMENT

SITE SELECTION ADDENDUM

CREATING OUTDOOR VISIONS IN STONE, INC. (Franchisor) and _____ (Franchisee) have this, the _____ day of _____, 20____ entered into a COVIS Franchise Agreement (Franchise Agreement) and desire to supplement its terms as set out below in this Site Selection Addendum (Addendum). The parties hereto agree as follows:

AGREEMENT

1. Time to Locate Site: Within three (3) months after the Effective Date of the Franchise Agreement (as defined herein) with such other extensions, if any, granted in writing in Franchisor's sole discretion, Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (an Outlet) at a site approved by Franchisor as hereinafter provided. Failure by Franchisee to acquire or lease a site for the Franchised Business within the time required in Section 1 hereof shall constitute a default under Section 17(c)(i) of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 18 of the Franchise Agreement.

2. Site Selection Assistance: Franchisor shall provide Franchisee with leasing guidelines (Leasing Guidelines) to assist Franchisee in its site selection. Franchisee must follow the Leasing Guidelines.

3. Site Selection Package Submission and Acceptance: Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisor shall have fifteen (15) days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, the proposed site as the location for the Outlet. In the event Franchisor does not disapprove a proposed site by written notice to Franchisee within said fifteen (15) days such site shall be deemed approved by Franchisor.

4. Lease Responsibilities: Within thirty (30) days of site acceptance by Franchisor, Franchisee shall sign a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's acceptance of any lease is conditioned upon inclusion in the lease of the Franchisor's standard Outlet Lease Rider attached hereto as Exhibit 1. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Outlet Lease Rider.

5. Site Evaluation Services: Franchisor shall have the right, but not the obligation, to perform any on-site evaluation as Franchisor may deem advisable. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request) for any Outlet to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

6. Approved Location: After the location for the Outlet is approved by Franchisor pursuant to Sections 1 and 3 hereof and leased or acquired by Franchisee pursuant to Section 4 hereof, the location shall constitute the Approved Location. The Approved Location shall be specified on a separate piece of paper and be attached hereto as Exhibit 2 hereto, which shall become a part of the Franchise Agreement.

7. Method of Determining Franchise Territory: The area of the Franchise Territory shall be a radius around the Approved Location of one (1) mile. The Franchise Territory shall be set forth on Exhibit 2 and become part of the Franchise Agreement.

8. This Site Selection Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Site Selection Addendum on the date first above written.

FRANCHISEE:

CREATING OUTDOOR VISIONS
IN STONE, INC.

Date: _____

Date: _____

By: _____

By: _____

Name: _____

Name: Marc Genest

Title: _____

Title: Chief Executive Officer

EXHIBIT 1

TO ATTACHMENT B TO FRANCHISE AGREEMENT

SITE SELECTION ADDENDUM

CREATING OUTDOOR VISIONS IN STONE, INC.

RIDER

TO THAT CERTAIN LEASE

DATED _____, 20____

(THE FORM LEASE)

BETWEEN

_____, A(N) _____

AS LANDLORD

AND

_____, A(N) _____

AS TENANT

FOR THE PREMISES (PREMISES) KNOWN AS

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. Permitted Use. The Premises are leased to Tenant for the operation of a franchised business which provides outdoor living construction, hardscape services and landscape services. The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant's services and products will be offered or sold.

2. Signage. Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises as approved by CREATING OUTDOOR VISIONS IN STONE, INC., a North Carolina corporation and franchisor of the COVIS concept (Franchisor).

3. Assignment and Subletting. Landlord's consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant's assets or business or an assignment or sublet to the Franchisor, any parent, subsidiary or affiliated corporation of Tenant or Franchisor, or another COVIS franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement as a result of a merger, reorganization or sale of all or substantially all of Tenant's assets. Tenant shall also have the right, without the consent of Landlord, to assign this Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be

formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

4. Notices; Opportunity to Cure. Copies of any demand letters, default notices or other similar notices of non-compliance (Notice) sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Marc Genest
Chief Executive Officer
CREATING OUTDOOR VISIONS IN
STONE, INC.
4904 Waters Edge Drive, Suite 200
Raleigh, North Carolina 27606

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon written notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

5. Option to Lease. Landlord hereby agrees that, in the event of (a) the termination or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give written notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination or expiration of the Franchise Agreement; (2) Franchisor's receipt of notice from Landlord that the Form Lease has been terminated; or (3) receipt of notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease; provided, however, that Franchisor's leasehold interest

shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a COVIS franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

6. **De-identification.** Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a COVIS franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

7. **Assignment of Interest.** This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. The Franchisor is an intended beneficiary of this Rider.

LANDLORD:

TENANT:

By: _____
Its: _____

By: _____
Its: _____

Agreed to:

FRANCHISOR:

CREATING OUTDOOR VISIONS IN STONE, INC.

By: _____
Name: Marc Genest
Title: Chief Executive Officer

EXHIBIT 2
TO ATTACHMENT B TO FRANCHISE AGREEMENT
SITE SELECTION ADDENDUM

APPROVED LOCATION AND FRANCHISE TERRITORY

The Approved Location will be at:

The Franchisee Territory will be:

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Exhibit 2 to the Site Selection Addendum on the date first above written.

FRANCHISEE:

FRANCHISOR:

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

ATTACHMENT C TO FRANCHISE AGREEMENT
SECURITY AGREEMENT

THIS SECURITY AGREEMENT (Security Agreement) is made this ____ day of _____, 20__, and effective as of ____ day of _____, 20__ (Closing) between _____, (circle correct business form) individual/partnership/limited partnership/corporation/limited liability company, resident or organized under the laws of the State of _____, whose principal business or residence address is at _____ (referred to as Debtor), _____ who is/are the sole shareholder(s) or member(s) of Debtor (Owner), and CREATING OUTDOOR VISIONS IN STONE, INC., a corporation organized under the laws of the State of North Carolina, and/or its subsidiaries and affiliates, headquartered at 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606 (Secured Party).

This Security Agreement is entered into with respect to and to secure the duties and obligations of Debtor to Secured Party as outlined in that certain franchise agreement executed by the parties and hereby incorporated by reference (Franchise Agreement).

Secured Party and Debtor agree as follows:

1. Definitions.

1.1 Collateral. The Collateral shall consist of all Accounts, Credit Card Receivables, Cash, Equipment, Fixtures, any and all rights existing or may be granted in the future under the Franchise Agreement entered into by Debtor and Secured Party, all Supporting Obligations, and to the extent not listed above as original collateral, proceeds and products of the foregoing.

1.2 Obligations. This Security Agreement secures the following:

- (i) Debtor's obligations under the Franchise Agreement and this Security Agreement;
- (ii) All of Debtor's obligations on any open accounts with Secured Party or its subsidiaries or affiliates;
- (iii) All of Debtor's other present and future obligations to Secured Party;
- (iv) The repayment of (a) any amounts that Secured Party may advance or spend for the maintenance or preservation of Collateral and (b) any other expenditures that Secured Party may make under the provisions of this Security Agreement or for the benefit of Debtor;

- (v) All amounts owned under any modifications, renewals or extensions of any of the foregoing obligations;
- (vi) All other amounts now or in the future owed by Debtor and/or Owner to Secured Party, including, but not limited to, obligations related to a Debtor/Owner Guaranty agreement; and
- (vii) Any of the foregoing that arises after the filing of a petition by or against Debtor under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.

1.3 UCC. Any term used in the Uniform Commercial Code (UCC) and not defined in this Security Agreement has the meaning given to the term in the UCC.

2. Grant of Security Interest. Debtor grants a security interest in the Collateral to Secured Party to secure the payment or performance of the Obligations.

3. Perfection of Security Interest.

3.1 Filing of Financing Statement.

- (i) Debtor authorizes Secured Party to file a financing statement without Debtor's signature (the Financing Statement) describing the Collateral.
- (ii) Debtor authorizes Secured Party to file a financing statement (the Financing Statement) describing any agricultural liens or other statutory liens held by Secured Party;
- (iii) Secured Party shall receive prior to Closing an official report from the Secretary of State for each Collateral State, Chief Executive Office State, and the Debtor State (each as defined below) (the SOS Reports) indicating that Secured Party's security interest is prior to all other security interest or other interests reflected in the report.

3.2 Possession.

- (i) Debtor shall have possession of the Collateral, except where expressly otherwise provided in this Security Agreement or where Secured Party chooses to perfect its security interest by possession in addition to the filing of a financing statement.
- (ii) At the option of Secured Party, Debtor shall tender possession of any and all requested Collateral to Secured Party in order for Secured Party to maintain its priority by possession.

- (iii) Where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgement from the third party that it is holding the Collateral for the benefit of Secured Party. Debtor agrees to pay all costs associated with obtaining the third party's written acknowledgement as required above. In the event that the third party fails to provide the required written acknowledgement within thirty (30) days after the initial request for said acknowledgement, Secured Party shall have the right to repossess the Collateral in the third party's possession. Debtor agrees to indemnify Secured Party for all costs, including attorneys' fees and court costs, associated with the repossession of the collateral.

4. **Post-Closing Covenants and Rights Concerning the Collateral.**

4.1 **Inspection.** The parties to this Security Agreement may inspect any Collateral in the other party's possession, at any time upon reasonable notice.

4.2 **Personal Property.** Debtor shall not affix any of the Collateral that is personal property to any real property in any manner which would change its nature from that of personal property to real property or to a fixture.

4.3 **Secured Party's Collection Rights.** Secured Party shall have the right at any time to enforce Debtor's rights against the account debtors and obligators.

4.4 **Limitations on Obligations Concerning Maintenance of Collateral.**

- (i) **Risk of Loss.** Debtor has the risk of loss of the Collateral.
- (ii) **No Collection Obligation.** Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.
- (iii) **Insurance.** The Debtor shall have and maintain adequate insurance on the Inventory and shall present to the Secured Party, upon request, evidence of such insurance. The Secured Party reserves the right to require insurance with higher limits or for additional or different risks than that obtained by the Debtor, and the Debtor shall promptly comply with any such request. The Debtor and the Secured Party, as their interests may appear, shall be designated as the beneficiaries of all such insurance policies.

4.5 **No Disposition of Collateral Other Than Inventory.** Secured Party does not authorize, and Debtor agrees not to:

- (i) Make any sales or leases of any of the Collateral;
- (ii) License any of the Collateral; or
- (iii) Grant any other security interest in any of the Collateral and shall keep the Collateral free from liens and encumbrances of any kind whatsoever, without the prior written approval of Secured Party, which consent shall not be unreasonably withheld.

4.6 Protection of Security Interest. Secured Party shall pay all costs in connection with the filing of a financing statement and, if required by law, Debtor shall execute alone or in connection with Secured Party any financing statements or other documents in connection with the perfection of any such security interest.

5. Debtor's Representations and Warranties. Debtor warrants and represents the following:

5.1 Title to and transfer of Collateral. Debtor has rights in or the power to transfer the Collateral and Debtor's title to the Collateral is free from all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Security Agreement.

5.2 Location of Collateral. During the time period Collateral has been owned by Debtor, All Collateral consisting of goods has been, is, and will be located solely in the States (the Collateral States) as noted on the signature page of this Security Agreement.

5.3 Location, State of Incorporation State of Legal Residence, and Name of Debtor. Debtor makes the following representations:

5.3.1 Individual Debtor. If Debtor is an individual, Debtor makes the following representations:

- (i) Debtor is an individual operating as an unincorporated sole proprietorship;
- (ii) Debtor's state of legal residence (the Debtor State) is the same state where the franchise is located; and
- (iii) Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement.

5.3.2 General Partnership. If Debtor is an unregistered general partnership, Debtor makes the following representations:

- (i) Debtor is a general partnership;

- (ii) Debtor's principal place of business is the same state where the franchise is located; and
- (iii) Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement.

5.3.3 Registered Entity Debtor. If Debtor is a registered entity (i.e., corporation, limited partnership, limited liability partnership, or limited liability company), Debtor makes the following representations: chief executive office is located in the same State where the franchise is located (the Chief Executive Office State);

- (i) Its chief executive office is located in the same State where the franchise is located (the Chief Executive Office Address);
- (ii) Debtor is a validly created entity as identified on the signature page hereto and receives its legal right of existence from the laws of the State of its organization, which State is the State identified on the signature page hereto (the Debtor State); and
- (iii) Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement.

6. Debtor's and Owner's Covenants. Until the Obligations are paid in full, Debtor and Owner agrees that it Debtor will:

- 6.1** If Debtor is an organized entity, Debtor shall preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, dissolve, or sell all or substantially all of its assets;
- 6.2** If Debtor is an organized entity, Debtor shall not change the state of its Organization as stated in Paragraph 5.3 of this Agreement; and
- 6.3** Not change its legal name without providing Secured Party with thirty (30) days' prior written notice.
- 6.4** The ownership of Debtor will not change without the prior written consent of Secured Party.
- 6.5** The principal officers of Debtor will properly perform their duties and no principal officer will be absent from the place of business for a period of more than two (2) weeks without the prior written consent of Secured Party.
- 6.6** Debtor will not change the location of the Collateral without the prior written consent of Secured Party.

- 6.7** Debtor shall not grant a security interest in, lease or otherwise encumber the Collateral unless the Secured Party has given its prior written consent, and the Debtor shall keep the Collateral free from liens for taxes and other obligations and from encumbrances of any kind whatsoever.
- 6.8** Debtor shall remain in good standing and comply with all of Debtor's obligations under the terms of the Franchise Agreement.
- 7. Events of Default.** The occurrence of any of the following shall, at the option of Secured Party, be an Event of Default (Event of Default):
- 7.1** Any default of any of the Obligations, including, but not limited to, Event of Default (as defined) by Debtor a default by Debtor under any of the Obligations of Debtor to Secured Party;
- 7.2** Debtor's failure to comply with any of the provisions of, or the incorrectness of any representation, or warranty, or covenants contained in, this Security Agreement, the Franchise Agreement, or in any of the other Obligations;
- 7.3** Transfer or disposition of any of the Collateral, except as expressly permitted by this Security Agreement;
- 7.4** The entry of any judgment against the Debtor for an amount in excess of Five Thousand Dollars (\$5,000) if such judgment is not paid, bonded or cancelled within thirty (30) days of entry;
- 7.5** Attachment, execution or levy on any of the Collateral;
- 7.6** Secured Party has made payments to satisfy obligations of the Debtor and/or Owner to a Secured Party Guaranty;
- 7.7** Debtor and/or Owner have unsatisfied obligations to Secured Party pursuant to a Debtor/Owner Guaranty;
- 7.8** Debtor voluntarily or involuntarily becoming subject to any proceeding under (a) the Bankruptcy Code or (b) any similar remedy under state statutory or common law;
- 7.9** Debtor shall fail to comply with, or become subject to any administrative or judicial proceeding under any federal, state or local (a) hazardous waste or environmental law, (b) asset forfeiture or similar law which can result in the forfeiture of property, or (c) other law, where noncompliance may have any significant effect on the Collateral; or
- 7.10** Secured Party shall receive at any time following the Closing an SOS Report indicating that Secured Party's security interest is not prior to all other security interests or other interests reflected in the SOS Report;

- 7.11 Debtor has committed any Event of Default as defined under the terms of the Franchise Agreement, and/or any other agreements or obligations between Debtor and Secured Party, which Event(s) of Default shall constitute a cross default under the terms of this Agreement; or
- 7.12 If in the sole discretion of the Secured Party its position in regard to the Collateral has or is likely to become impaired due to the failure of the Debtor to comply with the terms of this Agreement, the laws of any state or nation, or for any other reason, the Secured Party may take possession of and dispose of the Collateral or may take the action it deems necessary to eliminate or avoid any such impairment.

8. **Default Costs.**

8.1 **Costs.** Should an Event of Default occur, Debtor will pay to Secured Party all costs reasonably incurred by the Secured Party for the purpose of enforcing its rights hereunder, including:

- (i) Costs and expenses incurred as a result of foreclosure;
- (ii) Costs of obtaining money damages; and
- (iii) Interest on the costs outlined above at an interest rate of eight percent (8%) per annum; and
- (iv) A reasonable fee for the services of attorneys employed by the Secured Party for any purposes related to this Security Agreement or the Obligations, including consultations, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration related to an Event of Default under this Agreement.

8.2 **Costs Secured.** All of the costs and expenses accrued under Paragraph 8.1 above shall be secured by the Collateral and the rights of the parties shall be governed by this Agreement with regard to the payment of any such costs and expenses.

9. **Remedies Upon Default.**

9.1 **General.** Upon any Event of Default, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC), or in equity to collect, enforce or satisfy any Obligations then owing, whether by acceleration or otherwise.

9.2 **Acceleration.** If any one or more of the Events of Default specified herein shall occur, the Secured Party may declare all Obligations secured hereby to be immediately due and payable without presentment, demand, protest or other notice of dishonor of any kind, all of which are hereby expressly waived. No delay in accelerating the maturity of any Obligation or taking

any other action with respect to any Events of Default shall affect the rights of Secured Party to take such action later and no waiver as to one Event of Default shall affect Secured Party's rights in regards to any other defaults.

9.3 Conforming Remedies. Upon any Event of Default, Secured Party shall have the right to pursue any of the following remedies separately, successively, or simultaneously:

- (i) File suit and obtain judgment and, in conjunction with any other action, Secured Party may seek any ancillary remedies provided by law, including levy of attachment and garnishment.
- (ii) Take possession of any Collateral if not already in its possession without demand and without legal process. Upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as the Secured Party may direct. Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where Collateral may be located.
- (iii) With or without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sales in accordance with the relevant provisions of the UCC.

10. Foreclosure Procedures.

10.1 No Waiver. No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default shall: (i) impair any right or remedy, (ii) waive any default or operate as an acquiescence to the Event of Default, or (iii) affect any subsequent default of the same or of a different nature.

10.2 Payment of Costs. Debtor shall pay to Secured Party, on demand, all costs or expenses incurred by Secured Party arising out of the exercise of any of the rights granted to Secured Party hereunder, including, but not limited to, the expenses of taking possession of the Collateral, storing it, transporting and disposing of it, and collecting the proceeds from disposition. Debtor hereby acknowledges and agrees that the Secured Party may and will incur attorneys' fees in exercising its rights hereunder and the Debtor hereby confirms that such fees are incurred in the costs and expenses for which it is responsible under this paragraph.

10.3 Notices. Secured Party shall give Debtor such notice of any private or public sale as may be required by the UCC.

10.4 Condition of Collateral. Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale.

- 10.5 No Obligation to Pursue Others.** Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations.
- 10.6 Compliance With Others Laws.** Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- 10.7 Warranties.** Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- 10.8 Sales of Credit.** If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds from the sale.
- 10.9 Purchases by Secured Party.** Secured Party may be a purchaser at any public or private sale of the Collateral. Debtor further expressly agrees that a purchase by Secured Party at a private sale would be a commercially reasonable disposition of the Collateral and that Secured Party
- 10.10 No Marshaling.** Secured Party has no obligation to marshal any assets in favor of Debtor, or against or in the payment of any obligations owed to Secured Party by Debtor.
- 10.11 Sales of Credit.** If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the Debtor. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds from the sale.
- 10.12 Purchases by Secured Party.** In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral being credited some or all of the Obligations of the Debtor.

10.13 No Marshaling. Secured Party has no obligation to marshal any assets in favor of Debtor, or against or in the payment of:

- (i) The Note;
- (ii) Any of the other Obligations; or
- (iii) Any other obligations owed to Secured Party by Debtor or any other person.

11. Miscellaneous.

11.1 Assignment.

- (i) Binds Assignees. This Security Agreement shall bind and shall inure to the benefit of the heirs, legatees, executors, administrators, successors, and assigns of Secured Party and shall bind all persons who become bound as a debtor to this Security Agreement.
- (ii) No Assignment by Debtor. Secured Party does not consent to any assignment by Debtor except as expressly provided in this Security Agreement.
- (iii) Secured Party Assignments. Secured Party may assign its rights and interests under this Security Agreement. If an assignment is made, Debtor shall render performance under this Security Agreement to the assignee. Debtor waives and will not assert against any assignee claims, defenses or set-offs which Debtor could assert against Secured Party except defenses which cannot be waived.

11.2 Severability. Should any provision of this Security Agreement be found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid, or unenforceable and shall not affect the remaining provisions of this Security Agreement.

11.3 Notices. Any notices required by this Security Agreement shall be deemed to be delivered when a record has been (i) deposited in any United States postal box if postage is prepaid, and if the notice properly addressed to the intended recipient, (ii) received by telecopy, (iii) received through the internet, and or (iv) when personally delivered at the address or number at which Secured Party customarily communicates with Debtor.

11.4 Headings. Section headings used in this Security Agreement are for convenience only. They are not a part of this Security Agreement and shall not be used in construing it.

11.5 Governing Law. This Security Agreement is being executed and delivered and is intended to be performed in the State of North Carolina and shall be construed and enforced in accordance with the laws of the State of North Carolina, except to the extent that the UCC provides for the application of the law of the Debtor State.

11.6 Rules of Construction.

- (i) No reference to proceeds in this Security Agreement authorizes any sale, transfer, or other disposition of the Collateral by the Debtor.
- (ii) “Includes” and “including” are not limiting.
- (iii) “Or” is not exclusive.
- (iv) “All” includes “any” and “any” includes “all.”

11.7 Integration and Modifications.

- (i) This Security Agreement is the entire agreement of the Debtor, Owner, and Secured Party concerning its subject matter.
- (ii) Any modifications to this Security Agreement must be made in writing and signed by the party adversely affected.

11.8 Waiver. Any party to this Security Agreement may waive the enforcement of any provisions to the extent the provision is for its benefit.

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11.9 Further Assurances. Debtor agrees to execute any further documents, and to take any further actions, reasonably required by Secured Party to evidence or perfect the security interest granted herein, to maintain the first priority of the security interests, or to effectuate the rights granted to Secured Party herein.

The parties have signed this Security Agreement as of the day and year first above written at Raleigh, North Carolina.

DEBTOR:

SECURED PARTY:

CREATING OUTDOOR VISIONS
IN STONE, INC.

By: _____
Name: _____
Title: _____
Company: _____

By: _____
Name: Marc Genest
Title: Chief Executive Officer

OWNER:

Name: _____

OWNER:

Name: _____
Type of Business Entity: _____
State of _____
Incorporation/Organization: _____

ATTACHMENT D TO FRANCHISE AGREEMENT

PERSONAL GUARANTY FROM OWNERS OF AN INTEREST IN FRANCHISEE

As an inducement to CREATING OUTDOOR VISIONS IN STONE, INC. (Franchisor) to sign the Franchise Agreement with _____ (Franchisee) dated _____ (Franchise Agreement), and in consideration of Franchisor, executing the Franchise Agreement and of the sum of One Dollar (\$1.00) now paid by Franchisor to shareholders, limited partners or members who own ten percent (10%) or more of the outstanding equity interest in Franchisee (Guarantors), the receipt of which is hereby acknowledged, Guarantors jointly and severally agree as follows:

1. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the days and times in the manner therein appointed for payment thereof.

2. Guarantors shall unconditionally guarantee full performance and discharge by Franchisee of all the obligations of Franchisee under the Franchise Agreement at the times and in the manner therein provided.

3. Guarantors shall indemnify and save harmless Franchisor and its affiliates against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur, or become liable for by reason of:

(a) the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Franchise Agreement; or

(b) any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing pursuant to the provisions of the Franchise Agreement.

4. Franchisor shall not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Guarantors herein set out, and the enforcement of such obligations may take place before, after, or contemporaneously with enforcement of any debt or obligation of Franchisee under the Franchise Agreement.

5. Without affecting the Guarantors' obligations under this Guarantee, Franchisor, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Franchisee or settle, adjust, or compromise any claims against Franchisee. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

6. Guarantors' obligations hereunder shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Franchise Agreement against Franchisee; (ii) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise; (iii) the bankruptcy, insolvency, dissolution, or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee; (iv) Franchisor's consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor's proceedings of or against Franchisee, or the winding-up or dissolution of Franchisee, or any other event or occurrence which would have the effect at law of terminating the existence of Franchisee's obligations prior to the termination of the Franchise Agreement; or (v) by any other agreements or other dealings between Franchisor and Franchisee having the effect of amending or altering the Franchise Agreement or Franchisee's obligations hereunder or by any want of notice by Franchisor to Franchisee of any default of Franchisee or by any other matter, thing, act, or omission of Franchisor whatsoever.

7. The provisions of Section 21 of the Franchise Agreement shall apply as to any interpretation or enforcement of this Guarantee, and the provisions of Section 22 of the Franchise Agreement shall apply to any notice to either party, except that notice to Guarantors shall be as follows:

NOTICE TO GUARANTORS

NAME

ADDRESS

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty from Owners of an Interest in Franchisee as of the date of the Franchise Agreement.

GUARANTORS:

Signature

Witness

Printed Name

Signature

Witness

Printed Name

Signature

Witness

Printed Name

CREATING OUTDOOR VISIONS IN STONE, INC.:

By: _____
Marc Genest,
Chief Executive Officer

ATTACHMENT E TO FRANCHISE AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (Agreement) is made and entered into this _____ day of _____, 20____ by and between CREATING OUTDOOR VISIONS IN STONE, INC., a North Carolina corporation (Company), located at 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606, and _____ (Associate), who resides at _____. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of an outdoor living construction business emphasizing stone masonry such as outdoor fireplaces, grill islands, seating, patios, walkways and stone veneer, landscape services, hardscape services and other related services and products (Franchise Business). The Franchise Businesses are operated under the Company's trademark COVIS and other service marks, trademarks, logo types, designs, trade dress and other commercial symbols (collectively, the Marks);

B. The Company has developed methods for establishing, operating and promoting Franchise Businesses pursuant to the Company's distinctive business format, plans, designs, methods, data, processes, supply systems, marketing systems, techniques, , layouts, operating procedures, Marks and information and know-how of the Company (Confidential Information and Trade Secrets) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company (System);

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of stone masonry, stone veneer, landscape services, hardscape services and other products and services available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, Manager, employee or as a beneficial owner of the Franchise Business, or is an immediate family member or domestic partner of a principal owning a Franchise Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for

the Company's willingness to allow Associate to engage in a business relationship with Company or a Franchisee of the Company using the Company's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the individual or entity described in the first paragraph of this Agreement and the Associate's managers, officers, beneficial owners, directors, employees, shareholders, partners, members, principals, immediate family members and domestic partners.

(b) "Territory" shall have the meaning defined in the Franchise Agreement.

(c) "Competitive Business" as used in this Agreement means any business offering, or granting franchises or licenses to others to offer a business that provides or offers for sale outdoor living construction, hardscape services or landscape services that are the same or similar to those sold or provided by the Franchised Businesses; provided, however, Associate will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate five percent (5%) or less of that class of securities issued and outstanding.

(d) "Confidential Information" shall mean without limitation, all knowledge, designs, business processing, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, email addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Company or its affiliates designates as confidential including all information contained in the Company's Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its affiliates, which may be changed or supplemented from time to time.

(e) "Franchise Agreement" shall mean the franchise agreement between Company and _____ (Franchisee) dated _____ as amended or renewed from time to time.

(f) "Authorized Territory" shall have the meaning defined in the Franchise Agreement.

(g) "Term" shall have the meaning defined in the Franchise Agreement.

(h) "Trade Secret(s)" shall mean information, including customer lists, pattern, compilation, program, device, method, technique or process related to the Franchise Business that both derives independent 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 is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Company acknowledge that the Confidential Information and Trade Secrets that are developed and utilized in connection with the operation of the Franchise Business is unique and the exclusive property of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its affiliates. Associate further acknowledges that the Company or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information of the Company or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Company before disclosure and used Associate's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

5. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Trade Secrets of the Company or its affiliates.

6. Noncompetition Covenant. Associate acknowledges that, in addition to the license of the Marks hereunder, the Company has also licensed commercially valuable information that comprises and is a part of the Franchise Business, including without limitation, the Confidential Information and Trade Secrets and that the value of this information derives not only from the time, effort and money that went into its compilation, but from the usage of the same by all franchisees of the Company using the Marks and System. Associate therefore agrees that other than the Franchise Business licensed under a Franchise Agreement, the Associate, will not during the Term and renewal Term of the Franchise Agreement:

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a director, partner, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchised Business, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

(d) without the Company's express written permission, which may be granted or denied in the Company's sole discretion, become an exclusive distributor for any third-party vendor or obtain exclusive distribution rights for any non-COVIS Products.

7. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, or termination of Associate's employment with Franchisee, Associate agrees that, for a period of two (2) years commencing on the effective date of termination or expiration of the Franchise Agreement, or termination of Associate's employment with Franchisee, or the date on which Associate or the Franchisee, ceases to conduct business, whichever is later, the Associate will not have any direct or indirect interest (through any immediate family member of Associate or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, manager, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating within a ten (10)-mile radius of Associate's or franchisee's franchised business or within a ten (10)-mile radius of any other franchised or company-owned Franchise Business. The

restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. Associate expressly acknowledges that Associate possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive Associate of Associate's personal goodwill, or ability to earn a living.

8. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

9. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and Trade Secrets and that any violation of this Agreement would cause substantial and irreparable injury to Company, and that Company would not have entered into a business relationship with Associate or the Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information and Trade Secrets. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit Associate to disclose any such Confidential Information or Trade Secrets in any circumstances.

10. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

12. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

13. **Governing Law.** This instrument shall be governed by and construed under the laws of the State of North Carolina.

14. **Jurisdiction and Venue.** In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of North Carolina, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of North Carolina. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of North Carolina. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

15. **Severability.** If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

16. **Attorneys' Fees.** In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

17. **Acknowledgment.** The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisor and/or the Franchisee may apply for the issuance of an injunction preventing me from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay the Franchisor and the Franchisee all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisor and the Franchisee, any claim I have against the Franchisor or the Franchisee is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to me.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

ASSOCIATE:

**CREATING OUTDOOR VISIONS IN
STONE, INC., a North Carolina
corporation**

By: _____

By: _____

Marc Genest

Printed Name

Printed Name

Chief Executive Officer

Title

Title

ATTACHMENT F TO FRANCHISE AGREEMENT
OPTION TO PURCHASE AGREEMENT

This OPTION TO PURCHASE AGREEMENT is entered into by and between CREATING OUTDOOR VISIONS IN STONE, INC., a North Carolina corporation having a principal place of business at 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606 (Franchisor) and _____, individually, having an address of _____ (Franchisee).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement pursuant to which Franchisor granted Franchisee a license to use the Marks and the System to operate a Franchise in and for a specified geographical area more-fully described in the Franchise Agreement (the Territory) and Franchisee desires and Franchisor is willing to grant Franchisee an option to acquire the territory described on Exhibit A hereto (the Additional Territory) in which to operate the Franchise.

NOW, THEREFORE, that for and in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Franchisor acknowledges and agrees that Franchisee has paid Franchisor the non-refundable sum of \$_____, which shall be credited toward the Initial Franchise Fee of \$_____ for the Additional Territory upon Franchisee's exercise of this option if the option is timely exercised as provided for in Paragraph 2 below.

2. Franchisee is hereby granted an option to acquire the rights to the Additional Territory for a period of eighteen (18) months from the effective date hereof (the Option Period), provided; however, that Franchisee must be in substantial compliance with the Franchise Agreement in order to exercise its option hereunder. All rights created hereunder shall terminate should Franchisee at any time be in material breach of the Agreement. So long as the foregoing conditions are fulfilled:

a. Franchisee may exercise this option at any time during the Option Period by notifying Franchisor in writing of Franchisee's intent to purchase the Additional Territory (if Franchisee does not notify Franchisor of its intent to exercise its option by the end of the Option Period, this option shall expire and the consideration paid shall be forfeited).

b. Franchisor shall deliver a franchise agreement (or an amendment adding the Additional Territory to Franchisee's existing Franchise Agreement) for the grant of the Additional Territory within twenty (20) business days after receipt of Franchisee's notice along with a copy of Franchisor's then-current Franchise Disclosure Document.

c. Franchisee shall sign and return the Franchise Agreement (or amendment, as the case may be) and pay all Initial Franchise Fees due thereunder within twenty (20) business days after receipt of the Franchise Agreement and Franchisor's then-current Franchise Disclosure Document; provided; however, that

notwithstanding the foregoing, Franchisee shall always have until the end of the Option Period to execute the Franchise Agreement and pay all initial franchise fees due thereunder.

d. The time period specified in Paragraphs 2(a)-(c) above shall be extended in the event Franchisor does not have a current Franchise Disclosure Document, which extension shall be equal to the number of additional days Franchisor requires to deliver the current Franchise Disclosure Document to Franchisee.

[SIGNATURE PAGE TO FOLLOW]

Signed on this _____ day of _____, 20_____

FRANCHISEE:

_____, individually

By:_____

Accepted as of the _____ day of _____, 20____, in
_____, _____.

FRANCHISOR:

CREATING OUTDOOR VISIONS IN STONE, INC.

By:_____

ATTEST:

EXHIBIT A

TO THE OPTION TO PURCHASE AGREEMENT

Additional Territory Description

***[INSERT TERRITORY DESCRIPTION]* Areas with Special Laws or Requirements:**

To the extent any portion of the territory includes area designated as an Indian Reserve, a governmental entity or other territory which may have separate or additional laws, regulations or other requirements for performing work in such territory, Franchisee is granted such territory only to the extent and for so long as Franchisee may become qualified under such separate or additional requirements to perform work in such area; knowledge of and compliance with such requirements being the sole responsibility of Franchisee.

ATTACHMENT G TO FRANCHISE AGREEMENT

EXCLUDED SERVICES ADDENDUM

This EXCLUDED SERVICES ADDENDUM (Addendum) is entered into by and between CREATING OUTDOOR VISIONS IN STONE, INC., a North Carolina corporation having a principal place of business at 4904 Waters Edge Drive, Suite 200, Raleigh, North Carolina 27606 (Franchisor) and _____ individually, having an address of _____ (Franchisee).

WHEREAS, Franchisor and Franchisee have contemporaneously herewith entered into a Franchise Agreement; and

WHEREAS, Franchisee [or its Affiliate] currently operates an existing business which offers services that are related to but distinguishable from the services provided by the Franchised Business; and

WHEREAS, Franchisor has agreed that, subject to Franchisee's [and, if applicable, its Affiliate's] continuing compliance with the conditions set forth in this Addendum, the continued operation of the services by the existing business shall not be deemed to be a violation of the Franchise Agreement and the gross sales attributable to such services shall not be included as Gross Sales under the Franchise Agreement;

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Identification of Existing Business. The name of the existing business authorized pursuant to this Addendum is: _____, and the services performed by the existing business are:

2. Authorization of Excluded Services Offered by the Existing Business. Anything in the Franchise Agreement to the contrary notwithstanding, the continued offer of the services by the existing business identified above shall not be deemed to be a violation of the Franchise Agreement and the gross sales of such services shall not be deemed to be Gross Sales under the Franchise Agreement; provided, that the conditions set forth in subparagraphs 2(a)-(d) are satisfied as of the date of this Addendum and throughout the term of the Franchise Agreement (including any extensions or renewals thereof):

(a) the operation of such existing business does not interfere with Franchisee's operation of the Franchised Business;

(b) the existing business does not utilize Franchisor's Marks, System or Confidential Information;

(c) the existing business offers only the services identified herein and does not offer the services provided by the Franchised Business or otherwise compete with the Franchised Business; and

(d) the Franchised Business and the existing business shall maintain separate books and records.

3. Effect of Failure to Comply with Conditions. If any of the conditions set forth in subparagraphs 2.(a)-(d) of this Addendum fail to be satisfied at any time, then the continued operation of the existing business shall be deemed to be a violation of the Franchise Agreement. In that event Franchisor may terminate the Franchise Agreement if Franchisee fails (or fails to cause its Affiliate) to cure the breach within a reasonable period of time, not to exceed ten (10) calendar days following written notice from Franchisor. Upon any termination of the Franchise Agreement pursuant to this provision, Franchisor shall be entitled to all legal and equitable remedies permitted by the Franchise Agreement and applicable law. Without limitation, the parties agree that Franchisor shall be entitled to collect, as liquidated damages and not as a penalty, an amount equal to the Royalty provided in the Franchise Agreement with respect to all Gross Sales of the existing business for all periods during which the breach is continuing or, if such period cannot be ascertained with certainty, during all periods during which this Franchise Agreement has been in effect. This provision shall survive the transfer expiration, termination or non-renewal of the Franchise Agreement or the Franchised Business for the time period set forth in the Franchise Agreement.

4. Inspections; Audits. Franchisee shall make and shall cause its Affiliate to make the books and records for the existing business available to Franchisor upon reasonable prior notice so that Franchisor may verify Franchisee's compliance with the separate books and records requirement set forth in subparagraph 2(d) above. In addition, the provisions of the Franchise Agreement regarding audit shall apply with respect to the existing business and Franchisor shall have the same rights to audit and require payment for the audit as with the Franchised Business.

5. Franchisee's Representations and Warranties. Franchisee hereby represents and warrants to Franchisor that: the existing business has fully empowered Franchisee to execute this existing business Addendum and that all necessary action for the execution of this existing business Addendum has been taken.

6. Construction. Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the provisions of the Franchise Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that all terms not defined herein shall have the meaning set forth for such terms in the Franchise Agreement, which shall be a part of this Addendum for all intents and purposes and the Franchise Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified specifically herein.

7. **No Restriction on In-Term and Post-Term Covenants.** Except as specifically stated in this Addendum nothing in the Franchise Agreement or this Addendum or in the terms used herein shall be construed in any way to limit or restrict the application of the provisions of the Franchise Agreement as it relates to this or any other business.

[SIGNATURE PAGE TO FOLLOW]

Signed on this _____ day of _____, 20____

FRANCHISEE:

_____, individually

By: _____

Accepted as of the _____ day of _____, 20____, in
_____, _____.

FRANCHISOR:

CREATING OUTDOOR VISIONS IN STONE, INC.

By: _____

ATTEST:

**EXHIBIT B-1
LIST OF CURRENT FRANCHISEES**

None.

EXHIBIT B-2
FRANCHISEES DEPARTED DURING 2014
or who have not been in communication within 10 weeks

Other than as described below, no Franchisees have departed the system during 2014 or have failed to communicate with us within the last 10 weeks.

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

No franchisees or area developers have left the system or otherwise failed to communicate with us during 2014 or the last 10 weeks.

EXHIBIT C
FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS

THESE 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 OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Creating Outdoor Visions in Stone, Inc.
BALANCE SHEET
As of December 31, 2014

	TOTAL	
	AS OF DEC 31, 2014	AS OF DEC 31, 2013 (PY)
ASSETS		
Current Assets		
Bank Accounts		
BB&T	108,001.70	
First Citizens Bank	14.13	10.13
Total Bank Accounts	\$108,015.83	\$10.13
Accounts Receivable		
Accounts Receivable (A/R)	20,082.99	16,872.74
Total Accounts Receivable	\$20,082.99	\$16,872.74
Other current assets		
Uncategorized Asset	2,230.04	
Total Other current assets	\$2,230.04	\$0.00
Total Current Assets	\$130,328.86	\$16,882.87
TOTAL ASSETS	\$130,328.86	\$16,882.87
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	8,452.47	5,810.96
Total Accounts Payable	\$8,452.47	\$5,810.96
Credit Cards		
Visa 1st Citizens Bank	0.00	0.00
Total Credit Cards	\$0.00	\$0.00
Other Current Liabilities		
Aflac Liability	377.12	
FUTA/SUTA Payable	0.00	
Payroll Tax Liability	-3,875.34	
Total Other Current Liabilities	\$ -3,298.22	\$0.00
Total Current Liabilities	\$5,154.25	\$5,810.96
Long-Term Liabilities		
Shareholder -Clark, Kevin	50,000.00	50,000.00
Total Long-Term Liabilities	\$50,000.00	\$50,000.00
Total Liabilities	\$55,154.25	\$55,810.96
Equity		
Common Stock	500.00	500.00
Opening Balance Equity	0.00	0.00
Retained Earnings	-39,428.09	-32,507.79
Shareholder - Michael Zimmerman	65,000.00	

2/11/2015

Report: Balance Sheet

Shareholder- Tim Spangler	125,000.00	
Net Income	-75,897.30	-6,920.30
Total Equity	<u>\$75,174.61</u>	<u>\$ -38,928.09</u>
TOTAL LIABILITIES AND EQUITY	<u>\$130,328.86</u>	<u>\$16,882.87</u>

Wednesday, Feb 11, 2015 02:22:57 PM PST GMT-5 - Accrual Basis

Creating Outdoor Visions in Stone, Inc.
PROFIT AND LOSS
 January - December 2014

	TOTAL	
	JAN - DEC 2014	JAN - DEC 2013 (PY)
Income		
Services	3,210.25	
Total Income	\$3,210.25	\$0.00
Gross Profit	\$3,210.25	\$0.00
Expenses		
Advertising	5,255.00	
Automobile	31.00	820.75
Gasoline	236.05	
Total Automobile	267.05	820.75
Bank Charges	334.72	35.00
Dues & Subscriptions	254.35	
FUTA - Expense	126.00	
Insurance	1,540.84	2,761.12
Workers Comp		0.00
Total Insurance	1,540.84	2,761.12
Interest Paid		1,060.74
Legal & Professional Fees	22,771.45	2,045.00
Meals and Entertainment	76.57	
Merchant Fees	74.75	
Office Expenses	1,601.23	16.66
Payroll	30,769.20	
Payroll Expenses	11,520.72	
Payroll Fees	423.10	
Payroll Taxes - FICA	3,499.80	
QuickBooks Online	64.88	171.03
Shipping, Freight & Delivery	42.00	
SUTA - Expense	256.80	
Taxes & Licenses	60.00	110.00
Travel	222.75	
Travel Meals	46.36	
Total Expenses	\$79,207.55	\$7,020.30
Net Operating Income	\$ -75,997.30	\$ -7,020.30
Other Income		
Other Income	100.00	100.00
Total Other Income	\$100.00	\$100.00
Net Other Income	\$100.00	\$100.00
Net Income	\$ -75,897.30	\$ -6,920.30

**EXHIBIT D
STATE SPECIFIC INFORMATION**

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “Applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by CREATING OUTDOOR VISIONS IN STONE, INC. and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider

- Maryland
- Virginia

CREATING OUTDOOR VISIONS
IN STONE, INC.

By: Marc Genest
Title: Chief Executive Officer

FRANCHISEE (Print Name)

By: _____
Title: _____

MARYLAND
Disclosure Document Addendum

This Addendum hereby amends the Disclosure Document and the Franchise Agreement with respect to Franchisees located in Maryland.

1. Item 17 is revised to provide that, for all suits arising under the Maryland Franchise Registration and Disclosure Law, CREATING OUTDOOR VISIONS IN STONE, INC. consents to being sued in Maryland courts.

2. Item 17(c) (renewal) and 17(m) (transfer) are revised to provide that the requirement to sign a general release as a condition of renewal or consent to an assignment, or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 is revised to provide 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. Item 17 is revised to provide that a provision in the franchise agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101, but we intend to enforce it to the extent enforceable.

4. Section 17(a) of the Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.

5. Section 2(h) of the Agreement is revised to include the following language:

“Notwithstanding the provisions of this Agreement to the contrary, you may bring a lawsuit in 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.”

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

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

The following terms apply to all Agreements contained herein:

1. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

INC.

Franchisor:

CREATING OUTDOOR VISIONS IN STONE,

By: _____
Marc Genest, Chief Executive Officer

Franchisee:

By: _____
Name: _____
Title: _____

Shareholder(s) and Guarantor (s):

By: _____
Name: _____
Capacity: _____

By: _____
Name: _____
Capacity: _____

By: _____
Name: _____
Capacity: _____

By: _____
Name: _____
Capacity: _____

VIRGINIA

Disclosure Document.

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Area Development Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Area Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

EXHIBIT E
STATE AND FEDERAL REGULATORY AUTHORITIES

FEDERAL TRADE COMMISSION

Franchise Rule Coordinator
Federal Trade Commission Division of Marketing Practices
Pennsylvania Avenue at Sixth Street, N.W., Room 238
Washington, D.C. 20580
Telephone: (202) 326-2970

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA:

Jan Lynn Owen
Commissioner
Department of Business Oversight
320 West 4th St., Ste. 750
Los Angeles, California 90013
Telephone: (213) 576-7500 or
Toll Free Telephone: (866) 275-2677

CONNECTICUT:

Eric Wilder, Director of Securities
Connecticut Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
Telephone: (860) 240-8233

HAWAII:

Tung Chan
Commissioner of Securities
of the State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
Telephone: (808) 586-2722

ILLINOIS (Registered Agent):

Tanya Solov, Director of Securities
Office of the Secretary of State
Securities Department
69 West Washington Street, Suite 1220
Chicago, IL 60602
Telephone: (312) 793-3884

ILLINOIS (Regulatory Authority):

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

INDIANA:

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

IOWA:

Jim Mumford, Securities Administrator
Director of Regulated Industries Unit
Iowa Securities Bureau
330 Maple Street
Des Moines, IA 50319-0066
Telephone: (515) 281-5705

MARYLAND (Registered Agent):

Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):

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

MICHIGAN (Regulatory Authority):

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street
Lansing, MI 48909
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):

Linda Cena, Securities Director
Office of Financial & Insurance Regulation
525 West Allegan
1st Floor Constitution Hall
Lansing, MI 48909
Telephone: (517) 241-6345

MINNESOTA:

Commissioner of Commerce
Minnesota Department of Commerce
Market Assurance Division
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
Telephone: (651) 296-6328

NEW YORK:

Principal Attorney
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271-0332
Telephone: (212) 416-8200

NORTH DAKOTA:

North Dakota Securities Department
Fifth Floor State Capitol
Dept. 414
600 East Boulevard
Bismarck, ND 58505-0510
Telephone: (701) 328-2910

OKLAHOMA:

Oklahoma Securities Dept.
First National Center
120 N. Robinson Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700

RHODE ISLAND:

Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903
Telephone: (401) 222-3048

SOUTH DAKOTA:

Department of Labor and Regulation
Division of Securities
445 E Capitol Avenue
Pierre SD 57501
Telephone: (605) 773-4823

TEXAS:

Hope Andrade
Secretary of State
P.O. Box 12697
Austin, TX 78711-2697
Telephone: (512) 463-5701

UTAH:

Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
SM Box 146704
Salt Lake City, UT 84114-6704
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
Telephone: (804) 371-9733

VIRGINIA (Regulatory Authority)

State Corporation Commission,
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Telephone: (804) 371-9051

WASHINGTON:

Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507-9033
Telephone: (360) 902-8760

WISCONSIN:

Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, WI 53701
Telephone: (608) 266-3364

EXHIBIT F
MUTUAL RELEASE
CREATING OUTDOOR VISIONS IN STONE, INC.

WHEREAS, _____, (“Franchisee”) wishes to terminate its agreement with CREATING OUTDOOR VISIONS IN STONE, INC. (“Franchisor”) and cease and desist operation of all business under that agreement, and as a condition of releasing Franchisee of its obligations under its franchise agreement with Franchisor, the parties agree as follows:

Release – General Provisions. The Franchisee and Franchisor, jointly and severally, hereby release and forever discharge each other of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, known or unknown, fixed or contingent, past or present, that they have or may hereafter have against each other by reasons of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the “Claims”), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the are hereby forever canceled and forgiven.

THE FRANCHISEE AND FRANCHISOR ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

THE FRANCHISEE AND FRANCHISOR, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, NORTH CAROLINA AND/OR JURISDICTIONS OF FRANCHISEE(S)' RESIDENCE AND LOCATION OF FRANCHISED UNITS.

The Franchisee and Franchisor expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee and Franchisor, and it is the Franchisee and Franchisor's intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have

been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee and Franchisor are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee and Franchisor represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as they in their independent judgment, believe necessary or appropriate. The Franchisee and Franchisor have not relied on any statement, promise, or representation, whether of fact, law or otherwise, by the other party or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

No Assignment or Transfer of Interest. Franchisee and Franchisor represent and warrant that there have been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee and Franchisor may have against any the other, all Claims having been fully and finally extinguished. The Franchisee and Franchisor agree to forever indemnify and hold each other harmless from any liability, claims, demands, damages, losses, costs, expenses or attorneys' fees incurred by either party as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer thereof. It is the intention of the parties that this indemnity does not require payment by either party as a condition precedent to recovery against the other party under this indemnity.

Attorneys' Fees. If the Franchisee and Franchisor, or anyone acting for, or on behalf of, the Franchisee and Franchisor or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commences, joins in, or in any manner seeks relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder, or in any manner asserts against either of the parties any of the Claims released hereunder, each party agrees to pay its own attorneys' fees and other costs incurred in defending or otherwise responding to said suit or assertion.

Date of Releases, Joint and Several Liability. The releases granted hereunder shall be deemed effective as of the date hereof. The liabilities and obligations of the Franchisee and Franchisor shall be joint and several.

Severability. In event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of North Carolina without reference to principles of conflict of laws.

[FRANCHISEE]

CREATING OUTDOOR VISIONS
IN STONE, INC.

By: _____

By: _____
By: Marc Genest, Chief Executive Officer

EXHIBIT G

**FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT
(to be signed by a renewing franchisee concurrently with the Franchise Agreement)**

BETWEEN CREATING OUTDOOR VISIONS IN STONE, INC.

AND

THIS FIRST ADDENDUM (“Addendum”) to the Franchise Agreement dated as of the Effective Date (“Agreement”) between CREATING OUTDOOR VISIONS IN STONE, INC. (“Franchisor”) and _____ (“Franchisee”) is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. Franchised Location. Franchisor has previously approved the Franchised Location as required pursuant to the Franchise Agreement. The Franchised Location is:

_____.

2. Lease Approval. Franchisor has previously approved the lease for the Franchised Location as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and approval (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and approval requirements shall remain applicable.

3. Commencement of Operations. Franchisor and Franchisee acknowledge that the Franchised Location has commenced operations as required pursuant to the Franchise Agreement.

4. Franchisor’s Development Assistance. Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor’s obligation) to (1) assist Franchisee in choosing the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee (including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement .

5. Grand Opening. The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

6. Remodeling. Franchisee will complete the remodeling and renovations of the Franchised Business, at Franchisee's expense, listed on Exhibit A to this addendum no later than 60 days following the Effective Date of the Agreement or at such different time as set forth in Exhibit A.

7. Release. Franchisee, for itself, and its respective heirs, successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges the Franchisor, and its predecessors, affiliates, successors, assigns, agents, representatives, employees, owners, officers, and directors (collectively referred to as "Franchisor Affiliates") from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with the Franchisor or the Franchisor Affiliates, however characterized or described, from the beginning of time until the date of this Addendum.

8. Non-Disparagement. Franchisee agrees not to, and to use its best efforts to cause its current and former shareholders, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Affiliates or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the COVIS brand, the COVIS system, or any other service-marked or trademarked concept of Franchisor, or which would subject the COVIS brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed on the date first set forth above.

CREATING OUTDOOR VISIONS
IN STONE, INC.

By: _____
Title: _____
Date*: _____
(*This is the Effective Date)

FRANCHISEE:
Sign Here if you are taking the franchise as an

INDIVIDUAL(S)

(Note: Use these blocks if you marked in the Franchise Agreement that you are an individual or a partnership but the partnership is not a separate legal entity)

Sign here if you are taking the franchise as a

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

Print Legal Name of Entity

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

By: _____
Signature
Print Name: _____
Title: _____
Date: _____

Exhibit A
Remodeling

EXHIBIT H

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER (“Agreement”) is made among **CREATING OUTDOOR VISIONS IN STONE, INC.** (“Franchisor”), **[SELLER NAME (S) OR ENTITY NAME]** (“Seller”), and **[BUYER NAME(S) OR ENTITY NAME]** (“Buyer”), and, if any, the undersigned Guarantors, effective as of the Effective Date.

RECITALS

A. Seller is the franchisee pursuant to that certain franchise agreement between Franchisor and Seller, as franchisee, dated **[date of seller franchise agreement]** (the “Seller Franchise Agreement”), governing the operation of the _____ business located at **[store address]**, Store #_____ (“Franchised Location”);

B. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated **[date of buyer franchise agreement]**, Store #_____ (as amended, the “Buyer Franchise Agreement”);

C. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated **[date of Asset Purchase Agreement]** (the “Purchase Agreement”), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (the “Interests”) and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (collectively, the “Transfer”); and

D. Seller and the guarantors of the obligations of Seller (the “Seller Guarantors”) have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and guaranty, respectively; and

E. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date.** The Effective Date will be the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer.

2. **Proposed Transfer.** Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the "Purchase Agreement," a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

3. **Conditional Consent; Release of Guaranty.** The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement (in each case except as described below) from and after the Effective Date; provided, however, such consent and release are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("Closing"):

a. **Franchise Agreement.** The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Location will thereafter be governed by the Buyer Franchise Agreement;

b. **Payment of Amounts Due.** Seller will pay all amounts due and owing to Franchisor through the date of Closing; including but not limited to past due royalty and advertising fees in the amount of \$_____;

c. **Transfer Fee.** Seller shall pay a transfer fee of \$_____ as provided in the Seller Franchise Agreement;

d. **Financial Statements.** Seller will provide Franchisor with all required monthly financial statements for the Franchised Location through the date of Closing;

e. **Training.** Buyer or Buyer's designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

f. **Fee Deposit.** Upon execution of this Agreement, Seller agrees to deposit \$_____ with Franchisor ("Fee Deposit"). Within 30 days following Closing, Franchisor will refund the Fee Deposit to Seller, less any amounts which may be due pursuant to Section 3(b);

g. **Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Franchised Location by way of lease assignment (with **all** required landlord consents) or otherwise;

h. **Site Selection Assistance.** Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

i. **Remodeling.** Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed;

j. **Assumption of Equipment Lease.** If the cash register system ("POS") is currently leased by Seller from _____, Seller and Buyer shall enter into an assignment and assumption of lease agreement pursuant to which Buyer assumes the obligations of the lessee from and after the Closing;

k. **Purchase Agreement.** The Purchase Agreement will not be amended and the terms of the transaction thereunder will not be changed except with the prior written consent of Franchisor;

l. **Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Location; and

m. **Franchised Location Possession.** Prior to Closing and changing possession of the Franchised Location, Seller and Buyer shall obtain the written consent of Franchisor to change possession.

4. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests as it may have pursuant to the Seller Franchise Agreement.

5. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, parents, subsidiaries, area directors and agents and their respective employees, shareholders, members, officers, directors, successors, assigns, guarantors and other representatives (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Location is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

Section 1542 Acknowledgment. It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Release Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing

this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

6. Termination of Seller Franchise Agreement and Guaranties.

Franchisor and Seller acknowledge and agree that, as of the date of Closing, upon the Transfer and upon compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantors shall have any further rights or obligations thereunder except that neither Seller nor any Seller Guarantor shall be released from:

a. any obligations to pay money to Franchisor owed under either the Seller Franchise Agreement or the guaranty prior to Closing; or

b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, and confidentiality provisions of the Seller Franchise Agreement).

7. Acknowledgment. Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

8. Additional Documents. Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

9. Miscellaneous Provisions. This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of North Carolina. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

10. Non-Disparagement. In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former shareholders, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the COVIS brand, the COVIS system, or any other service-marked or trademarked concept of Franchisor, or which would subject the COVIS brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS signed by the parties shown below and made effective as of the Effective Date.

SELLER(S): If Seller is a legal entity, name of entity:

By: _____
Name: _____
Title (if applicable): _____

By: _____
Name: _____
Title (if applicable): _____

By: _____
Name: _____
Title (if applicable): _____

By: _____
Name: _____
Title (if applicable): _____

SELLER GUARANTORS:

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

Signatures Continue on Next Page

BUYER(S): If Buyer is a legal entity, name of entity:

By: _____
Name: _____
Title (if applicable): _____

By: _____
Name: _____
Title (if applicable): _____

By: _____
Name: _____
Title (if applicable): _____

By: _____
Name: _____
Title (if applicable): _____

ACCEPTED:

CREATING OUTDOOR VISIONS IN STONE, INC.

By: _____
By: Marc Genest
Title: Chief Executive Officer
Date*: _____

*This date is the Effective Date

PRE-SALE INSPECTION

**EXHIBIT I
ACH/EFT TRANSFER AGREEMENT**



AUTHORIZATION TO HONOR CHECKS AND DEBITS BY AND PAYABLE TO THE FOLLOWING PAYEE(S):

1. (CHECK EACH APPLICABLE BOX)

	BANK NAME	ACCOUNT#	ABA#
<input type="checkbox"/> CREATING OUTDOOR VISIONS IN STONE, INC.	_____	_____	_____
_____	_____	_____	_____
<input type="checkbox"/> OTHER	_____	_____	_____
<input type="checkbox"/> OTHER	_____	_____	_____

2. Bank Account in Name of: _____

ATTACH ONE VOIDED CHECK FOR THE ABOVE ACCOUNT TO THIS SHEET

3. Store Location: _____ Store # _____

4. For Information Call: _____

Address: _____

Phone #: _____

Fax #: _____

TO THE BANK DESIGNATED:

You are hereby requested and authorized to honor and to charge to the foregoing account, checks and electronic debits (collectively, "debits") drawn on such account which are payable to any of the above named Payees. It is agreed that rights with respect to each such debit shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such debit is not honored, whether with or without cause, you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

5. DATE: ____/____/____

6. _____
Name of Franchisee/Payor (please print)

7. By: _____
SIGNATURE AND TITLE OF AUTHORIZED REPRESENTATIVE

INDEMNIFICATION AGREEMENT

To the above named Payee and the Bank Designated:

The Payor agrees with respect to any action taken pursuant above authorization:

1. To indemnify the Bank and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably in collection therewith.
2. To indemnify Payee and the Bank for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
3. To defend at our own cost and expense any action which might be brought by any depositor or any other persons because of any actions taken by the Bank of Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Bank's or Payee's participation therein.

BE SURE THAT ALL INFORMATION ASKED FOR IS PROVIDED

EXHIBIT J

STATEMENT OF PROSPECTIVE FRANCHISEES

As you know, CREATING OUTDOOR VISIONS IN STONE, INC., and you are preparing to enter into a Franchise Agreement for the operation of a COVIS franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that CREATING OUTDOOR VISIONS IN STONE, INC. has not authorized or that may be untrue, inaccurate or misleading. Its purpose is also to be certain that you understand the limitations on claims that may be made by you by reason of the purchase and operation of your franchise. The questionnaire cannot be signed and dated the same day as the Acknowledgment of Receipt of the Franchise Disclosure Document (FDD), but must be signed and dated the same day you remit your franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer "NO" to any of the questions below, please explain your answer on the back of this sheet. For each question, please initial beside "Yes," or "No," as appropriate.

A. Representations and Other Matters

- | | | |
|---------|--------|---|
| Yes ___ | No ___ | 1. Have you received, at least 14 days prior to signing, and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it? |
| Yes ___ | No ___ | 2. Have you received and personally reviewed the CREATING OUTDOOR VISIONS IN STONE, INC., Franchise Disclosure Document ("Disclosure Document") we provided you? |
| Yes ___ | No ___ | 3. Did you sign a receipt for the Disclosure Document indicating the date you received it? |
| Yes ___ | No ___ | 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement? |
| Yes ___ | No ___ | 5. A) Have you reviewed the Disclosure Document and Franchise Agreement with an attorney, accountant or other professional advisor? |
| Yes ___ | No ___ | B) Have you discussed the benefits and risks of operating a COVIS franchise with your professional advisor? |
| Yes ___ | No ___ | C) Did you discuss the benefits and risks of operating a COVIS franchise with an existing COVIS franchisee? |
| Yes ___ | No ___ | D) Do you understand the risks of operating a COVIS franchise? |
| Yes ___ | No ___ | E) Do you understand that the Franchise Agreement contains an arbitration provision that requires disagreements to be arbitrated outside of the traditional judicial process? |

6. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor, location, supply costs, lease terms and the market place?

Yes ___ No ___

7. Is it true that no employee or other person speaking on behalf of CREATING OUTDOOR VISIONS IN STONE, INC., made any statement, promise or assurance regarding the costs involved in operating a COVIS franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

8. Is it true that no employee or other person speaking on behalf of CREATING OUTDOOR VISIONS IN STONE, INC., made any statement, promise or assurance regarding the actual, average or projected sales, revenues income, profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a COVIS franchise will generate that is not contained in the Disclosure Document or that is contrary to or different from the information contained in the Disclosure Document?

Yes ___ No ___

9. Is it true that no employee or other person speaking on behalf of CREATING OUTDOOR VISIONS IN STONE, INC., made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

7. Is it true that I did not receive any marketing or other written materials with information that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

8. Is it true that my decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by any employee or other person speaking on behalf of CREATING OUTDOOR VISIONS IN STONE, INC. including as to the likelihood of success of the franchise?

Yes ___ No ___

9. Is it true that I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase?

Yes ___ No ___

You are directed to Exhibit D of the Franchise Disclosure Document for information that may affect this questionnaire in your state.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The undersigned acknowledges and agrees that CREATING OUTDOOR VISIONS IN STONE, INC. does not make or endorse, nor does it allow any representative or other individual to make or endorse, any oral, written, visual, or other claim or representation that states or suggests any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, or otherwise with respect to a COVIS franchise other than those contained in Item 19 of the Franchise Disclosure Document.

In addition, COVIS does not permit any promises, agreements, contracts, commitments, representations, understandings, options, rights-of-first-refusal, or otherwise, or changes in the Franchise Agreement, except by means of a written Addendum signed by all parties to the Franchise Agreement.

Each undersigned understands and agrees to all of the foregoing and certifies that all of the above statements are true, correct and complete.

Signature of Franchise Applicant

Date

Name (please print)

Signature of Franchise Applicant

Date

Name (please print)

Signature of Franchise Applicant

Date

Name (please print)

Approved:

CREATING OUTDOOR VISIONS IN STONE, INC.

By: _____
Marc Genest, Chief Executive Officer

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS AND FRANCHISED BUSINESSES LOCATED IN ILLINOIS: Statements A.1, A.2, and A.3, and the next-to-last full paragraph on page 1, do not apply to you.

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISED BUSINESSES LOCATED IN MARYLAND: None of the above representations are intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

EXPLANATION OF ANY NEGATIVE RESPONSES (please refer to applicable question #)
ARE AS FOLLOWS:

**EXHIBIT K
RECEIPT**

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If CREATING OUTDOOR VISIONS IN STONE, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or grant or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting, or sooner if required by applicable state law.

If CREATING OUTDOOR VISIONS IN STONE, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marc Genest 4904 Waters Edge Drive, Suite 200 Raleigh, NC 27606 (919) 909-1848	Chris Simpson 4904 Waters Edge Drive, Suite 200 Raleigh, NC 27606 (919) 909-1848	_____	_____
		_____	_____
		_____	_____

Issuance Date: February 11, 2015.

See Exhibit E for our registered agent authorized to receive service of process.

I have received a disclosure document dated February 11, 2015, that included the following: Exhibit A – CREATING OUTDOOR VISIONS IN STONE, INC. AGREEMENT with attached Franchise Fees, Site Selection Addendum/Lease Rider/Territory Identification, Security Agreement, with attachment 1 (Designation of Protected Area and Designated Marketing Area and Site Selection Addendum with Lease Rider), Personal Guaranty, Nondisclosure and Noncompetition Agreement, Option to Purchase Agreement, and Excluded Services Addendum, Exhibit B-1 -- STORE DIRECTORY/LISTING OF CURRENT FRANCHISEES, Exhibit B-2 -- LISTING OF CERTAIN PAST FRANCHISEES, Exhibit C -- FINANCIAL STATEMENTS, Exhibit D -- STATE SPECIFIC INFORMATION, Exhibit E -- FEDERAL AND STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS, Exhibit F -- GENERAL RELEASE AGREEMENT, Exhibit G -- ADDENDUM TO RENEWAL FRANCHISE AGREEMENT, Exhibit H -- AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER, Exhibit I -- ACH/EFT TRANSFER AGREEMENT, Exhibit J -- STATEMENT OF PROSPECTIVE FRANCHISEES, Exhibit K -- RECEIPT

Date _____ Prospective Franchisee _____

Printed Name _____

Individually and as an officer, partner, member or manager of _____, a _____ organized under the laws of _____.

You may return one copy of this receipt either by signing, dating and mailing it to CREATING OUTDOOR VISIONS IN STONE, INC., Franchise Administration, at 4904 Waters Edge Drive, Suite 200, Raleigh, NC 27606, (919) 909-1848.

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Printed Name _____

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