

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



## TERRITORY RULES, TERMS, and AGREEMENTS

Although dealers have full rights to their territory. There are a few things that are required outside of the dealership contract to ensure that each dealer is appropriately running their business and servicing the public correctly. We also are put in a situation where most homeowners or end users assume we are a large corporate entity and each of our dealers are employees. In these situations, if there is a complaint the end user comes directly to us to handle the situation and in turn puts us in a position to enforce select business practices. The following guidelines are to be examined and followed. Any violation of these guidelines and failure to follow proper business ethics and practices could result in the dealer to lose the status as an "Authorized Dealer". In a situation that a dealer fractures this agreement and is canceled by Trimlight as a dealer, There will be no refund or any such reimbursement to the dealer from Trimlight. Here are the following rules and explanations following the reasons behind the policy:

1. This dealership territory is based on a desire for the dealer to grow the territory. Trimlight receives requests all year long and all over the country and world. We need qualified business owners to help grow the business, name, brand, and sales. Although a franchise model allows for each business to operate as TRIMLIGHT. A franchise model is very limited and does not allow the business to offer any other products outside what Trimlight allows to sell. We here at Trimlight feel that is too much of a burden to put on our dealers so we chose to stay with a dealership model. With a dealership model, a dealer can continue to offer any other product or service unless that service or product directly competes with Trimlight. A Trimlight Dealership will not offer any other permanent holiday lighting system or permanent RGB system for commercial, residential locations. The reasons behind this policy is that we do a lot on our side to build our dealers and help them build a name brand. We do not want another product to be offered that could potentially compete with the Trimlight name and be associated with our product. The contract does state that if at any time a dealer is no longer a dealer for Trimlight and either by means of Trimlight or by means of the dealer discontinues association with this product line, Each dealer or associated member of the dealership will be barred from offering any other competing product line for a space of 3 years from the date of the dissolution of the contract.
2. Branding and product marketing. In order to make Trimlight a big name and become more valuable to everyone. We need the name to be a household name. We need the world to recognize Trimlight as the leader in our industry. Although we are small and growing exponentially, we need our brand used. There will be no private labeling this product. It will be sold as Trimlight and no other names can be given to it. This is easy with a franchise and makes it a little more difficult with a dealership model when creating a business name and accepting payments. In this fashion, we hereby give permission to the dealers to create a DBA name that can be used for business purposes. This name will be used in conjunction with "an Authorized Dealer of Trimlight". We need the end users to know they are doing business with an authorized dealer of Trimlight and not someone that is not trained or supported by Trimlight. Use the logo and use the name of the product in your advertising and marketing.
3. A dealer must have key personnel residing within the territory. If a dealer is managing the dealership from outside the area, there must be local assets in place to handle customer demand within the sales department, repair and maintenance department, etc. Repairs and sales inquiries must be handled in a

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timely manner and can not be handled in a long timeline scenario. This only protects the territory by giving the assurance to the customers that the system they are purchasing will have proper service and support.

4. Dealership territories need to be fluid. The dealership that you are leasing from Trimlight is just that, a territory for you to grow your business. We understand that a small business has to take whatever they can to stay profitable and sometimes those opportunities will reside outside your assigned territory. A dealership has full rights to install Trimlight outside their given territory. We only ask that you do not market and advertise outside your given territory. You are not authorized outside your territory. If a dealer has an agreement with a commercial account, homebuilder, family, friends, or any other business dealings in other areas that would like Trimlight that are outside the allocated area. The dealer has the right to sell, install, and maintain the customer. There is no exclusivity with this type of customer. If the dealer sells the concept of Trimlight to a multi-location corporation (EX: McDonald's, Marriott Hotels, Chase Bank, Etc.). If any of the locations outside the territory call the company and request Trimlight from a local dealer instead of through the original Trimlight dealer, there is no royalty or exclusivity demanded unless previously agreed upon by the affected dealers. Territories need to be approached as money making opportunities and not limitations. There are thousands to hundreds of thousands and maybe even millions of opportunities to sell Trimlight in most territories. Concentrate your efforts to create a successful dealership in the chosen area instead of constantly looking for greener pastures. A dealer can always build up his chosen territory and sell it at a premium price to a new company if the dealership builds a profitable business system. That new company would be required to be approved by Trimlight and must adhere to contractual requirements and policies.
5. Growing your territory. Many dealers of Trimlight are entrepreneurs and are always looking for bigger and better fields of play. Trimlight reserves the only right to sell dealerships. At no time will a dealer be allowed to sell a dealership outside their territory. A dealer has the right to hire a company to manage their dealership within their given territory but at no point can sell or offer authorized dealerships to any outside party. If a dealer decides that growth and expansion of the Trimlight name is something they are interested in pursuing and has the resources to continue both dealerships. At that time an additional dealership can be leased and a new agreement can be made for that territory. The dealer will then be required to adhere to the contract and current following guidelines for both dealerships. If a dealer decides to abandon a dealership and pursue a new dealership territory. The dealer will be required to find a new dealer for the original area prior to taking ownership of the new territory. This policy is based on setting up a dealership to have the resources needed to grow the territory and servicing the current customers and past customers.
6. Splitting a territory. There are many areas that are just too large to serve by one dealer. Similar to a single franchise restaurant being sold in a city of millions. That location will only serve a small fraction of the potential. Trimlight reserves the right to split territories that are underperforming in order to maximize the profitability of a territory. Any city that is deemed to be large enough to be split will be adjusted by the territory postal codes. In this fashion, each dealer would only be held liable for the growth within their territory and not the original contractual amount for the larger territory size. In this case, each dealer should approach each respective other dealer as team players and not competition. Similar to a franchisee that has another franchisee location within a close proximity. Do not treat them with disrespect within your sales models and practices or during tradeshow or other business dealings. A few dealers that are advertising in a select area can only increase visibility for both dealers. For any of these metropolitan areas that have multiple dealers servicing a single city. All associated dealers will hereby acknowledge that the other dealer has the right to market and sell within their territories. This right is

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subject for approval by Trimlight and only works for approved dealers that are within the same market as other dealers.

7. Territory quotas and yearly requirements. For a dealer to keep a dealership active without potential cancellation of an authorized installer of Trimlight. The said dealer must meet select quota every year based on their territory size. Each dealer will be required to sell a minimum of 1.80 L.F. of Trimlight product each year per quantity of postal codes the dealer has under contract. The first year of operation, the dealer will not be held liable to this quota to allow for the dealer to concentrate on strategic growth compared to short term gains. For an example, if the dealer has 1850 postal codes within their territory, the dealer would be required to purchase 3330 L.F. of Trimlight by the end of their 2nd year of date of contract signing. After the 2nd year of trimlight dealership lease, the quota will be set forth as 10% growth per year on the required amount due to the postal code quantity, 5% above the previous year of sales or whichever is greater between the two.
8. Marketing practices. Each dealer will be required to market and advertise. We need the name and brand to become not only have local recognition but a national one too. The more advertising that we all do the more our products will be demanded by customers. Each dealer will be required to advertise. The quantity of advertising will be subject to the size of the dealership in which the dealer has leased. Each dealer will be required to advertise a minimum of \$3.25 per postal code leased. If a dealership is leasing 1850 postal codes then \$6000 per year would be a minimum required spend. Failure to adhere to this policy will be a direct violation of the contact and the dealer will have violated the contract and could be placed on a temporary suspension or contract cancellation. Each postal code does not require spent advertising budget but overall territory does require the overall spending marketing budget. If a dealership is performing poorly then Trimlight reserves the right to audit all marketing books and receipts to ensure the dealer is compliant with this policy. If the dealer is unable to comply with this policy, the following actions could be taken by Trimlight's discretion; 1. Create a plan that will allow the dealer to become compliant with the policy within a select timeframe. 2. Split the territory and allow another dealer to take a portion of the postal code territory to allow a smaller quota. 3. Cancel the dealership contract with current dealer.
9. Business practices. Each dealership will conduct business in an appropriate manner and according to proper ethics and the manner in which was explained to the dealer during training from Trimlight. Financial stability must be adhered throughout all aspects of business. Any financial issues that may arise within a dealership will not be levied onto the responsibility of Trimlight or any of it's officers. Strategic financial planning and tax implications will be solely the responsibility of the dealer and it's own corporation or personal liability. Outside of financial policies, the following practices will also be held in strict accordance with the dealership contract; 1. Each dealer will be responsible for timely repairs on every system that was installed by the dealer. 2. Each dealer will be responsible for quality workmanship for any and all systems that are installed by the dealer or under its' direct supervision including employees or sub-contractors. 3. All customers will be treated with utmost respect and in a manner that coincides with common customer service policies. Any complaints to Trimlight from customers regarding mistreatment from a dealer could result in possible dealer suspension or cancellation unless properly remedied. 4. In a possible situation that arises that a dealer is unable to properly service a customer that is unhappy with the quality or workmanship or manner in which the dealer operates the business, Trimlight reserves the right to step in to protect the reputation of the brand and hire a company to finish the project or remedy the situation. In this scenario, any costs that are incurred by Trimlight or the hired company to remedy the situation will be subjected to be paid by the dealer. 5. Trimlight reserves the right to grant payment terms for any and all Dealers. All dealers will be required to pay for material prior to delivery unless Net30 terms are granted to the dealer from Trimlight. Trimlight reserves the right to withhold material to any and all customers that do not adhere to the policies and pay in a timely manner.

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An industry standard interest rate will be applied to all invoices that are over 30 days. 6. Proper communication is required throughout the process of selling and installing Trimlight. The dealer will implement procedures in place to properly communicate with the homeowner regarding any installation dates, sales appointments, final explanation of the system, repair dates, etc.

10. Legal standing and insurance coverage. Each dealer is required to maintain proper insurance, workmen's compensation insurance, and all other legally required licenses and other requirements that are required for doing business in your area. Each state is drastically different and laws do change. Although "permanent holiday lighting" is relatively new in the US, each state may require different licensure for any type of similar work. It us up to the dealer to research and ensure that he is properly licensed or using sub-contractors that are properly licensed for this type of work. The dealer will not hold Trimlight liable for any such instances that may arise due to improperly licensed installers or lack of proper legal documentation to do work in your area.
11. Repairs and Warranty issues. All Trimlight products come standard with a warranty of the parts. This warranty will be better explained on our separate warranty page. This warranty only covers the material and in no way covers the cost to replace the material. At times we have seen poor quality of material from production and we strive to keep the best quality but there is not a lot that we can do to prevent it above the steps we continue to take. In these instances, Trimlight does not compensate the dealer for those losses due to loss of sales, or losses of labor costs, losses of repair costs, etc. Trimlight reserves the right to offset any burden costs from these type of situations as we see fit and able but the dealer is not entitled to any compensation. This is purely the cost of doing business.
12. Shipping. Trimlight is not responsible for damaged merchandise, lost or stolen packages. Our standard shipping is not to include insurance on any order unless desired by the dealer and the added amount for the insurance will be incurred by the dealer. We have very little problems with shipments that it is not worth the cost to incorporate this for the entire system. Although during the busy season our production times can be extended and shipping takes longer too. We recommend booking out enough work for several weeks to allow for material to arrive without expediting costs.
13. Order Entry. Each dealer will be required to enter their own orders for material. We highly recommend purchasing in quantities that will give you extra for each job in order to compensate for waste. Although Trimlight will help to guide you through the process of what you need, the order entry system will go much smoother if you learn the system well enough to know the materials that you will need. All wire and other bulk quantity items should be purchased in bulk quantities to avoid waste on a job site. These items should be including but not limited to: Amp wire, Jump Wire, Power Wire, Connectors, Male Plugs, Etc. Trimlight recommends that all dealers keep a small quantity of replacement parts at all times. At any time that one is used, purchase additional parts to keep on hand. The following items should be purchased to keep as spares for possible production shortages or repairs and upgrades: Power Supplies, Enclosures, Amplifiers, Controllers, Remotes, Diodes, Timers, Wire Cover, Etc.
14. Procedure improvements. As Trimlight consistently improves, we will be implementing new software that will make sales, order entry, shipping, installation, presentation, project management, project finalization, customer payments, customer financing, etc. much easier to manage. Some of these improvements come at a cost and could result in a small monthly or yearly fee for our dealers to be within the access network. As these improvements are made, we will roll the options out to the dealers and do our due diligence to implement them with little hindrance to productivity. Some improvements may be required and others may be voluntary.

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15. System improvements. As Trimlight evolves and improves and brings on new products and developments we are heavily focused on many aspects of product development. Trimlight does not have countless engineers and consultants looking for better methods of improvement and installation. We ask that all our dealers and installers continually look for methods that we can all implement to better the product. Any cost saving techniques or other improvements to the system should be shared to improve the overall system. Also, any parts that are offered by Trimlight or any other supplier that will improve the overall performance, aesthetic value, or cleanliness of a finished system should be used and implemented for a high quality finished product. These type of improvements may be wire cover channel, conduit, touch up paint, back covers, etc.

With implementing these policies and common business ethics and accounting principles, Trimlight can be a very rewarding and profitable venture. Looking out for the interests of the customers over our own personal interests can pay large scale dividends either in short term or long term. As a dealer, you will agree to these terms and strive to follow these rules and to keep your business as a top quality installer and to keep the name of Trimlight in the highest reputable terms as possible. Any deviation of these ethics or violation of these ethics could result in a cancellation of a dealership.

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