FRANCHISE DISCLOSURE DOCUMENT
(AREA REPRESENTATIVE)

TOTAL CAR FRANCHISING CORPORATION
A South Carolina Corporation
125 Daytona Street, Conway, SC 29526
1-800-7COLORS
www.colorsonparade.com

As a Colors On Parade Area Representative, you provide one or more automotive repair and reconditioning technologies, including paint repair, paintless dent removal and interior repair, on automobiles, trucks or other vehicles and/or manage the provision of such services by third parties in a designated area and/or provide such technologies and assist unit franchisees operating in your designated area to establish their businesses and obtain and service customers in their territories. You must also own and operate a Colors On Parade unit franchise in your designated area.

The total investment necessary to begin operation of a Colors On Parade Area Representative franchise business is from $47,600 to $422,000. This includes $34,000 to $351,000 that must be paid to the franchisor or its affiliates.

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 (10 business days in California) before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed 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 and the resources required to view the document in each format, contact the Director of Franchise Sales at 800-7COLORS.

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 contracts carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Date of Issuance: April 1, 2021

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in South Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in South Carolina than in your own state.

2. **Minimum Sales Performance Requirements**. You must maintain minimum sales performance levels. your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

3. **Governing Law**. The franchise agreement states that South 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.

4. **Personal Guarantee**. Each principal owner entering into the franchise agreement attached to this franchise disclosure document must guarantee all obligations of franchisee under the franchise agreement, thereby placing his/her personal assets at risk.

5. **Personal Guarantee of Spouse**. If you are a business entity, your owners will have to guaranty your obligations and be bound by each provision of our franchise agreement. The spouses of owners may also be required to consent to the guarantee, which places the spouses' material assets at risk.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" to see whether

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor. Total Car Franchising Corporation ("*TCFC*") is a South Carolina corporation which was incorporated on September 17, 1991. TCFC is sometimes referred to in this franchise disclosure document as "we" or "us". TCFC does business as Total Car Franchising Corporation and under the "COLORS ON PARADE" and "CarLove marks. TCFC's principal address is 125 Daytona Street, Conway, SC 29526.

Parents and Predecessors. Our predecessor, TCI, Inc. ("*TCI*"), was formed as a South Carolina corporation in 1988. TCI developed the system and methods of mobile vehicle exterior paint repair and refinishing (the "*System*"), now franchised by TCFC, which is characterized by the Colors on Parade marks and logo, as well as distinctive design, signage, specifications, and appearance; uniform operating methods, procedures and techniques; and other confidential procedures, methods and techniques for inventory, cost controls, record keeping, reporting, personnel management, training, purchasing, marketing, sales promotion and advertising. TCI began business opportunities in 1988, but ceased any offerings after our formation, when TCI licensed the System to us. Following our formation, TCI's licensees became our franchisees. TCI's principal address is 8247 Forest Lake Drive, Conway, SC 29526.

We do not have any parent companies.

We have not offered franchises in any other line of business and none of our affiliates currently offer or has ever offered franchises in any line of business.

Affiliates. We do not have any affiliates that provide products or services to our franchisees.

Agents for Service of Process. Our agents for service of process are listed on Exhibit B.

The Franchise Offered. We offer two types of franchises ("*Franchises*"), a Unit Franchise and an Area Representative Franchise. This Franchise Disclosure Document is for the offer and sale of a Colors on Parade Area Representative Franchise.

A Colors on Parade Unit Franchise (a "*Unit Franchise*") is a business that provides mobile and/or fixed location vehicle repair and restoration services, including without limitation paintless dent removal, interior repairs, glass repair, wheel repair and headlight restoration and/or other automotive reconditioning and/or restoration services ("*Services*"), using one or more Operating Units, and/or manages the provision of any such service by a third party, under TCFC's Marks, within a defined territory. The current form of the Area Representative Franchise Agreement is attached to this franchise disclosure document as Exhibit C (the "*Area Representative Franchise Agreement"* or *"Franchise Agreement*"). The offer of a Colors on Parade Unit Franchise is made pursuant to a separate Franchise Disclosure Document.

A Colors on Parade Area Representative Franchise provides one or more of the Services and/or manages the provision of such services by third parties within a designated area (the "*Designated Area*"), pursuant to a unit franchise agreement, using one or more Operating Units, and assists Unit Franchisees operating in their Designated Area to establish their businesses and obtain and service customers in their territories. The current form of the Unit Franchise Agreement is attached to this franchise disclosure document as Exhibit D (the "*Unit Franchise Agreement"*). An Area Representative must operate at least one Operating Unit within its Designated Area under a Unit Franchise Agreement at all times, either personally or via an employee.

An Area Representative does not sell or negotiate the sale of Unit or Area Representative Franchises or participate in any way in the sale of Franchises (other than by referring persons who inquire about franchise opportunities to TCFC and/or interviewing prospective Unit Franchisees) and each Colors On Parade franchisee contracts directly with TCFC and not with an Area Representative.

TCFC compensates an Area Representative for assisting the Unit Franchisees operating within its Designated Area by sharing the monthly royalty paid by such Unit Franchisees. Generally, TCFC retains 7% of each Unit Franchisee's Gross Sales and the Area Representative receives or retains the balance.

We have conducted a business of the type franchised to an Area Representative since 1991. We began offering Unit Franchises (which were formerly called "Operator Franchises" or "Limited Rights Franchises") in November 1991 and Area Representative Franchises (which were formerly called "Area Developer Franchises") in 1994. As of the date of this franchise disclosure document, TCFC operates as an Area Representative Franchise in eight development areas. We began offering Multi-Unit Franchises in April 1999 but discontinued such offerings within a year and a half of that date.

The market for the Services consists of automobile dealerships, vehicle fleets, auctions, and any other centers of vehicle distribution or maintenance, as well as individual automobile owners. The market is generally highly competitive and you will compete with a number of businesses offering similar products and services, including other franchised businesses, automobile dealers, independent body repair shops and other mobile providers.

Regulatory Matters. Certain vehicle surface restoration involves the use of various paints, solvents and chemicals. Franchisees must conform to regulations issued by the Occupational Safety and Health Administration ("*OSHA*"), the Environmental Protection Agency and state and other local authorities regarding the use of these materials. Franchisees must also comply with regulations of the Federal Department of Transportation and state departments of transportation regarding the setup of the mobile laboratory inside their mobile Operating Unit(s). We are not responsible for informing you of or your compliance with such regulations, ordinances or laws and you must determine and comply with all applicable regulations, ordinances or laws prior to rendering any Service.

Item 2

BUSINESS EXPERIENCE

Jeffrey Cox: President, CEO and Director

Mr. Cox was appointed President & CEO in August 2004 and elected a director in February 2008.

Jill O'Connor-Rumohr: Finance Director and CFO

Ms. O'Connor-Rumohr was appointed Finance Director in December 2014 and CFO in January 2015.

Raymond C. Harcum Jr.: National Sales Director

Mr. Harcum was appointed National Sales Director in December 2016. Mr. Harcum was a Financial Advisor for Prudential Financial, Myrtle Beach, SC, from May 2016 to December 2016.

Alexis Van Moppes: Compliance Director

Ms. Van Moppes was appointed Compliance Director in March 2018. Previously, she was a part-time Colors on Parade employee working in accounting/compliance from August 2017 to March 2018 while also working part-time with Chaisson Autobody, LLC as a paint technician from May 2017 to March 2018. Ms. Van Moppes was an Administrative Assistant for Hilton Grand Vacations Club in Myrtle Beach, SC from June 2015 to May 2017.

John Chaisson, III: PDC Director

Mr. Chaisson was appointed PDC Director in April 1995.

N. Lee Moody, II: Technical Development Coordinator/Trainer

Mr. Moody has held the position of Technical Development Coordinator since February 2007 and has also been a Colors On Parade Trainer since July 2007.

Jake Freedman: Marketing Director

Mr. Freedman was appointed Marketing Director in August 2020. From June 2020 to August 2020, he was Public Relations Manager at The Brandon Agency, Myrtle Beach, SC, and from May 2018 to June 2020, he was a Public Relations Associate at The Brandon Agency.

Item 3

LITIGATION

No litigation is required to be disclosed in this item.

Item 4

BANKRUPTCY

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

Item 5

INITIAL FEES

Initial Franchise Fee. The Initial Franchise Fee is $25,000. You pay the Initial Franchise Fee to TCFC when you sign a Franchise Agreement. The Initial Franchise Fee payable by Area Representatives is uniform with respect to all new Area Representatives and is non-refundable.

Designated Area Fee. In addition to the Initial Franchise Fee, you pay an additional fee ("*Designated Area Fee*") based upon the estimated population of the Designated Area, which ranges from 100,000 to 6,250,000. The Designated Area Fee is $5,000 for every 100,000 of population in the Designated Area, based upon the most recent United States Census Bureau statistics.

The Designated Area Fee for a Designated Area with an estimated population of 100,000 is $5,000 (1 x $5,000) and the Designated Area Fee for a Designated with an estimated population of 6,250,000 is $312,500 (62.5 x $5,000).

You pay the Designated Area to TCFC when you sign the Franchise Agreement.

Equipment Set-up Fee. Unless you acquire the equipment that you will use to operate the franchised business from a third party, you pay an Equipment Set-up Fee to TCFC based upon the Services that you wish to offer. The Equipment Set-up Fee for each Service is as follows:

Type of Service	*Set-up Fee (includes certain mandatory equipment)*
Paint repair and refinishing	$5,000 - $13,500
Paintless dent removal	$4,000 - $5,000
Interior repair	$8,227

You may elect to purchase used equipment from a third party, subject to availability, instead of new equipment, for paint repair and refinishing or paintless dent repair. The cost of used equipment ranges from $5,000 to $13,000 for paint repair and refinishing and from $4,000 to $4,500 for paintless dent repair.

You pay the Equipment Set-up Fee at least 30 days before the first day of the Training Program. We deliver the equipment to you before the end of the Training Program.

Except as identified above, all fees are uniformly imposed on all new Area Representatives and all fees are non-refundable.

TCFC does not offer financing for any of these fees. See Item 10.

Item 6

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty[1]	7% of the total amount of the Gross Sales within the Designated Area	Payable on the 20th day of each month, whether or not payments are actually collected	Gross Sales include all amounts payable for the Services provided by you, your employees and all Unit Franchisees in the Designated Area and/or for managing the provision of any Service by a third party. If we authorize you bill and collect for the services provided in the Designated Area, you must authorize us to electronically debit your operating account for the Royalties due.
Collections[2]	2% of the total amount of the Gross Sales within the Designated Area	Payable on the 20th day of each month, payable when account payments are actually collected	If we provide the collection services for the Designated Area, we issue monthly statements to the customers and collect for the services provided by you, your employees and all Unit Franchisees operating in the Designated Area.
Co-op Advertising	1% of the total amount of the Gross Sales within the Designated Area	Payable on the 20th day of each month, payable whether or not account payments are actually collected	If applicable. Each franchisor-owned outlets has an equal vote. Franchisor-owned outlets do not have controlling voting power.
Additional Training	Our costs and expenses	Upon demand	We may provide additional training in new Services technology. If such additional training is mandatory, we will provide the training to you free of charge. If the training is optional, we may require you to reimburse us for our actual costs and expenses.
Additional Assistance	Our costs and expenses for additional assistance at your request	Upon demand	One week of on-the-job assistance is provided to a new Area Representative free of charge. This fee is payable only if you request additional assistance.

Name of Fee	**Amount**	**Due Date**	**Remarks**
Periodic Meetings or Conventions	$0 - $500	Upon registration	We charge a registration fee to cover our costs and expenses. The purpose of these meetings and conventions is to review and discuss new developments in technology and marketing.

Transfer[3]	50% of the then-current Initial Franchise Fee for Area Representatives	Before the transfer	Payable if you sell your Franchise.
Transferee Set-up and Marketing	$0 - $7,500	Before the transfer	Payable if you sell your Franchise to any party other than an existing Area Representative. This fee may be waived if we find the buyer and you pay us a commission equal to 15% of the gross sales price.
Audit	Actual costs and expenses of audit or review, including salary or fees paid to employees or accountants	Upon demand	Payable if an audit or review shows that you underreported Gross Sales.

Renewal	The greater of 50% of the then-current Initial Franchise Fee at the time of renewal or $10,000	Prior to renewal	Other requirements must be met in order to renew.

Late Charge and Interest	$100 the first time your payment is late, (ii) $200 the second time your payment is late, and (iii) $500 for each subsequent late payment, plus interest at the rate of 18% per annum or the maximum rate allowed by law	Upon demand	Required whenever you make any payment to us after its due date.

Liquidated Damages[4]	The greater of $25,000 or 7% of the total amount of the Gross Sales for the Designated Area for the twelve (12) months prior to termination	Upon demand	Payable if we terminate the Franchise Agreement as a result of your default or if you violate any of the post-term covenants of the Franchise Agreement after its termination or expiration.

Name of Fee	Amount	Due Date	Remarks
Management Services	150% of the costs and expenses incurred by us or our representatives in performing your services	Upon demand	Payable if you fail to perform any of the services required of you as an Area Representative and we or another franchisee perform the services.

Indemnification	Actual amount of fines, losses, damages, costs and expenses (including attorneys' fees) incurred by us.	Upon demand	Payable if we incur losses due to your breach of the Franchise Agreement or any other action or inaction by you or another person relating to the operation of your Franchise.

NOTES:

1. "Gross Sales" is defined as the total amount payable for all services provided by you, your employees and all Unit Franchisees operating in the Designated Area, whether for cash, credit, script, check, services or property. Gross Sales does not include (i) promotional allowances or rebates paid to you when you purchase products or supplies, or (ii) sales or use taxes, measured on the basis of your Gross Sales, imposed by governmental authorities, if such taxes are separately stated when the customer is charged and are actually paid by you to the appropriate taxing authorities. Refunds to customers shall be deducted from Gross Sales only to the extent such amounts have previously been included in Gross Sales and a Royalty has been paid.

2. If we provide the collection services for the Designated Area, we issue monthly statements to the customers and collect the Gross Sales for the Designated Area and you pay us a fee in the amount of 2% the collected Gross Sales for the Designated Area for such services. If we authorize you to collect for the services provided, you must authorize us to electronically debit your operating account for the Royalties due.

3. Not applicable with respect to transfers to your spouse or children or to an entity controlled by you.

4. If we terminate the Franchise Agreement as a result of your default, or if you violate any of the post-term covenants of the Franchise Agreement after its termination or expiration, you must pay us, as liquidated damages and not as a penalty, the greater of $25,000 or the Royalty payable by you for the Designated Area for the twelve (12) months prior to termination. This sum is payable only if we terminate the Franchise Agreement as a result of your default or if you violate any of the post-term covenants of the Franchise Agreement after its termination or expiration.

All of the fees described above are payable to us or our affiliates and, except as stated above, are non-refundable. All of the fees and uniformly imposed and collected.

The table above describes the fees and payments that are payable to TCFC or its affiliates, or imposed by TCFC on behalf of a third party, relating to the operation of an Area Representative Franchise. Each fee or payment described below is applicable to all Franchises unless otherwise indicated.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
	Low	**High**			
Initial Franchise Fee	$25,000	$25,000	Lump sum	When you sign the Area Representative Agreement	TCFC
Designated Area Fee (1)	$5,000	$312,500	Lump sum	30 days before the first day of the Training Program	TCFC
Vehicle (2)	$5,000	$35,000	As arranged by you	As arranged by you	Vendor
Laptop Computer & printer	$300	$2,000	As arranged by you	Before opening	Vendors
Insurance (3)	$300	$4,000	Down payment	Before opening	Insurance companies
Equipment Set-up Fee (4)	$4,000	$13,500	Lump sum	30 days before the first day of the Training Program	TCFC
Travel and living expenses while training programs (5)	$3,000	$7,500	As arranged by you	Before opening	Suppliers of transportation, food and lodging
Miscellaneous opening expenses	$3,000	$6,000	As arranged by you	Before opening	Vendors
Additional funds – 3 to 6 months	$2,000	$15,000	As incurred by you	As incurred	Employees, vendors, suppliers and utilities
Totals (6)	$47,600	$422,000			

NOTES:

1. The Designated Area Fee is $5,000 for each 100,000 of estimated population in the Designated Area.

2. You must purchase or lease a vehicle that meets TCFC's specifications, have all required equipment, supplies, tools, and other required items installed in the vehicle by TCFC and have the

fully-equipped vehicle (an "*Operating Unit*") inspected and certified by TCFC or another Area Representative designated by TCFC prior to the Training Program and before you may use it in connection with the Franchised Business. Financing for the vehicle may be available through vendor sources based on your credit.

3. TCFC has, from time to time, negotiated arrangements with insurers, such as State Farm Insurance Company, through McGriff Insurance Services, to cover Franchisees. You may acquire insurance that meets our requirements from any A.M. Best "A" or better rated insurance carrier. Insurance cost and method of payment may not be uniform for each Franchisee. Premiums will differ depending on the insurer, the location of the Franchise Business, insurer's adjustments, deductibles, amount of coverage, insurance requirements of applicable law and other factors. The above numbers are TCFC's best estimate of the initial payment for the minimum coverage required. Each Franchisee is required to provide proof of insurance to TCFC prior to the first day of the Training Program. McGriff Insurance Services and State Farm does not provide TCFC with any payments, rebates, marketing monies or the like if you use McGriff Insurance Services and State Farm to obtain your insurance.

4. Unless you acquire the equipment that you will need to operate the franchised business from a third party, the Equipment Set-up Fee is $5,000 to $13,500 for paint repair and refinishing services, $4,000 to $5,000 for paintless dent removal services, and $8,227 for interior repairs. Each Equipment Set-up fee includes certain of the mandatory tools, equipment and supplies necessary for you to provide the selected Service. The Equipment Set-up fee for paint repair and refinishing includes the cost of the Sealed Bulkhead and Vent System, which costs $1,250 and is supplied through an approved TCFC vendor. Unless you acquire the equipment that you will need to operate the franchised business from a third party, you pay an Equipment Set-up Fee for each Service that you choose to provide in your Designated Area.

5. As a part of the process for obtaining our approval to become an Area Representative, you will come to TCFC's corporate headquarters in Conway, South Carolina for a one-day initial visit. You pay your travel and living expenses for this trip. You must arrange and pay for all transportation, lodging, meals and wages for yourself and any of your employees that receive training. This estimate includes costs of transportation, lodging and meals for one person. These costs will vary depending on the distance traveled and the type of accommodations you choose. The estimates provided cover the costs of transportation, lodging and meals for one person who will attend the additional training program, which will occur six (6) months to one year after you have commenced operations of your Franchise. Training for paint repair and refinishing takes place in Conway, South Carolina. Training for paintless dent removal services and interior repairs is provided by third parties.

6. The figures above are TCFC's best estimates for covering your ongoing expenses for approximately three to six (6) months with respect to your operation of a Franchise. A franchisee can operate solely from its Operating Unit(s); however, the figures above include the costs of telephone and/or voice mail service. Your costs will vary depending on how rapidly your business grows and may be more or less than those described in the chart above. If you obtain financing, the amount of your investment also may depend on the terms of certain covenants in your financing documents, which may require you to maintain specific debt-to-equity or other ratios.

7. TCFC or an affiliate does not finance part of the initial investment. See Item 10.

These figures do not include expenses that are based upon your Gross Sales, such as royalties and advertising fees, if applicable.

There are no other material payments that you need to make in order to begin operating your Franchise. Any amounts paid to TCFC or our affiliates are not refundable, except as otherwise provided; amounts paid to a third party may be refundable, depending upon the contract or arrangement, if any, between you and the third party. We have relied on our experience in operating and franchising mobile vehicle exterior paint repair and refinishing businesses in formulating the estimates contained in this Item. You should review these figures with a business advisor before making any decision to purchase a Franchise.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Accounting Software

You must use the QuickBooks Pro program or another accounting program that we designate in connection with the operation of your business.

Insurance

You must purchase and maintain a general liability insurance policy (covering injuries and personal property damage) with an aggregate minimum coverage of $2,000,000, ($1,000,000 limit per occurrence); auto coverage with limits of at least $1,000,000 combined, single Limit Liability and No-Fault coverage where required by law; a garage keepers policy with a $60,000 Limit and a rider covering "at Customer's Premise" and "Direct Primary Coverage"; a miscellaneous equipment floater with a $15,000 Limit for portable equipment and laptop computers; workers' compensation coverage as required by state law; and an umbrella rider providing $1,000,000 excess over all underlying liability coverage. TCFC must also be listed as the additional insured party on all of your business insurance policies. You must obtain your insurance from an insurance agency that is qualified to sell insurance in the state in which your Franchised Business is located or operated and all insurance must be rated "A" or better by A.M. Best Rating Service or a comparable rating service. State Farm offers a package program to franchisees, through McGriff Insurance Services, that meets all of TCFC's requirements, however, subject to the limitations stated above, you may purchase the foregoing insurance coverages wherever you choose. McGriff Insurance Services and State Farm do not provide TCFC with any payments, rebates, marketing monies or the like if you use McGriff Insurance Services to obtain your insurance.

Advertising

You may not use any advertising or promotional materials (other than those advertising materials that were provided to you by TCFC or approved advertising agencies) without receiving TCFC's prior written approval. TCFC has established a mandatory cooperative Marketing Fund ("*Co-op Advertising Fund*") for Area Representatives.

Equipment, Tools, Products and Supplies

Unless you acquire the equipment that you will need to operate the franchised business from a third party, TCFC provides you with certain of the equipment, tools, supplies and the initial inventory necessary to operate the franchised business. The cost of such equipment, tools, supplies and inventory for one operating unit is included in the Equipment Set-up Fee.

After you commence operations, if you wish and are permitted to offer any additional Service(s) that are not specified in your Franchise Agreement, or any Ancillary Services, you must purchase the required equipment for such service(s) only from either TCFC or its affiliates or approved suppliers. TCFC provides a list of approved suppliers in the Manual or other written communications to you. In addition, if we should disapprove an approved supplier for any reason, we will identify all such suppliers in the Manual or other written communications. Any purchases from us and our affiliates, whether required or voluntary, will generally be at prices exceeding our costs.

You may not use any equipment, tools, supplies and inventory in the operation of the Franchised Business that you have not obtained either from us or an approved supplier without our prior written approval.

Vehicle

You must purchase a white truck, trailer or van (new or used, any make), in good condition, with at least a ½ ton cargo capacity, which is equipped in accordance with our specifications, as set forth in the Manual ("*Vehicle*"), for your use in connection with the operation of the Franchised Business. You may purchase the Vehicle from any supplier.

Computer

You must purchase a laptop computer and printer for your use in connection with the operation of the Franchised Business that meet or exceed our minimum specifications. You may purchase the computer and printer from any supplier.

Purchase Agreements

TCFC attempts to negotiate agreements with paint suppliers and vendors for purchase of items that you require for the operation of the Franchised Business. TCFC has negotiated an agreement with PPG Industries, Inc. ("*PPG*") for the purchase of automotive refinish paint products from PPG at purchase prices that are generally more competitive than independent jobber prices so that Franchisees may save on the cost of paint and paint related supplies. Under the PPG Agreement, TCFC consigns initial PPG paint setups to new Franchisees that choose to purchase their paint re-supply products from TCFC at no cost to the Franchisee so long as the Franchisee continues to purchase substantially all of the paint used in connection with the operation of the Franchised Business from TCFC. In accordance with the PPG Agreement, TCFC receives an annual $25,000.00 marketing credit from PPG that is applied to TCFC's purchases of paint from PPG and used by TCFC to partially offset the cost of the national convention and the attendance of PPG's representatives at the convention, and a $3,500 credit for the paint setup for each new operating unit in the system, a $1,000 credit for each paint setup switched to water base and a $250 credit per unit for the cost of PPG logos, which are passed through to the franchisees.

Stocking Agent Program

Although we have the right to do so, TCFC has not established any purchasing or distribution cooperatives, except that TCFC has established a Stocking Agent program. Under an agreement with the Colors on Parade Franchise Advisory Council, Inc. ("*COPFAC*"), TCFC makes products and supplies available to Franchisees through a Stocking Agent, who is usually an Area Representative, an Area Developer or a Company Store Manager. As part of this Stocking Agent program, COPFAC has the right to appoint a Product Development & Testing Committee for the purpose of advising TCFC on product review, testing, value, pricing, performance and distribution of products sold through the Stocking Agent program, however, the Product Development & Testing Committee's recommendations do not obligate TCFC in any

way. The Stocking Agent program is currently in effect in only one area – Tampa, FL, and TCFC is no longer offering new Stocking Agent programs. The Stocking Agent program in Tampa operates in the following manner: TCFC delivers an inventory of various products to the Area Representatives in the area. TCFC retains ownership of the product until it is notified that a franchisee has picked up the product, at which time TCFC charges the Franchisee's credit card for the purchase. TCFC replenishes the inventory held by each Area Representative on a monthly basis. Franchisees are not required to purchase any products through this program.

The the franchisor or persons affiliated with the franchisor are not currently the only approved suppliers of any products and services.

Approval of other Suppliers

If you desire to purchase equipment, tools, products or supplies from a supplier other than the ones approved by TCFC, you may request TCFC's approval. All equipment, tools, products or supplies must meet TCFC's specifications, which are made available to Franchisees, except where proprietary products are involved. After TCFC receives a written request for approval of a proposed supplier, TCFC may request additional information concerning such supplier and/or may require that the proposed supplier provide a sample for TCFC's inspection. After TCFC has received all requested information, TCFC will review the request and decide whether or not to approve it. Factors that TCFC will consider in making such decision include design, support, appearance, product reliability and reputation, conformance to applicable laws, manufacturer's reputation, financial position and warranties, and other information which TCFC believes relevant. TCFC will advise you of its decision as soon as practical and estimates that requests will take from 30 to 180 days to process after TCFC has received all of the information it requests, depending primarily upon the complexity of the item or items involved. TCFC does not presently charge any fee for making such a review but has the right to do so and may charge a reasonable fee in the future for undertaking such a review.

If TCFC's approval of any equipment, tools, products or supplies is subsequently revoked, TCFC will notify its franchisees of such revocation in the Manual or other written communications. TCFC's franchisees will have the right to continue to use equipment, tools, products or supplies purchased prior to receipt of such notification. TCFC may also provide notice of revocation of approval to the supplier(s).

None of TCFC's affiliates is currently an approved supplier and no officer of TCFC or its affiliates owns an interest in any approved supplier.

We estimate that purchases you make from us or designated or approved suppliers represents approximately 50% of your costs to establish an Area Representative Franchise. We estimate that purchases you make from or designated or approved suppliers represents approximately 0% - 25% of your ongoing costs in operating as an Area Representative.

During our most recently completed fiscal year ended December 31, 2020, our total revenues from the sale of products ($999,738) and collection services ($250,188) to franchisees were $1,249,926. This figure represents approximately 41% of our total revenues of $3,061,006 for that fiscal year.

Excepted as stated above, neither we nor our affiliates currently receive payments from suppliers on account of their actual or prospective dealings with you and other franchisees, however, we reserve the right to do so and to use all amounts that we and our affiliates receive without restriction (unless we and our affiliates agree otherwise with the supplier) for any purposes we and our affiliates deem appropriate.

We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of designated or approved suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

These tables list your principal obligations under the franchise and other agreements. They 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	Item In Franchise Disclosure Document
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	4.1(c) and 5.1(b)	Items 7 and 8
c. Site development and other pre-opening requirements	4.1 and 5.1	Items 5, 7, 8 and 11
d. Initial and ongoing training	4.1(b), 4.2(c), 5.1(a) and 5.2(c)	Items 7 and 11
e. Opening	Not Applicable	Not Applicable
f. Fees	2.2(d), 3, 4.1(b), 4.2(a), 4.2(d) and 5.7(c)(iv)	Items 5, 6, 7 and 17
g. Compliance with Manual	4.1(a) and 5.2(a)	Items 8, 15 and 16
h. Trademarks and proprietary information	5.2(m), 5.4	Items 13 and 14
i. Restrictions on products/services offered	4.1(c), 5.1(b), 5.2(g) and 5.2(l)	Item 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	1 and 5.9	Item 12
l. Ongoing product/service purchases	5.2(g) and 5.2(l)	Item 8
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	5.1(c)	Items 7 and 8
o. Advertising	3.7	Items 8 and 11
p. Indemnification	5.5	Item 6
q. Owner's participation/ management/staffing	5.2(b)	Item 15
r. Records and reports	5.3	Not Applicable
s. Inspections and audits	5.3(c)	Item 6
t. Transfer	5.7	Items 6 and 17
u. Renewal	2.2	Items 6 and 17
v. Post-termination obligations	7	Item 17
w. Non-competition covenants	5.6	Item 17
x. Dispute resolution	8	Item 17

Item 10

FINANCING

Summary of Financing

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, TCFC is not required to provide you with any assistance.

All references below relate to relevant sections of the Franchise Agreements, as indicated.

Pre-Opening Assistance

Before you open your Franchise, TCFC will:

1. Loan you one copy of the Manual or make a copy of the Manual available to you (Section 4.1(a) of the Franchise Agreement).

2. Train you and one employee, to provide paint restoration services. At your option, we will provide training to additional employees, but may require that you pay a training fee for such employees (Section 4.1(b) of the Franchise Agreement). TCFC's training programs are described below in this Item 11.

3. Furnish you with a list of acceptable suppliers of the equipment that you will need to operate your Franchise and specifications and standards for such equipment, including your truck. (Section 4.1(c) of the Franchise Agreement).

4. Assist you in setting up your Franchise (Section 4.1(d) of the Franchise Agreement).

Ongoing Assistance

During the operation of your Franchise, TCFC will provide you with the following:

1. At least one national or regional meeting per year (Section 4.2(a) of the Franchise Agreement). We charge a fee for these meetings to cover the costs and expenses of such meetings.

2. Training in new Services technology included in the System, if any, and other operational advice. Such training will be free of charge if required by TCFC; if not required by TCFC, TCFC may charge you a fee for such training in an amount sufficient to reimburse TCFC for its costs and expenses (Section 4.2(b) of the Franchise Agreement).

3. Marketing advice and suggestions (Section 4.2(c) of the Franchise Agreement).

4. On-the-job assistance by either an employee or representative of TCFC or another Designated Area Representative or Developer or its employees, (Section 4.2(d) of the Franchise Agreement).

5. Other assistance or advice by means of newsletter, telephone or other forms of electronic communications (Section 4.2(e) of the Franchise Agreement).

6. Research and development efforts that TCFC's believes may be helpful to improve the System (Section 4.2(f) of the Franchise Agreement).

7. If we provide collection services for your Designated Area, we collect the Gross Sales for both you and your employees and all Unit Franchisees operating in your Designated Area, pay each Unit Franchisee the amount of its collected Gross Sales, less the royalty and any other amounts payable the Unit Franchisees, and remit the balance to you, less the Royalty and any other amounts payable to us by you.

Advertising

If you advertise, you may use your own advertising materials in promoting your Franchise, but these materials must be approved by TCFC before you use them (Section 5.4(a)(v) of each Franchise Agreement). All advertising must conform to the standards and requirements specified by TCFC in the Manual. TCFC may develop in-house advertising and promotional materials or procure such materials from an outside advertising agency, which you may purchase at your option and expense. Subject to TCFC's right of prior approval, your advertising may be disseminated in any kind of media.

TCFC has established a Co-operative Marketing Fund (the "*Fund*") for the promotion of the System. All new Area Representatives must participate in the Fund and all other Area Representatives or Area Developers may participate on a voluntary basis. In addition, TCFC currently participates in the Fund for each company-owned development area. As of the date of this Franchise Disclosure Document, 31 Area Developers and 9 company-owned development areas are participating in the Fund. Each participant contributes at one percent (1%) of the Gross Sales in its Designated Area. The Fund is administered by TCFC, however, all decisions concerning the expenditure of money from the Fund and placement of advertising are made, subject to TCFC's approval, by an Advertising Steering Committee (the "*Committee*") consisting of TCFC's marketing director, who serves as chairman, and six Area Representatives or Developers who are elected for two year terms by the Area Representatives or Developers participating in the Fund at an annual meeting of the Fund participants. Any contribution to the Fund by an Area Representative or Developer is in addition to any local advertising conducted by the Area Representative or Developer in its Designated Area. The Fund is intended to maximize general public recognition, acceptance and use of the System and the Committee is not obligated to make expenditures for you, on your behalf, or in your Designated Area which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or on a *pro rata* basis from expenditures from the Fund. The Fund may be used for marketing to national or regional accounts, for Internet, magazine, newspaper, television, radio or other medium of advertising, or to solicit new franchise sales, or for the purchase and distribution of promotion objects, such as shirts, hats, key rings and other objects, that promote the System, to be obtained and distributed by us as the Committee deems appropriate. There is no limitation on the percentage of the Fund that may be used to solicit new franchise sales. The Fund may also be used to reimburse us for internal expenses actually incurred in connection with operating an advertising, marketing or sales department and administering the advertising program, however, reimbursement of internal expenses shall not exceed 10% of all contributions to the Fund. All sums contributed by Franchisees to the Fund are maintained by us in a separate account from our general operating

revenues. The Fund does not, and will not be deemed to, impose any fiduciary duties on us or create a fiduciary relationship between us.

Any amounts in the Fund at year-end shall carry over to the next year. Contributions to the Fund are not refundable and there will be no general distribution of funds to Franchisees, except in the furtherance of advertising and marketing, as may be determined by the Committee. In 2020, the Fund was used approximately as follows: production (15.6%); social media (60.1%); creative development (15.6%); administrative expenses (5.7%); and recruitment of franchisees (2%). The Fund is not audited, however, TCFC will provide you with an accounting of the Fund for the prior year upon your reasonable request.

Computer System

Software. You must purchase, register and install a QuickBooks Pro program or another accounting program designated by us and PPG Paint Manager XI, if applicable, on the computer that you will use in connection with operation of the Franchise. We have the right to require you to use different or additional software in the future.

Hardware. You must purchase a laptop computer and printer that meet or exceed the minimum specifications contained in the Manual, as revised from time to time. The computer will enable you to record the work that you perform.

The current specifications for the Computer System are:

Computer: Windows 7 pro, or later, that meets the minimum specifications required by all required software, such as QuickBooks Pro Program and PPG Paint Manager XI

Printer: Any printer that will connect and function with laptop computer.

You can purchase a computer and a printer that meet our current minimum requirements for as little as $300.

There are no required maintenance updates, upgrading or support contracts, however, the System may be improved in the future due to new products, technology or authorized services and, if any updates or upgrades are required in the future, you must update or upgrade your hardware and software as often as required, at your cost, or you may be required to pay a penalty equal to the amount of the initial franchise fee. The cost incurred for any required or updating or upgrading will not exceed $1,000.

You are not required to hire a computer expert.

Electronic Information. We have the right to require independent electronic access to all of information maintained on your computer, including but not limited to records of the work that you perform, the invoices that you issue and any payments that you receive for the work that you perform. In addition, all electronic records must be made available to us for inspection, upon request.

Manual

TCFC provides to you, on loan, one copy of the applicable COLORS ON PARADE® Confidential Operations Manual (the "*Manual*"). The Table of Contents of the Manual is attached as Exhibit D to this franchise disclosure document. The Manual contains a total of 365 pages (of which 242 pages are devoted to the Unit/Operator Franchise Manual and 123 pages are devoted to the Area Representative/Developer

Manual). The subjects covered by the Manual and number of pages devoted to each subject are shown in Exhibit E.

Start-Up Time

TCFC estimates that the typical length of time between the signing of a Franchise Agreement and the opening of an Area Representative Franchise is approximately 15-60 days. Factors affecting these lengths of time include your completion of the required training, the availability of an Operating Unit and the necessary time to properly equip it, the time needed to procure all necessary licenses, permits and approvals, including approvals required by the state in which your Franchise will be operated, and the time needed to hire and train personnel, obtain required insurance, and otherwise implement the System. You must open the Franchise for business within sixty (60) days from the signing of the Franchise Agreement.

Site Selection

No site selection assistance is provided to Franchisees, since a fixed site is not required and Franchises usually operate out of mobile Operating Units.

Training

Before starting the business and within six (6) months from the effective date of the Franchise Agreement, you (if you are an individual, or one of your principals, if you are not an individual) must attend and successfully complete a Training Program for each Service that you wish to offer. You must also attend and successfully complete the Area Representative Training Program within twelve (12) months from the effective date of the Franchise Agreement. You must pay for the travel and living expenses of all attendees. If you fail to complete all required Training Programs to our satisfaction within twelve (12) months, we may, at our option, either terminate this Agreement or assess a penalty against you in the amount of the Initial Franchise Fee, which shall be payable upon demand. If we terminate this Agreement as a result of your failure to complete any required Training Program to our satisfaction within twelve (12) months, we will retain both the Initial Franchise Fee and Designated Area Fee. Termination of this Agreement shall not relieve you from your obligations under Sections 5.4, 5.5, 5.6 and 7, which shall survive such termination.

The following is a description of TCFC's training programs as of the date of this disclosure document:

(a) Paint Repair and Refinishing Training Program. The Training Program for paint repair and refinishing includes technical training at TCFC's Training and Research Center in Conway, South Carolina and lasts up to 2 weeks. This course is offered as often as required, and you are assigned to a training course when you complete the application process.

(b) Area Representative Training Program. The Training Program includes training in management and financial matters at TCFC's Training and Research Center in Conway, South Carolina and lasts a total of 1 week.

Below are tables summarizing the subject matter, approximate number of hours and classroom training and on-the-job training and location of TCFC's Training Programs:

TRAINING PROGRAMS

INITIAL TRAINING PROGRAM:

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Paint Repair and Refinishing, Operations, Marketing, Finance, Computer Training (Initial Training)	90	0	Conway, SC
Operations, Marketing, Finance, Computer Training (Initial Training)	120	0	Conway, SC & Roanoke, VA
Technical/Business Assistance	0	40	Designated Area
Area Representative School Advanced Technical Training	40	0	Conway, SC

Listed below are the instructors and a summary of their experience:

Lee Moody. Mr. Moody worked as a Unit Franchisee in the Colors on Parade® franchise system from 1998 until he became employed by TCFC in February 2007. Mr. Moody began as Technical Development Coordinator, but his duties have expanded to include training for all field work, including paint and paintless dent repair. Mr. Moody has trained numerous Colors on Parade® technicians at the corporate office. He also provides phone support and local technical support as approved by us.

You must bring the laptop that you have purchased or leased for use in connection with the operation of the Franchised Business with you to the Training Program.

TCFC also offers refresher and additional training programs to Franchisees, sometimes on a regional basis. If attendance at any refresher or additional program is mandatory, there is no charge to attend. If attendance is optional, then TCFC may charge you a reasonable fee to attend. Training may also be provided at national or regional meetings. TCFC presently holds national or regional meetings at least annually.

Cooperatives. TCFC currently has no cooperatives and does not currently require cooperatives to be formed, changed, dissolved or merged.

Item 12

TERRITORY

You act as our Area Representative within your Designated Area (which will be described in Exhibit A to your Franchise Agreement). The Designated Area will have an estimated population ranging from 100,000 to 6,250,000, at your option, and is typically delineated by the boundaries of a Metropolitan Statistical Area or of specific counties. However, we reserve the right to operate, or to license others the right to operate, a business under the System within any retail shopping centers located within the boundaries of the Designated Area.

If you are a new Area Representative, during each of the second, third, fourth and fifth contract years (a) you must add at least one Qualifying Operating Unit, **OR** (b) the Gross Sales within your Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year. "Contract Year" means each twelve (12) full consecutive month period during the term of your Franchise Agreement, commencing on the effective date of the Agreement, if the effective date is the first day of the month, or the first day of the month next following, if the effective date is not the first day of the month. A "Qualifying Operating Unit" is an additional Operating Unit operated by you and/or your employees that generates Gross Sales for each month equal to at least 50% of the system average for such period. If these minimum sales requirements are not met during any of these contract years, you will have the next contract year (the "*Cure Period*") within which to cure the default by making up the shortfall by either adding additional Qualifying Units or causing the Designated Area to place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year. For purposes of illustration, if you fail to add at least one (1) Qualifying Unit during the second contract year and your Designated Area did not place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year, you must add at least two (2) Qualifying Units during the third Contract Year or your Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year, in order to cure the default. If you fail to cure the default during the Cure Period, we will meet with the Colors on Parade Franchise Advisory Council ("*COPFAC*") to determine whether the Cure Period should be extended. If we agree to extend the Cure Period, we may, after consultation with COPFAC, establish the requirements to be followed in order to give you the best chance of success to cure the default within the extended Cure Period. If you fail to cure the default within the Cure Period, or the extended Cure Period, as the case may be, we shall have the right, after consultation with COPFAC, to convert your Franchise to a Unit Franchise with a Territory which is the same as your Designated Area, however, you may appeal our decision to convert your Franchise to a Unit Franchise to COPFAC within 10 days after your receipt of written notice of our decision to do so. If COPFAC determines, after a hearing, that there were extenuating circumstances for your failure to cure the default within the Cure Period, or the extended Cure Period, as the case may be, your Franchise will not be converted to a Unit Franchise as a result of such default. If we convert your Franchise to a Unit Franchise, you must execute our current form of Unit Franchise Agreement, which will supersede and replace your Area Representative Franchise Agreement, and your failure to do so will constitute a material default under the agreement and grounds for its termination. During each Contract Year after the first five (5) contract years, you must comply with the requirements disclosed below as if you were a renewing Area Representative Franchisee.

If you are renewing an existing Area Representative Franchise or Area Developer Franchise Agreement, during each contract year (a) the Gross Sales within your Designated Area must increase by at least 5% over the prior Contract Year (the "*Base Year*"), **OR** (b) the Gross Sales within your Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade Areas. If these minimum sales requirements are not met during any contract year, you will have the next contract year (the "*Cure Period*")

within which to cure the default by making up the shortfall in Gross Sales or causing your Designated Area to place within the top 20% of the Gross Sales of all Colors On Parade development areas. For purposes of illustration, if the Gross Sales within your Designated Area during 2021 increase by only 3% over 2020 and the Designated Area did not place within the top 20% of the Gross Sales of all Colors On Parade development areas for 2021, the Gross Sales within your Designated Area for 2022 must increase by at least 7% over 2020 or the Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas for 2022, in order to cure the default. If you fail to cure the default during the Cure Period, we will meet with COPFAC to determine whether the Cure Period should be extended. If we agree to extend the Cure Period, we may, after consultation with COPFAC, establish the requirements to be followed in order to give you the best chance of success to cure the default within the extended Cure Period. If you fail to cure the default within the Cure Period, or the extended Cure Period, as the case may be, we shall have the right, after consultation with COPFAC, to convert your Franchise to a Unit Franchise with a Territory which is the same as your Designated Area, however, you may appeal our decision to convert your Franchise to a Unit Franchise to COPFAC within 10 days after your receipt of written notice of our decision to do so. If COPFAC determines, after a hearing, that there were extenuating circumstances for your failure to cure the default within the Cure Period, or the extended Cure Period, as the case may be, your Franchise will not be converted to a Unit Franchise as a result of such default. If we convert your Franchise to a Unit Franchise, you must execute our current form of Unit Franchise Agreement, which will supersede and replace your Area Representative Franchise Agreement, and your failure to do so will constitute a material default under the Agreement and grounds for its termination.

If you own more than one Designated Area, the minimum sales requirements apply to each Designated Area that you own.

You have the right to provide all of the services that may be provided by a Unit Franchisee, subject to the applicable training and other requirements for each service.

You may not solicit or accept orders from consumers outside of the Designated Area or use any channels of distribution, such as the Internet, telemarketing or other direct marketing to make sales outside of the Designated Area without TCFC's consent. If TCFC does consent to your providing services outside of the Designated Area, you will be required to execute an addendum covering the additional area and which expands the geographic scope of your in-term and post-term restrictive covenants under your Franchise Agreement. You may also be required to pay an additional fee to work outside of the Designated Area.

The Designated Area cannot be relocated.

However, at TCFC's request or with TCFC's prior written consent, you may use the System at accounts outside of your Designated Area for the purpose of assisting other Franchisees to service their accounts, however, no rights of first refusal or other rights are granted or extended. Similarly, TCFC and/or other Franchisees may use the System in your Designated Area to service accounts located within your Designated Area if, in TCFC's reasonable opinion, you are unable to appropriately service your accounts.

You are responsible for the performance of all Unit Franchisees operating within your Designated Area and you may not take any actions to materially reduce the work-load of a Unit Franchisee except in the event of its default or a customer complaint, and then only at the direction or with the prior approval of TCFC.

You do not have any options, rights of first refusal or similar rights to acquire additional franchises.

Reservation of Rights

TCFC reserves the right to operate, or to license others the right to operate, businesses under the System within retail shopping centers located within the boundaries of your Designated Area and TCFC intends to do so, if feasible. TCFC also reserves the right to develop other markets or use alternative distribution channels for the Services within your Designated Area, under TCFC's Marks or any other marks, including but not limited to Internet sales, or co-branding arrangements with body shops, automobile dealers and the like, or other vehicle surface restoration centers, which offer services similar to those offered by you, however, TCFC presently has no firm plans to do so. TCFC is not required to offer any new services or products that it may develop to you, or to pay you for soliciting or accepting work inside your Designated Area, and your Franchise Agreement does not give you any rights in the new products or services unless they are announced to be a part of the System, however, if TCFC includes such new products or services in the System, then you must offer such products or services.

Item 13

TRADEMARKS

You operate your Franchised Business under TCFC's Marks.

The COLORSONPARADE® and COLORSONPARADE The Original Body Shop On Wheels® word marks with stylized designs were registered by TCFC on the Principal Register of the United States Patent and Trademark Office ("*PTO*") on December 30, 2014 and January 29, 2008, under registration numbers 4662970 and 3,376,316.

The CAR LOVE CL® word mark with stylized design was registered by TCFC on the Principal Register of the PTO on July 11, 2017, under registration number 5242421.

The EcoSmart® word mark with stylized design was registered by TCFC on the Principal Register of the PTO on January 6, 2015, under registration numbers 4,667,626 and 4,667,627.

TCFC has filed all required affidavits.

To our knowledge, there are no currently effective material determinations of the PTO, trademark trial and appeal board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation of TCFC's Marks or any pending material litigation involving TCFC's Marks.

There are no agreements in effect which significantly affect the rights of TCFC to use or license the use of the COLORS ON PARADE® marks.

You must immediately notify TCFC of any infringement of or challenge to your use of any of TCFC's Marks, whether listed herein or not, that comes to your attention. TCFC has the right to take any action that it deems appropriate, but the Franchise Agreements do not require TCFC to take any action. TCFC has the right to control any administrative proceeding or litigation related to TCFC's Marks. The Franchise Agreements do not require TCFC to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of TCFC's Marks, or if the proceeding is resolved unfavorably to you.

If TCFC decides that you should modify or discontinue using any of TCFC's Marks, or use one or more additional or substitute service marks or trademarks, you must comply with TCFC's directions, and TCFC's has no obligation to reimburse you for the cost of complying with TCFC's directions; provided, however, that if, within any five-year period, TCFC adopts a new primary mark for the System, on a System-wide

basis, on more than one occasion, you will be responsible for the first $3,000 per Operating Unit of the aggregate costs and expenses you incur in implementing the new primary mark, and TCFC will reimburse you for any excess expenditures upon presentation of proof of all costs and expenses you have incurred, subject to the limitations listed below. The costs and expenses for which TCFC will reimburse you specifically exclude (1) any loss of good will, (2) sums spent on advertising or marketing (other than written advertising materials containing the Mark which becomes no longer usable), and (3) office sign expenditures to the extent they exceed $1,000 in the aggregate. In no event will TCFC's liability exceed $3,000 per Operating Unit, plus $1,000 for the office sign.

TCFC does not know of any superior prior rights or any infringing uses that could materially affect your use of any of TCFC's Marks in the state in which your Franchised Business will be located or operated.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

TCFC's wholly-owned subsidiary, Total Car IP Holding Company, owns U.S. Patent No. 5,853,215, issued December 29, 1998, for a mobile spray booth workstation, which is effective through May 22, 2015; U.S. Patent No. 7,837,130, issued November 23, 2010, for an overspray eradicator, which is effective through July 8, 2028; U.S. Patent No. 6,536,978, issued March 25, 2003, for an automotive paint restoration tool and method, which is effective through March 22, 2020; and U.S. Patent No. 6,739,173, issued May 25, 2004, for a sheet metal forming tool, which is effective through August 22, 2022.

No patent is material to the Franchise and TCFC has no obligation to protect any of the patents or patent applications listed above. These patents are presently used as part of the System, but TCFC has the right to modify the System in a manner that eliminates the use of any one or more of these patents.

In addition, TCFC owns copyrights for its Confidential Operating Standards Technical Manual, registration number, Vau-462-069, effective December 1, 1999; the Confidential Operating Standards Manual for Operator Franchisees, registration number Vau-462-071, effective December 1, 1999; and the Confidential Operating Standards Manual for Multi-Unit Franchisees, registration number Vau-462-070, effective December 1, 1999 (although TCFC no longer offers multi-unit franchises). TCFC also claims a copyright for its van layout and truck layout.

To TCFC's knowledge, there are no currently effective material determinations of the Trademark Office, the U.S. Copyright Office any state or any court regarding copyrights that you are permitted to use under the franchise agreement.

TCFC will protects its patents and copyright and defend you against any claims arising out of your use of patented or copyrighted items, however, you do not have any rights, including rights to compensation, under the franchise agreement if TCFC requires you to modify or discontinue using the subject matter covered by the copyright.

Prior to or during the term of your Franchise Agreement, TCFC or its affiliates may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how and other confidential information (collectively, "*Confidential Information*") relating to the management, operation or promotion of your Franchised Business. Confidential Information also includes the identity, contact information and requirements of all customers that you develop, with or without our assistance or the assistance of the us or a designated area representative, or to whom you provide any Services while operating under his Agreement. You may not, nor may you permit any person to, use, disclose, divulge, publish, copy,

reproduce, or disseminate any Confidential Information to any other person, except that you may disclose Confidential Information to the extent necessary for your employees to perform their functions and job duties in the operation of the Franchised Business, provided that such employees have signed a confidentiality, non-solicitation and noncompete agreement in a form approved by us. You must take reasonable precautions necessary to protect all Confidential Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of the obligation to protect Confidential Information, and their related responsibilities and obligations. TCFC requires that you obtain Non-Disclosure and Non-Competition Agreements, pre-interview forms and acknowledgment of training forms in a form satisfactory to TCFC from each of your employees.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must personally operate and supervise the Franchised Business and devote your full time and best efforts to operating and supervising such operations, unless you have a fully trained full-time employee designated for that purpose who has been approved and authorized by TCFC to act in your stead. Except as stated below, TCFC does not make any recommendation as to whether you or a designated employee should operate and/or supervise your Franchised Business. You and any such designated employee must attend and satisfactorily complete the applicable Training Program(s) before operating or supervising the Franchised Business, as applicable, and you and any such designated employee must attend and satisfactorily complete all additional training programs required by TCFC after your Franchised Business begins operations.

You must operate at least one Operating Unit within the Designated Area at all times.

TCFC believes that a successful Franchised Business requires a substantial time commitment by you, particularly during the first years of operations. During this period, you must become thoroughly acquainted with your operations and build your clientele. You or your designated employee, if authorized in writing by TCFC to act in your stead, will need to work full-time on weekdays and several evenings per week, and you will need to spend some time working on weekends. You may not operate any business other than the Franchise and no related automobile products or services may be utilized in the Franchise without the prior written permission of TCFC.

TCFC requires that your designated employee, and all other employees, sign a Non-Disclosure and Non-Competition Agreement, either in the form as described in Item 14 and as described in Sections 5.4(b) and 5.6 of each Franchise Agreement or under another form approved by TCFC. You are responsible for obtaining executed covenants from each of your employees and it is your responsibility to ensure that the form of covenants executed by your employees will be enforceable, to the maximum extent possible, under the laws of the state in which the Franchise is located or operated.

Any decision to enforce the non-disclosure and non-competition agreements signed by your employees and contained in any Franchise Agreement will be made in the sole determination of TCFC.

If you are an entity, and not an individual, then we will require that the equity owners who control 51% of each class of your equities and any other equity owners who have executive or operational control over you execute a Personal Guaranty and Assumption of Obligations in the form attached to the Franchise Agreement. Upon consummation of your purchase of your Franchise, you will be required to execute a Franchisee's Representation Acknowledgement in the form attached to the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer and provide Services after you have successfully completed the Training Program, in the case of paint repair and refinishing services, or a training course approved by us, in the case of paintless dent repair or interior repairs, purchased the required equipment and comply with the terms of your Franchise Agreement. You must offer at least one Service. You may also offer such other services and products as TCFC may, in the future, introduce into the System, in its sole discretion, and generally makes available to Franchisees. TCFC has the right to delete any services from the System, in its sole discretion.

You may only offer and provide Services to customers located within your Designated Area and you may not solicit or provide services to a customer within your Designated Area whose account has been assigned to a Unit Franchisee.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Area Representative Franchise Agreement	Summary
A. Length of the franchise	Section 2.1	10 years.
B. Renewal or extension of the term	Section 2.2	If you have complied with the Franchise Agreement and meet other conditions, you can extend the term of your franchise for an additional 10 years.
C. Requirements for franchisee to renew or extend	Section 2.2	You must give notice, not be in default, sign the then-current form of Area Representative Franchise Agreement which may contain materially different terms and conditions from the original contract, sign general release and pay a fee equivalent to difference between the original price paid and the current Initial Franchise Fee, but in no event less than $500.

Provision	Section in Area Representative Franchise Agreement	Summary
D. Termination by franchisee	Section 6.4	Provided that you are in full compliance with all of the terms and conditions of the Franchise Agreement, and all of your obligations thereunder, you may terminate the Agreement in the event of a material default by us that we fail to cure.
E. Termination by franchisor without cause	Not applicable	Not Applicable
F. Termination by franchisor with cause	Section 6	If you default under the Franchise Agreement; in addition, your Area Representative Franchise Agreement will convert into a Unit Franchise Agreement if you fail to meet your minimum standards of operation as shown in your agreement and as amended per terms of the agreement.
G. "Cause" defined – curable defaults	Section 6.1	You will have 10 days from receipt of notice to cure a payment default with respect to a payment owed to TCFC or our affiliates or under any financing program sponsored by TCFC (unless you already have received two such notices within the preceding 12 months) or a violation of health or safety laws, subject to certain limitations, and 30 days to cure any other default which is not listed in Section 6.1 as being non-curable.

Provision	Section in Area Representative Franchise Agreement	Summary
H. "Cause" defined – non-curable defaults	Section 6	You default with respect to a payment owed to TCFC or our Affiliate or for other default after having been given notice of default on at least 3 occasions during the last 12 months; you make a misrepresentation of material information furnished to TCFC or omit any material necessary to make your representations not misleading; you submit 2 financial statements in any one-year period which understate any sums owed to TCFC or our Affiliate; you fail to successfully complete training within 6 months; you suspend operation of your Franchise for more than 7 days (other than for reasons of force majeure); you file for bankruptcy or similar debtor relief; you become bankrupt or insolvent; you transfer your interest or rights in violation of the Area Representative Franchise Agreement; or you fail to cure a violation of any health or safety law within the applicable period permitted by law. If you fail to meet your minimum sales levels for the Designated Area by the end of the second year of operations, the Franchise may automatically convert into a Unit Franchise with a Territory that is the same as the Designated. The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

I. Franchisee's obligations on termination/non-renewal	Section 7	Obligations include payment of amount due; return of Confidential Information, including certain chemicals and tints provided by TCFC or our affiliates; complete de-identification; cease use of System; if so requested, notify customers; promote separate identity; sale of business assets to TCFC, if requested; and compliance with all restrictive covenants, including non-competition and non-solicitation covenants.

Provision	Section in Area Representative Franchise Agreement	Summary
J. Assignment of contract by franchisor	Section 9.13	TCFC may assign its rights or obligations to any person or entity.
K. "Transfer" by franchisee –defined	Section 5.7(a)	Includes transfer of an interest in the Franchise Agreement, the license under that agreement, or substantially all of the assets of the Franchise, or a change in control of Area Representative.
L. Franchisor approval of transfer by franchisee	Section 5.7(c)	TCFC has the right to approve all transfers, but will not unreasonably withhold approval if certain conditions are met.
M. Conditions for Franchisor approval of transfer	Section 5.7(c)	All of your monetary obligations are satisfied; you are not in default; you sign a general release; you agree to non-competition provisions; transferee agrees to discharge all of your obligations; transferee qualifies, meets training requirements and signs then-current Area Representative Franchise Agreement; you remain liable for existing obligations; and transfer fee is paid.
N. Franchisor's right of first refusal to acquire franchisee's business	Section 5.7(c)	TCFC can match any offer for any interest in you, or in the license under your Franchise Agreement or substantially all of your assets relating to your Franchise.
O. Franchisor's option to purchase franchisee's business	Section 7.7	Upon expiration or termination of your Franchise Agreement, TCFC may purchase your truck and other equipment, at depreciated book value, or if your truck is leased or rented, assume that lease or rental arrangement, or sublease, subject to lessor's approval; in the event of death or disability, TCFC has option to purchase the Franchise at fair market value.
P. Death or disability of franchisee	Section 5.7(d)	Must meet transfer conditions described above, except if transfer is to your spouse or child, no administrative transfer fee is required.

Provision	Section in Area Representative Franchise Agreement	Summary
Q. Non-competition covenants during the term of the franchise	Section 5.6(a)	Except as a Franchisee, no involvement in any business engaged in providing any Service; limitation on customer diversions and on soliciting TCFC's or any Franchisee's employees.
R. Non-competition covenants after the franchise is terminated or expires	Section 5.6(b)	Except as a Franchisee, no involvement in any business engaged in providing any Service for two years after termination, expiration or assignment; limitation on soliciting TCFC's or other Franchisee's employees.
S. Modification of the agreement	Section 9.5	No modifications except when agreed to in writing, but TCFC may unilaterally change or add to types of Services you may offer or to TCFC's specifications, standards or policies including those in the Manual.
T. Integration/merger clause	Section 9.2	Only the terms of the Franchise Agreement are binding. Any representations or promises outside of the Franchise Agreement or this disclosure document should not be relied upon and may not be enforceable.
U. Dispute resolution by arbitration	Section 8.1	Arbitration and Mediation under the auspices of the American Arbitration Association in the city and state in which our principal place of business is located (currently, Conway, SC).
V. Choice of forum	Section 9.15	Arbitration under the auspices of the American Arbitration Association in the city and state in which our principal place of business is located (currently, Conway, SC).
W. Choice of law	Section 9.15	The laws of the state in which our principal place of business is located (currently, South Carolina) apply.

Item 18

PUBLIC FIGURES

TCFC does not use any public figure to promote its Franchises.

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 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.

As of December 31, 2020, there were 46 Area Representatives operating in the U.S. Of the 46 Area Representatives, 4 operated for less than 12 months, 1 operated for more than one year but less than 3 years, and 41 operated for more than 3 years as of December 31, 2020.

The following charts reflect the mean average annual gross revenues, the highest, lowest and median annual gross revenues, and average expenses for the fiscal year ended December 31, 2020, of certain Area Representatives.

Chart 1

	Annual Gross Revenues			
	Franchisees Operating More Than 3 Years	Franchisees Operating More Than 1 Year But Less Than 3 Years	Number/Percentage of Franchisees Operating More Than 3 Years That Surpassed Each Category	Number/Percentage of Franchisees Operating More Than 1 Year But Less Than 3 Years That Surpassed Each Category
Average	$135,415	$374,580	16/39%	1/100%
Highest	$452,021	$374,580	1/100%	1/100%
Lowest	$9,705	$374,580	40/97%	1/100%
Median	$87,004	$374,580	20/49%	1/100%

The first column in Chart 1 reflects the mean average, highest, lowest, and median gross revenues reported by the 41 Area Representatives that operated for more than 3 years. The second column reflects the mean average, highest, lowest, and median gross revenues reported by the 1 Area Representative that operated for more than 1 year but less than 3 years.

The information in Chart 1 is based on monthly sales reports submitted by Area Representatives for the purpose of computing royalty fees. These reports have not been audited by certified public accountants nor have we sought to independently verify their accuracy for purposes of the chart.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.

The following chart breaks down into ranges of gross revenues the information on which Chart 1 is based

Chart 2

Annual Gross Revenues	Franchisees Operating More Than 3 Years		Franchisees Operating 1 to 3 Years	
	Number	Percentage	Number	Percentage
< $100,000	21	51	0	0
$100,001 – $200,000	9	22	0	0
$200,001 - $300,000	8	20	0	0
$300,001 - $400,000	1	2	1	100
$400,001 - $500,000	2	5	0	0
$500,001 - $600,000	0	0	0	0
$600,001 - $700,000	0	0	0	0
$700,001 - $800,000	0	0	0	0
$800,001 - $900,000	0	0	0	0

Exhibit E to this document is a list of the names and addresses of the Area Representatives from which Colors on Parade compiled these figures. All of these franchises are substantially similar to the franchises Colors on Parade offers in that (1) all franchises offer essentially the same services and products as described in Item 1 of this Disclosure Document, and (2) all franchises are mobile units. Colors On Parade makes available the same support to all franchises.

Item 20

LIST OF OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

System-wide Outlet Summary
For years 2018 to 2020

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018	49	46	-3
	2019	46	44	-2
	2020	44	46	+2
Company-Owned	2018	12	13	+1
	2019	13	11	-2
	2020	11	11	0
Total Outlets	2018	61	59	-2
	2019	59	55	-4
	2020	55	57	+2

TABLE NO. 2

Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For years 2018 to 2020

State	Year	Number of Transfers
Texas	2018	1
	2019	0
	2020	0
TOTALS	2018	1
	2019	0
	2020	0

Notes:

1. If multiple events occurred in the process of transferring ownership of an outlet, the above table includes only the event that occurred last in time.
2. If a single outlet changed ownership two or more times during the same fiscal year, the types of changes involved and the order in which the changes occurred will be described by footnote.
3. For purposes of the above table, "transfer" means the acquisition of a controlling interest in a franchised outlet, during its terms, by a person other than the franchisor or an affiliate.

TABLE NO. 3

Status of Franchise Outlets
For years 2018 to 2020

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Alabama	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	1	0	0	0	2
Arizona	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Arkansas	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
California	2018	5	0	1	0	0	0	4
	2019	1	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Colorado	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Connecticut	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Delaware	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Florida	2018	1	0	0	0	0	0	7
	2019	7	0	0	0	0	0	7
	2020	7	1	0	0	0	0	8
Georgia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	2
Hawaii	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Illinois	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Kentucky	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Louisiana	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Maryland	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Michigan	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
New Jersey	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
New Mexico	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
New York	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
North Carolina	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	2
Oklahoma	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Pennsylvania	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
South Carolina	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Tennessee	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Texas	2018	4	0	0	0	0	0	4
	2019	4	0	1	0	0	0	3
	2020	3	1	1	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Utah	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Virginia	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
TOTALS	2018	49	0	1	0	0	2	49
	2019	46	0	1	0	0	0	45
	2020	45	4	2	0	0	0	47

Notes:

1. The above table includes both new outlets and existing company-owned outlets that a franchisee purchased from the franchisor.
2. The number of existing company-owned outlets sold to a franchisee is also included in Column 7 of Table No. 4 and the number of franchised outlets reacquired by the franchisor is also included in Column 5 of Table No. 4.
3. For purposes of the above table, "termination" means the franchisor's termination of a franchise agreement prior to the end of its term and without providing any consideration to the franchisee (whether by payment or forgiveness assumption of debt); "non-renewal" occurs when the franchise agreement for a franchised outlet is not renewed at the end of the term; and a "reacquisition" means the franchisor's acquisition for consideration (whether by payment or forgiveness assumption of debt) of a franchised outlet during its term.
4. Column 8 of the above table includes the total number of outlets in each state not operating as one of the franchisor's outlets at the end of each fiscal year for reasons other than termination, non-renewal, or reacquisition by the franchisor.

TABLE NO. 4

Status of Company-Owned Outlets
For years 2018 to 2020

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Terminations	Non-Renewals	Outlets sold to Franchisees	Outlets at End of Year
California	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Colorado	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Connecticut	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Delaware	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
Georgia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
New Hampshire	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
New Jersey	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
North Carolina	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
South Carolina	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Terminations	Non-Renewals	Outlets sold to Franchisees	Outlets at End of Year
Tennessee	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Maryland	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Pennsylvania	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
Totals	2018	12	1	0	0	0	0	13
	2019	13	0	0	0	0	0	13
	2020	13	0	0	0	0	0	13

TABLE NO. 5

Projected New Franchise Outlets
As of December 31, 2020

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in Fiscal Year 2021	Projected New Company-Owned Outlets in the Next Fiscal Year 2021
Arkansas	0	1	0
Oklahoma	0	1	0
South Carolina	0	0	1
Texas	0	1	0
Totals	0	3	1

A list of our current Franchisees (as of December 31, 2020) is attached to this Disclosure Document as Exhibit E. A list of the name and last known home address and telephone number of every Area Reprentative who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within ten (10) weeks of our application date is attached to this Disclosure Document as Exhibit F.

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

TCFC sponsors the Colors on Parade Franchise Advisory Council, whose members consist of Area Representative or Developer Franchisees.

During the last three years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. Prospective franchisees should be aware that, if they do purchase a franchise, their contact information may be disclosed in future Franchise Disclosure Documents.

Item 21

FINANCIAL STATEMENTS

Attached as Exhibit H to this franchise disclosure document are our audited financial statements for the fiscal years ended of December 31, 2020, 2019 and 2018.

Item 22

CONTRACTS

Attached hereto are the following contracts:

Exhibit	Document
C	Area Representative Franchise Agreement
D	Unit Franchise Agreement
I	Release

Item 23

RECEIPTS

Attached to this Disclosure Document as Exhibit L are receipts acknowledging your receipt of this document.

EXHIBIT A

LIST OF STATE ADMINISTRATORS

California
Commissioner
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013
(213) 576-7500

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

Illinois
Franchise Examiner
Office of the Attorney General
Franchise Bureau
500 South Second Street
Springfield, Illinois 62703
(217)782-4465

Indiana
Securities Commissioner
Office of the Indiana Securities Commissioner
302 West Washington Street
Room E-11
Indianapolis, Indiana 46204
(317) 232-6681

Maryland
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6360

Oregon
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

Michigan
Franchise Administrator
Michigan Department of the Attorney General
Consumer Protection Division
525 W. Ottawa Street
Lansing, Michigan 48909
(517) 373-1140

Minnesota
Franchise Examiner
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

Nebraska
Securities Analyst
Department of Banking & Finance
Bureau of Securities
1200 N Street, The Atrium, Suite 311
Lincoln, Nebraska 68508
(402) 471-3445

New York
NYS Department of Law
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8285

North Dakota
Franchise Examiner
Office of the Securities Commissioner
600 East Boulevard Avenue, 5th Floor
Bismarck, North Dakota 58505
(701)328-2910

Virginia
State Corporation Commission
Division of Securities
1300 E. Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

Rhode Island
Chief Securities Examiner
Division of Securities
233 Richmond Street, Suite 232
Providence, Rhode Island 02903
(401) 277-3048

South Dakota
Department of Revenue and Regulation
Division of Securities
445 E Capitol
Pierre, South Dakota 57501-3185
(605) 773-4013

Texas
Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711
(512) 475-1769

Utah
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

Washington
Administrator
Department of Financial Institutions
Securities Division
210 11th Avenue, SW, Room 300
Olympia, Washington 98504
(360) 902-8760

Wisconsin
Franchise Administrator
Department of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

California Commissioner Department of Business Oversight 1350 Front Street San Diego, California 92101-3697	**New Jersey** National Registered Agents, Inc. 51 Everett Drive, Suite 107B P.O. Box 927 West Windsor, New Jersey 08550-0927
Florida NRAI Services, Inc. 526 E. Park Avenue Tallahassee, Florida 32301	**New York** Secretary of State 99 Washington Avenue Albany, New York 12231
Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813	**North Dakota** Office of the Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, North Dakota 58505
Illinois Office of the Attorney General 500 South Second Street Springfield, Illinois 62706	**South Carolina** Jeff Cox 125 Daytona Street Conway, South Carolina 29526
Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204	**South Dakota** Department of Revenue and Regulation Division of Securities 445 E Capitol Pierre, South Dakota 57501-3185
Maryland Maryland Securities Commissioner 200 Saint Paul Place Baltimore, Maryland 21202-2020	**Virginia** Clerk of the State Corporation Commission 1300 E. Main Street Richmond, Virginia 23219
Michigan CSC - Lawyers Incorporating Service Company 601 Abbott Street East Lansing, Michigan 48823	**Washington** Department of Financial Institutions Securities Division 210 11th Avenue, SW, 3rd Floor West Olympia, Washington 98504
Minnesota Commissioner Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198	

EXHIBIT C

AREA REPRESENTATIVE FRANCHISE AGREEMENT

AREA REPRESENTATIVE FRANCHISE AGREEMENT

BETWEEN

COLORS ON PARADE FRANCHISING CORPORATION

AND

_____

DESIGNATED AREA:

EFFECTIVE DATE:

COLORS ON PARADE

AREA REPRESENTATIVE FRANCHISE AGREEMENT

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COLORS ON PARADE

AREA REPRESENTATIVE FRANCHISE AGREEMENT

THIS AREA REPRESENTATIVE FRANCHISE AGREEMENT is made, as of the date set forth in Exhibit A hereto (the "*Effective Date*"), by and between TOTAL CAR FRANCHISING CORPORATION, a South Carolina corporation with its principal place of business located at 125 Daytona Road, Conway, SC 29526 (hereinafter referred to as "*we*," "*us*" or "*TCFC*"), and the party listed on Exhibit A attached hereto as the Area Representative (hereinafter referred to as "*Area Representative,*" "*Franchisee*" or "*you*"), whose address is also set forth on Exhibit A.

R E C I T A L S

We have acquired the rights to and/or developed, and have refined, technology (the "*Technology*") and have developed expertise with respect to providing automotive reconditioning and/or restoration services, including without limitation paintless dent removal, interior repairs, glass repair, wheel repair and headlight restoration and other automotive reconditioning and/or restoration services, ("*Services*") and/or managing the provision of such services by third parties, under the Colors on Parade® trademark and service marks (the "*Marks*").

We have also developed a system for marketing the Services. This marketing system, together with the Services, the Technology, the Marks, and such other marks, trade dress and other intellectual property, know-how and confidential information as may now be or hereafter become part of the system (which are referred to hereinafter collectively as the "*System*").

You have advised us that you wish to obtain a license to act as a Colors on Parade® area representative franchisee, upon the terms and conditions set forth herein.

NOW, THEREFORE, we hereby agree with you as follows:

1. GRANT OF LICENSE; MINIMUM SALES REQUIREMENTS

1.1 **Grant.** We hereby grant you the right to act as a Colors On Parade area representative and, in connection therewith, a license to use the System to provide the Services, support and assist Colors on Parade® unit franchisees ("*Unit Franchisees*") and/or manage the provision of Services by third parties *(the "License*") in the area described in Exhibit A *(the "Designated Area*"), under and subject to the terms and conditions set forth herein. In addition, at our request or with our prior written consent, you may use the System outside of the Designated Area for purposes of assisting Unit Franchisees or other area representatives to service their customers. Similarly, Unit Franchisees/or and other area representatives may use the System in the Designated Area or service accounts you have previously serviced if we determine it necessary or advisable to do so. Notwithstanding anything contained herein to the contrary, the Designated Area will not include any retail shopping centers located within the boundaries of the Designated Area and we have the right to operate, or to license others the right to operate, a business under the System within any such shopping centers. Except as provided herein, you will be our exclusive area representative for the Designated Area under the System. Without limiting any rights that we otherwise have, we hereby expressly reserve the right to authorize new Unit Franchisees to work in the Designated Area and to determine, from time to time, the amount of the royalty payable by each Unit Franchisee, in our sole discretion, but we shall consult with you and give you an opportunity to interview any prospective Unit Franchisee before we authorize a Unit Franchisee to work in the Designated Area. We shall also have the right to establish and/or grant others the right to establish one or more fixed site retail businesses in the

Designated Area under the System, provided, however, that we shall first offer you the right to establish any such business(es) in your Designated Area, upon such terms as we shall determine, in our sole discretion, before doing so. You may not conduct business outside of the Designated Area without our prior written approval. If you conduct business outside of the Designated Area without our prior written approval, you must pay us for a 5% lease fee on all sales outside of your Designated Area, retroactive to the onset of servicing of each account (with the right of audit), in addition to the Royalty payable by you with respect to all sales outside of the Designated Area. In addition, we shall the right, in our discretion, to take over any accounts outside of the Designated Area, upon notice, and/or assign such account(s) to another franchisee.

1.2 **Minimum Sales Requirements**.

1.2.1 **For New Area Representative Franchisees**: Notwithstanding anything contained herein to the contrary, if you are a new area representative franchisee, during each of the second, third, fourth and fifth Contract Years (a) you must add at least one Qualifying Operating Unit, or (b) the Gross Sales within the Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year. For purposes of this Agreement, "*Qualifying Operating Unit*" means an additional Operating Unit operated by you and/or your employees that generates Gross Sales for each month that are equal to at least 50% of the system average for such period. If these minimum sales requirements are not met during any of these Contract Years, you will have the next Contract Year (the "*Cure Period*") within which to cure the default by making up the shortfall by either adding additional Qualifying Units or causing the Designated Area to place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year. For purposes of illustration, if you failed to add at least one (1) Qualifying Unit during the second Contract Year and the Designated Area did not place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year, you must add at least two (2) Qualifying Units during the third Contract Year or the Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas for such year, in order to cure the default. If you fail to cure the default during the Cure Period, in the manner provided above, we will meet with the Colors on Parade Franchise Advisory Council ("*COPFAC*") to determine whether the Cure Period should be extended. If we agree to extend the Cure Period, we may, after consultation with COPFAC, establish the requirements to be followed in order to give you the best chance of success to cure the default within the extended Cure Period. If you fail to cure the default within the Cure Period, or the extended Cure Period, as the case may be, we shall have the right, after consultation with COPFAC, to convert your Franchise to a Unit Franchise with a Territory which is the same as the Designated Area, however, you may appeal our decision to convert your Franchise to a Unit Franchise to COPFAC within ten (10) days after your receipt of written notice of our decision to do so. If COPFAC determines, after a hearing, that there were extenuating circumstances for your failure to cure the default within the Cure Period, or the extended Cure Period, as the case may be, your Franchise will not be converted to a Unit Franchise as a result of such default. If we exercise our right to convert your Franchise to a Unit Franchise, this Agreement will automatically terminate. During each Contract Year after the first five (5) Contract Years, you must comply with the provisions of the following Section 1.2.2 as fully as if you were a renewing area representative franchisee.

1.2.2 **For Renewing Area Representative Franchisees (or Area Developers)**: Notwithstanding anything contained herein to the contrary, if you have executed this Agreement in order to renew an existing Colors On Parade area representative or area developer franchise agreement, during each Contract Year (a) the Gross Sales within the Designated Area must increase by at least 5% over the prior Contract Year (the "*Base Year*"), **OR** (b) the Gross Sales within the Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas. If these minimum sales requirements for the Designated Area are not met during any Contract Year, you will have the next Contract Year (the "*Cure Period*") within which to cure the default by making up the shortfall in Gross Sales or

causing the Designated Area to place within the top 20% of the Gross Sales of all Colors On Parade development areas. For purposes of illustration, if the Gross Sales within the Designated Area during 2020 increase by only 3% over 2019 and the Designated Area did not place within the top 20% of the Gross Sales of all Colors On Parade development areas for 2020, the Gross Sales within the Designated Area for 2021 must increase by at least 7% over 2019 or the Designated Area must place within the top 20% of the Gross Sales of all Colors On Parade development areas for 2020, in order to cure the default. If you fail to cure the default during the Cure Period, in the manner provided above, we will meet with the COPFAC to determine whether the Cure Period should be extended. If we agree to extend the Cure Period, we may, after consultation with COPFAC, establish the requirements to be followed in order to give you the best chance of success to cure the default within the extended Cure Period. If you fail to cure the default within the Cure Period, or the extended Cure Period, as the case may be, we shall have the right, after consultation with COPFAC, to convert your Franchise to a Unit Franchise with a Territory which is the same as the Designated Area, however, you may appeal our decision to convert your Franchise to a Unit Franchise to COPFAC within ten (10) days after your receipt of written notice of our decision to do so. If COPFAC determines, after a hearing, that there were extenuating circumstances for your failure to cure the default within the Cure Period, or the extended Cure Period, as the case may be, your Franchise will not be converted to a Unit Franchise as a result of such default. If we exercise our right to convert your Franchise to a Unit Franchise, this Agreement will automatically terminate.

1.2.3 **Definitions**: For purposes of this Agreement, and "Colors On Parade Areas" means the designated areas of all Colors On Parade area representatives and area developers and "Contract Year" means each twelve (12) full consecutive month period during the term of this Agreement, commencing on the Effective Date of this Agreement, if the Effective Date is the first day of the month, or the first day of the month next following, if the Effective Date is not the first day of the month. If you own more than one (1) Colors On Parade Area, the foregoing minimum sales requirements will apply to each Designated Area that you own.

2. TERM; RENEWAL

2.1 **Term.** The term of this Agreement shall commence on the Effective Date set forth on Exhibit A and shall terminate on the tenth (10th) anniversary of the Effective Date (the "*Initial Term*").

2.2 **Renewal**. If you are eligible to renew the License pursuant to the provisions of Section 2.3 below, you may, at your option, renew the license for one (1) additional ten (10) year term; provided, however, that in order to do so, you must:

(a) notify us, in writing, not less than ninety (90) nor more than one hundred eighty (180) days prior to the expiration of the Initial Term, of your desire to renew;

(b) not permit any Event of Default (as herein defined) or any event which, with the giving of notice and/or the passage of time, would become an Event of Default, to exist either at the time you give your notice or at the expiration date of the Initial Term of this Agreement;

(c) execute our then-current form of Area Representative Franchise Agreement, which may have terms and conditions substantially different from those contained in this Agreement;

(d) pay us a renewal fee equal to 50% of our then-current Initial Franchise Fee that we charge to area representatives at the time of renewal, but in no event less than $10,000.00; and

(e) execute a general release in our favor, unless prohibited by applicable state law.

3. **FEES**

3.1 **Initial Franchise Fee.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, you must pay us an initial franchise fee of $25,000 (the "*Initial Franchise Fee*") at the time you sign this Agreement. The Initial Franchise Fee is not refundable.

3.2 **Designated Area Fee.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, you must pay us a Designated Area fee in the amount set forth on Exhibit A (the "*Designated Area Fee*") at least 30 days before the first day of the Training Program. The Designated Area Fee is non-refundable. The Designated Area Fee is $5,000 for every 100,000 of estimated population in the Area.

3.3 **Equipment Set-Up Fee.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement or acquire your equipment and supplies from a third party, you must pay us the Equipment Set-up Fee shown on Exhibit A for a start-up package that includes all mandatory equipment and supplies necessary to begin to operate the Franchised Business and to perform each Service. The Equipment Set-Up Fee is payable at least thirty (30) days prior to the first day of the Training Program and is not refundable.

3.4 **Royalty.** Within fifteen (15) days following the end of each month, you must pay us a continuing monthly royalty equal to seven percent (7%) of the total Gross Sales in the Designated Area for the prior month (the "*Royalty*"). "*Gross Sales*" include any and all amounts paid or payable for the Services and/or any other automotive repair and/or reconditioning services provided by you, your employees and all Unit Franchisees operating in the Designated Area, whether for cash, credit, script, check, services or property. Gross Sales does not include (i) promotional allowances or rebates paid to you when you purchase products or supplies, or (ii) sales or use taxes, measured on the basis of your Gross Sales, imposed by governmental authorities, if such taxes are separately stated when the customer is charged and are actually paid by you to the appropriate taxing authorities. Refunds to customers shall be deducted from Gross Sales only to the extent such amounts have previously been included in Gross Sales and a Royalty has been paid. Gross Sales shall be calculated monthly on all services provided as of the last day of each calendar month and you must provide us with written reports of the Gross Sales for each month by the tenth (10th) day of the next following month in order to enable us to issue statements for such Gross Sales. Your obligation to pay the Royalty is not predicated or conditioned upon the validity of any patent or copyright claimed by us or used in the System, and no portion of the Royalty is attributable to any specific patent or copyright, as distinct from the System as a whole. In the event a court of competent jurisdiction determines that apportionment of the Royalty is necessary or appropriate, for any reason, any patent or copyright license granted to you hereunder shall be deemed to be royalty free and made in the consideration of your proper use of the Marks and the System. The Royalty is not refundable.

3.5 **Late Fee and Interest.** If you do not pay any amounts due to us promptly when due, you must also pay us a late fee ("*Late Fee*") of (i) $100 the first time your payment is late, (ii) $200 the second time your payment is late, and (iii) $500 for each subsequent late payment, plus in each case interest on the overdue amount calculated at the lesser of eighteen percent (18%) per annum or the maximum rate permitted by law. The Late Fee is not refundable.

3.6 **Advertising Fee.** You must contribute one percent (1%) of the total Gross Sales for the Designated Area to our Advertising Fund (the "*Fund*"), which is controlled by area representatives and administered by us, for promotion of the System. Your contributions to the Fund are in addition to any

advertising that you may conduct locally in your Designated Area. The Fund is intended to maximize general public recognition, acceptance and use of the System and there is no requirement that expenditures will be made from the Fund for you, on your behalf, or in the Designated Area which are equivalent or proportionate to your contributions to the Fund, and there can be no assurance that you or any other franchisee will benefit directly or pro rata from expenditures from the Fund. The Fund may be used for marketing to national or regional accounts, for computer, website, magazine, newspaper, television, radio or other medium of advertising and for the purchase and distribution of promotional objects such as shirts, hats, key rings, and other objects that promote the System, to be obtained and distributed by us as we deem appropriate. The Fund may also be used to reimburse us for internal expenses actually incurred in connection with operating an advertising, marketing or sales department and administering the advertising program, however, reimbursement of internal expenses shall not exceed 10% of all contributions to the Fund. All sums paid by Unit Franchisees, if any, and area representatives to the Fund shall be maintained in a separate account and will not be commingled with our general operating revenues. Nothing contained in this section shall be deemed to impose any fiduciary duties on us or to create a fiduciary relationship between us.

Any amounts in the Fund at year end shall carry over to the next year, each and every year. Contributions to the Fund are not refundable and there will be no general distribution of funds to you or any of our other area representatives or other franchisees, except in the furtherance of advertising and marketing, if determined by TCFC.

3.7 **Collections Fee.** If we provide collection services for the services provided by you and all Unit Franchisees operating in the Designated Area, as described in Section 4.3 hereof, you must pay us a fee equal to two percent (2%) of the total Gross Sales for the Designated Area (the "*Collections Fee*") for such services.

4. OUR OBLIGATIONS TO YOU

4.1 **Initial Obligations.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, prior to commencement of the Franchised Business, we will do the following:

(a) **Manuals.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, we will provide you, on loan, one copy of our Operating Standards Manual and one copy of our Technical Operations Manual or make copies of the Manuals available to you online (the "*Manuals*"). The Manuals are confidential, and you may not copy the Manuals or disclose their contents to any person other than your employees and Unit Franchisees, who must first sign an agreement, satisfactory to us in form and substance, agreeing to keep the contents of the Manuals confidential and not use their contents except in performing their duties as your employee, or as a Unit Franchisee, as applicable, and that they will abide by certain non-competition and non-solicitation restrictions. The Manuals shall remain our property and must be returned to us upon request. We reserve the right to amend the Manuals from time to time, and any amendments shall become effective upon your receipt. For purposes of this Agreement, the term "*Manuals*" shall also include any and all other confidential information, directives, specifications and procedures furnished to you by us, whether or not physically incorporated into the Manuals. The provisions of the Manuals may not alter the fundamental rights granted to you in this Agreement and, if the provisions of this Agreement and the Manuals are inconsistent and in direct conflict, the provisions of this Agreement shall control.

(b) **Training.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, we will provide you and one of your employees

with the training (the "*Training Program*") that we determine necessary for you to provide paint repair and restoration services and to perform your duties as an area representative to the Unit Franchisees operating in your Designated Area, which consists of a two-week training program. You may not offer any Service until you and each of your employees have satisfactorily completed the required training program for that Service. The Training Program will be provided in Myrtle Beach, SC or at such other location(s) as we may designate. You must pay a reasonable fee for each additional employee that you would like to have trained, and you will be responsible for all travel, meal and lodging expenses incurred in connection with your and your employees' attendance at all training programs. We may also provide additional ongoing training with respect to the Services, and we may charge a reasonable training fee for such training. Although you are not required to provide all of the Services, you must provide at least one Service. After you have operated the Franchised Business for at least six (6) months, we will provide you with the additional Area Representative Training described in the FDD (the "*Area Representative Training*"). All required Training Programs must be satisfactorily completed within one year from the Effective Date.

(c) **Equipment.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement or purchase your equipment from a third party, we will provide you with a Start-Up Package, which includes certain of the mandatory equipment and supplies necessary to begin your operations as an area representative and to provide the Services, including: the minimum PPG Set Up (paint, chemicals), all required equipment, including spray guns, fresh air masks, and other materials, and install the Start-Up Package in your Vehicle (as defined below). We will also furnish you with a list of suppliers of the equipment, tools, products and supplies that you will need to operate the Franchised Business after start-up. You may purchase your equipment, tools, products and supplies only from us or approved suppliers. Under no circumstances will you permitted to purchase products, other than basic automotive products for your vehicle(s), from any company or person that has, or has attempted to, "knock off" or otherwise analyze for replication any of our products, including but not limited to all products patented or patent pending and all products that are sold with the Colors on Parade® trademark or trade name. Lastly, we will provide you with our standard specifications for a vehicle that will permit you to provide the Services ("*Vehicle*"), although you may, at your option, upgrade the specifications of the Vehicle. We or another area representative that we designate must inspect each fully-equipped Vehicle ("*Operating Unit*") to be used in connection with the Business, in order to confirm that it meets or exceeds our standards and specifications, as set forth in the Manuals, and you may not use an Operating Unit in the Franchised Business unless and until it has been inspected and certified by us.

(d) **Set-up.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, we will generally assist you in setting up the Franchise in the Designated Area, as we deem appropriate.

4.2 **Ongoing Obligations.** Once you commence operation of the Franchise, we will provide you, as we deem appropriate, in our sole and absolute discretion, with the following:

(a) At least one national or regional meeting or convention per year; we have the right to charge you a fee to attend any such meetings or conventions and such meetings are currently provided for a charge to cover our expenses.

(b) Operational advice, upon request;

(c) Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, the Area Representative Training, which will be provided to you after you have operated the Franchise for at least six (6) months;

(d) Training in new Services technology, if any, included in the System. Such training shall be provided free of charge, if required. If not required, then we have the right to charge you a fee for such training in order to reimburse us for the costs thereof;

(e) Marketing advice and suggestions;

(f) Periodic on-site assistance by our staff. You must reimburse us for the direct costs and expenses (e.g. travel, lodging and meals) we incur in providing such on-site assistance, but no charge shall be imposed for personnel costs if no on-site assistance visit has been made during the last twelve months;

(g) Other assistance or advice by means of newsletter, telephone, e-mail or other form of electronic communication;

(h) Research and development; and

(i) Inspection of each additional or replacement Operating Unit (by us or a designated area representative) to be used by you in connection with the Franchised Business to confirm that it meets or exceeds our standards and specifications.

4.3 **Collections.** At our option, we will collect the invoices issued for the services provided by you and each Unit Franchisee operating within the Designated Area or appoint a third party (the "*Collections Agent*") to do so, pursuant to procedures set forth in the Manuals, as modified from time to time. If we elect to provide the collection services or appoint a third party to act as the Collections Agent, you must provide us or such third party with copies of all invoices issued for the Gross Sales within the Designated Area and detailed written reports of the Gross Sales for each month by the tenth (10^{th}) day of the next following month.

4.4 **Unit Franchisee Support**. Provided that you comply with your obligations under Section 5.2(k) below to our satisfaction, in consideration for the assistance and support that you provide to Unit Franchisees operating within the Designated Area pursuant to the provisions of Section 5.2(k), you will have the right to receive 100% of the royalty paid by each such Unit Franchisee (the "*Unit Franchisee Royalty*") in excess of seven (7%) percent of its Gross Sales. For purposes of illustration, subject to the provisions of this Section 4.4, if a Unit Franchisee pays a Unit Franchisee Royalty equal to thirty (30%) of its Gross Sales, we will have the right to receive seven (7%) percent and you will have the right to receive the remaining twenty three (23%) percent; if a Unit Franchisee pays a Unit Franchise Royalty equal to less than thirty (30%) of its Gross Sales, we will have the right to receive seven (7%) percent and you will have the right to receive the balance. Your entitlement to receive a portion of the Unit Franchisee Royalties is expressly conditioned upon your providing assistance and support to Unit Franchisees operating within the Designated Area pursuant to the provisions of Section 5.2(k) below, to our satisfaction, and if we determine that you have failed to comply with all of your obligations under Section 5.2(k), we have shall the right to receive all or such increased portion of the Unit Franchisee Royalties as we shall determine. We shall have the sole right to determine the amount of the Unit Franchisee Royalty paid by each Unit Franchisee operating in the Designated Area. We may take legal action to enforce compliance by Unit Franchisees operating in the Designated Area, in our sole and absolute discretion, but we are not obligated to do so and we will not do so without your prior written consent.

5. YOUR OBLIGATIONS TO US

5.1 **Prior to Commencement of Operations.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, before offering any Services to the public, you must do the following:

(a) **Training Program.** Complete, to our satisfaction, the required training program for each Service that you wish to provide. If you fail to complete such training to our satisfaction, despite your best efforts, we may terminate this Agreement. Cancellation of this Agreement shall not relieve you from your obligations under Sections 5.4, 5.5, 5.6 and 7, which shall survive such cancellation. This section does not apply if you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement.

(b) **Equipment, Tools and Supplies.** Unless you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement, you must acquire all equipment, tools, supplies and inventory necessary to provide the Services and at least one Operating Unit, before commencing operations with respect to each Service. You may only purchase equipment, tools, products and supplies from us or approved suppliers, and you may only use equipment, tools, products and supplies that meet our standards and specifications. Under no circumstances will you be permitted to purchase products, other than basic automotive products for your Vehicle(s), from any company or person that has attempted to "knock off" or otherwise analyze for replication the products of TCFC, including but not limited to all products patented or patent pending and all products that are sold with the Colors on Parade® trademark or trade name. We have the right to charge vendors of any non-approved items or non-approved suppliers for which you request approval a reasonable fee to reimburse us for our costs and expenses of evaluating such supplier or such item for use in the System. We also have the right to revoke the approval of any supplier or of any equipment, tool, supply or inventory item at any time if we deem it in our best interests or the best interests or the System. Any automotive equipment, tools, products and supplies which you purchase or lease and which is equipped in accordance with our standards and specifications may not be sold, assigned, transferred, leased, subleased or otherwise disposed of without our prior written consent, which will not be unreasonably withheld. Prior to any sale, assignment, transfer, lease, sublease or other disposition, you must remove the Marks from such equipment, tools, products and supplies, remove any materials, supplies or equipment which we deem to be proprietary, and reconfigure the equipment, tools, products and supplies, all in accordance with the Manuals. You must also purchase or lease a laptop computer, purchase and install a QuickBooks Pro program or another accounting program designated by us on the computer, and bring the computer with you to the Training Program. This section does not apply if you executed this Agreement to renew an existing Colors On Parade area representative or area developer franchise agreement.

(c) **Insurance.** Purchase and/or maintain in effect, general liability, worker's compensation, hospitalization and life, and such other insurance as we specify in the Manuals, from time to time, or which may otherwise be required by applicable governmental laws or regulations, in amounts, with deductibles, and written by duly licensed carriers acceptable to us, and containing such other qualifications, terms and conditions as we may specify in the Manuals. Unless otherwise specified in the Manuals, all insurance policies shall name us as an additional named insured, and shall not be cancelable without the insurer giving us at least thirty (30) days prior written notice. You must supply us with certificates of insurance, satisfactory to us in form and substance, evidencing these insurance coverages. We will notify you if any certificate that you provide to us is unsatisfactory and you must then take the steps necessary to correct any deficiencies. If you fail to purchase or pay for such insurance, then we may do so on your behalf and you must reimburse us upon demand for any amounts we spend to obtain such insurance.

5.2 **Upon Commencement of Operations.** Upon commencing the Franchised Business and thereafter during the term of this Agreement, you must do the following:

(a) **Compliance with Manuals.** Operate the Franchised Business in strict compliance with this Agreement, the Manuals, as modified from time to time, and such other rules, regulations, specifications and standards as we may reasonably specify. You may not offer for sale any services or products which we have not approved. You must offer and at least one Service.

(b) **Full-Time Commitment.** Be personally involved in the operation and/or management of the Franchised Business on a full-time basis, as defined herein and in the Manuals, as modified from time to time. You must operate, through an employee, at least one Operating Unit within the Designated Area at all times. By the end of the first year of operation, you are required to spend 100% of your time developing the Designated Area. Any individual that you hire to be personally involved in the operation and/or management of the Franchised Business must successfully complete all of the required training programs and execute non-competition, non-disclosure and/or such other covenants as we may specify, and be approved by us, in writing, to act in your stead. In operating and/or managing the business on a full-time basis, you are not permitted to operate or offer any other competitive business, specifically including but not limited to any automobile related business, service or products not authorized or permitted by us in writing.

(c) **National and Regional Meetings and Conventions.** Attend all national and regional meetings or conventions held or conducted by us. We may charge a reasonable fee for your attendance at any such programs, meetings or conventions for the purpose of allowing us to cover the costs of producing and presenting the same.

(d) **Conduct Business as a Colors On Parade Franchisee**. In all of your business dealings during the term of this Agreement, you must prominently identify and hold yourself out as a Colors On Parade franchisee. All automotive reconditioning and/or restoration services that you provide must be provided by you as a Colors on Parade franchisee pursuant to the terms and provisions of the Unit Franchise Agreement.

(e) **Hours of Operation.** Except to the extent prohibited by applicable law, operate the Franchised Business during the hours we specify in the Manuals.

(f) **Employees.** Use only employees who have been trained to our satisfaction or who have been successfully trained pursuant to training programs which we may make available to you and require your employees to wear uniforms while working for the Franchised Business of such design and color as we may prescribe from time to time, as set forth in the Manuals. You must also obtain from each employee whom you train a written acknowledgment, in the form we prescribe, that such employee has completed such training program.

(g) **Confidential Information**. Take reasonable precautions necessary to protect all Confidential Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of the obligation to protect Confidential Information, and their related responsibilities and obligations. You must also obtain Non-Disclosure and Non-Competition Agreements and pre-interview forms, each in a form satisfactory to us, from each of your employees, and it is your responsibility to ensure that the form of covenants executed by your employees will be enforceable, to the maximum extent possible, under the laws of the state in which the Franchised Business is located or operated, and to use your best efforts to enforce all such agreements.

(h) **Compliance With Law.** Comply with all applicable federal, state and local laws, regulations, rules, ordinances or decrees.

(i) **Hardware and Software Requirements.** Utilize all computer hardware and software specified for use in the Franchised Business specified in the Manuals, as modified from time to time, and pay any third-party licensing fees required in connection with your use of certain hardware and software programs.

(j) **Perform as a Unit Franchisee**. You must execute a Colors On Parade Unit Franchise Agreement for a territory that consists of the Designated Area upon the execution of this Agreement (the "*Unit Franchise Agreement*") and comply with all of your obligations thereunder; provided, however, that to the extent of any inconsistency between the terms and provisions of the Unit Franchise Agreement and the terms and provisions contained herein, the terms and provisions of this Agreement shall control.

(k) **Assistance and Support to Unit Franchisees.** Provide the following assistance and support, to our satisfaction, to each Unit Franchisee operating within the Designated Area:

(1) Ongoing technical training, as referenced in the Manuals;
(2) Operational advice and assistance, upon request or as needed;
(3) Developing annual business plans and setting goals;
(4) Arranging for assistance by other Unit Franchisee(s) within the Designated Area in servicing its customers, when necessary in order to enable the franchisee to provide efficient and timely service to its customers;
(5) Mandatory meetings at least once a month;
(6) Monitoring its performance and advising them and us with respect to any deficiencies in their performance;
(7) Providing marketing assistance and assistance in obtaining and developing accounts and brand equity in the Designated Area;
(8) Performing such other services as we may periodically determine to be necessary or otherwise in the best interests of the System; and
(9) If we authorize you to collect for the services provided by Unit Franchisees operating within the Designated Area, you must pay each Unit Franchisee their share of all collected sales within 20 days of receipt.

We may, at any time or from time to time, in our sole discretion, after consultation with you, license additional Unit Franchisees to operate in the Designated Area, and you must provide the foregoing services to each such franchisee. We have the right, in our sole discretion, to determine the royalties payable by all Unit Franchisees operating within the Designated Area.

Your obligations pursuant to this section 5.2(k) may require certain capital or other expenditures by you. If you fail to perform any services required by this Section 5.2(k) in a manner reasonably satisfactory to us, then in addition to any other remedies that we may have, we (or another area representative designated by us) shall have the right, but not the obligation, to perform such services, in which event you must pay us, upon demand, 150% of the costs and expenses (including, without limitation, the salaries and a proportionate share of the benefits payable to our employees or our designated area representative or its employees, as the case may be) that we or our designated area representative incur in performing such services. We may affect your payment of such amount by withholding sums otherwise payable to you.

(10) **National and Regional Accounts.** We may establish national or regional accounts with respect to which we may negotiate contracts covering multiple locations or sub-accounts. You must cooperate with us in the establishment and servicing of such accounts and follow the reasonable procedures and regulations (including, if legal, pricing policies) we establish with respect thereto. Your failure to do so may have significant adverse economic effects, not only upon the Franchised Business, but also upon the businesses of other Unit Franchisees, area representatives or area developers, and multi-unit franchisees.

(11) **Ongoing Purchases of Equipment, Tools, Products, and Supplies.** You must purchase equipment, tools, products and supplies only as provided in Section 5.1(b) above. We may become the sole source of supply of any of these items and set a price to cover our costs and expenses and a reasonable profit. We may also make arrangements for special pricing with vendors and receive a profit from such arrangements.

(12) **Trademarks.** You obtain no ownership rights in any of our marks or trade names and you may not take any position of attempted ownership of any domain name that includes our trade name or marks. In the event that you register a domain name or other name that includes our name or any of our products, you will hold the name or mark in trust for us and you must transfer it to us upon request.

(13) **Fixed Site Operations.** You may not maintain a fixed site operation without our prior written consent, which will not be unreasonably withheld.

5.3 **Financial Information; Records; Inspection**.

(a) **Financial Information.** You must furnish us with the financial information concerning you and the Franchised Business in such form and at such times as we may specify in the Manuals. Such information may include monthly, quarterly and annual balance sheets, profit and loss statements, and statements of cash flow, tax returns, payroll records and other financial information as we believe reasonably necessary for us to evaluate the Franchised Business and your compliance with this Agreement. All financial statements must be certified by you as true and correct. Financial statements need not be audited unless an Event of Default (as herein defined) has occurred during the last twelve (12) months and/or we request, in our discretion, that you provide us with audited financial statements.

(b) **Books and Records.** You must maintain all books and records required by law or by us, as specified in the Manuals, including a complete listing of customer accounts, and you must provide complete customer account information to us on at least a quarterly basis. Unless we otherwise agree in writing, in advance, you must adhere to generally accepted accounting principles in your record keeping. You must follow the record keeping systems we require and use the record keeping software programs we require. You must keep hard copies of your records for at least six (6) years. All records must be kept at your principal place of business, as designated on Exhibit A (which you may change to another location within the Designated Area which is acceptable to us upon giving us ten (10) days advanced written notice).

(c) **Inspection.** You must provide us copies of your QuickBooks files, books, records, accounts, bank statements and/or other financial information in accordance with the Manuals or upon our request. In addition, at our option, you must permit us or our representatives to inspect such books, records and/or other financial information, at any time, during reasonable business hours, without advance notice. If an audit of your books and records discloses that you have understated Gross Sales for the Designated Area, or the services that you have provided, or any sum owed to us, by two percent (2%) or more, you must reimburse us, upon demand, for all audit costs, including meals, lodging and travel expenses, and the costs and expenses of employees and other agents engaged in the audit, as well as pay us the additional

amounts due. If you do not provide us with copies of your books and records in accordance with the manuals or upon our request by the due date, you must pay us a penalty in the amount of $500 for each such occurrence.

(d) **Underreporting.** Regardless of the percentage of any underreporting, if we determine that you have deliberately failed to report any sales included in Gross Sales, we have the right to terminate this Agreement, immediately, upon notice and without opportunity to cure the default.

5.4 **Trademarks and Other Intellectual Property; Confidential Information**

(a) **Intellectual Property**.

(i) You may only use in the operation of the Franchised Business the trademarks, service marks, logos, insignias or trade dress that we designate in writing from time to time for use in the System (the "*Marks*"). You will have no interest in the Marks or the goodwill associated with the Marks, except to use them as provided in this Agreement, and you will have no ownership rights to the names or Marks in other forums, such as "domain names." Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our benefit and, upon expiration, cancellation or termination of this Agreement, no monetary amount shall be attributable to any goodwill associated with your use of the System or the Marks. You must use the Marks only in compliance with the rules prescribed by us, and in no event may you use the Marks or any confusingly similar variations thereof as part of any corporate name or with any prefix, suffix or other modifying words, terms or designs (other than those licensed to you or approved by us). You may not use the Marks in connection with any unauthorized products or services. We reserve the right to revoke approval of the use of previously approved Marks, to add new Marks to the System, and to modify existing Marks. It will be your responsibility to pay for the costs of discontinuing the use of or modifying previously approved Marks in the Franchised Business; provided, however, that if, within any five-year period, we adopt, on a System-wide basis, a new primary Mark for the System on more than one occasion, you shall only be responsible for the first $3,000 per Operating Unit (as defined herein) of the aggregate costs and expenses you incur in implementing the new primary Mark(s), and we shall reimburse you for any excess expenditures, upon presentation of proof of all costs and expenses you have incurred. However, we will not reimburse you for (1) any loss of good will, (2) sums previously or thereafter spent on advertising or marketing (other than written advertising materials containing the Mark which become no longer usable), and (3) signage expenditures, to the extent they exceed $1,000 in the aggregate, and in no event shall our liability hereunder exceed $3,000 per Operating Unit, plus $1,000 for signage expenses. You must promptly discontinue use of Marks eliminated from the System and initiate use of new or modified Marks, as we may prescribe.

(ii) You must notify us immediately, in writing, of any infringement of or challenge to your or our use of any of the Marks which comes to your attention. We will have the exclusive right (but not the obligation) to take any action which we believe appropriate under the circumstances, and to retain all proceeds received in connection with infringements. You must fully cooperate with us in any infringement or challenge, including, if requested, providing documents and testimony.

(iii) You may not contest, directly or indirectly, our use or ownership or any of our interest in any of the Marks.

(iv) You must comply with our instructions in filing and maintaining trade name or fictitious name registrations, and you must execute any documents which we require to obtain or maintain protection for any of the Marks.

(v) You must submit to us, in advance, any advertising or other promotional materials which you wish to use in connection with the Franchised Business, and you shall not use any such materials until you have received our approval. We also have the right to withdraw our approval, at any time, upon giving you reasonable notice.

(vi) Upon expiration or termination of this Agreement, all of your rights to use the Marks shall automatically cease and revert to us without the execution of any document.

(b) **Confidential Information**.

(i) Prior to or during the term of this Agreement, we may disclose to you in confidence, either orally in writing, certain trade secrets (which include, but are not limited to, our paint and scratch removal processes), know-how and other confidential information (collectively "*Confidential Information*") relating to the System and management, operation or promotion of our business or the Franchised Business. Confidential Information also includes the identity, contact information and requirements of all customers that you develop, with or without our assistance or the assistance of other franchisees, or to whom you provide any Services while operating under his Agreement. You may not, nor may you permit any person to, use, disclose, divulge, publish, copy, reproduce, or disseminate any Confidential Information to any other person, except that you may disclose Confidential Information to the extent necessary for your employees to perform their functions and job duties in the operation of the Franchised Business, provided that such employees have signed a confidentiality, non-solicitation and noncompete agreement in a form approved by us. You will be responsible for any damages that we incur as a result of your breach or failure to comply with the provisions of this Section 5.4(b)(i).

(ii) Confidential Information does not include (A) information that becomes generally known to the public other than through your actions or conduct, (B) information disclosed to you by a third party having legitimate and unrestricted possession of such information at the time you entered into your first Franchise Agreement with us, or before you began negotiations to purchase any franchise from us, whichever occurs first; (C) information that you can demonstrate was within your legitimate and unrestricted possession before you entered into your first Franchise Agreement with us, or before you began discussions or negotiations to purchase any franchise from us, whichever occurred first; and (D) commencing five (5) years after the expiration or any earlier termination of this Agreement, information that is not protectable as a trade secret. You hereby expressly acknowledge that our paint and scratch removal processes, to the extent not patented, constitute trade secrets owned by us, and particularly, you agree that all of the processes contained in the Manuals constitute trade secrets.

(iii) You must take reasonable precautions to protect our Confidential Information from unauthorized disclosure or use, including without limitation conducting orientation and training programs for your employees to inform them of your obligations to protect our Confidential Information from unauthorized disclosure or use. You must have each of your employees sign an employee non-compete, non-solicitation and non-disclosure agreement, approved by us, naming us as an intended third-party beneficiary with the independent right to enforce the agreement, and you will be responsible for any cost and expenses (including without limitation attorney's fees) incurred in enforcing all rights under those agreements. You must have the agreements signed by your employees reviewed by an attorney, at your expense, to ensure that such agreements are enforceable under applicable state law, and your use of an agreement approved by us shall not constitute or be a basis for waiver of your duty to ensure that the agreements signed by your employees are enforceable under applicable law.

(c) **Survival.** This Section 5.4 shall survive the expiration or any earlier termination of this Agreement.

5.5 **Indemnification.** You must indemnify, defend and hold harmless us and our affiliates, and each of our and our affiliates' officers, directors, employees, agents and representatives (collectively, "*Indemnitees*"), from any and all claims, demands, suits, proceedings, fines, losses, damages, costs and expenses (including reasonable attorneys' fees) (collectively, "*Damages*") suffered or incurred, directly or indirectly, by them or any of them as a result of (a) your breach or other failure to perform your obligations under this Agreement, or (b) any other action or claim resulting from or in any way related to the operation of the Franchised Business, except that you shall not be liable for Damages resulting from our gross negligence or reckless conduct. If any third party claim which is subject to this indemnification provision is asserted against you or any Indemnitee, you shall promptly notify us. The provisions of this Section 5.5 shall survive the expiration or any earlier termination of this Agreement.

5.6 **Covenants Against Competition**

(a) **In-Term.** So long as this Agreement is in effect, you shall not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business, to any other party (including yourself acting in any capacity other than a Colors On Parade franchisee pursuant to the provisions of this Agreement) by direct or indirect inducement or otherwise;

(ii) Directly or indirectly own, maintain, engage in, or have any interest in any other business which is engaged in providing any repair, restoration or reconditioning services; or

(iii) Provide any repair, restoration or reconditioning services, directly or indirectly, other than as a Colors on Parade Unit Franchisee pursuant to the provisions of this Agreement.

You agree that each of the foregoing in-term restrictive covenant is independent of and divisible and severable from the others and is necessary and reasonable to protect legitimate interests of the System. In the event the geographic or temporal scope of Sections 5.6(a)(i), 5.6(a)(ii) and/or Section 5.6(a)(iii) is deemed excessive under applicable law by an arbitrator or court in an action to enforce the provisions of this Section 5.6(a), only the remaining subsections of Section 5.6(a) shall apply.

(b) **Post-Term.** Except as otherwise approved or specified by us in writing, you shall not, for a continuous uninterrupted period commencing upon the expiration or any earlier termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for yourself or through, on behalf of or in conjunction with any person or entity:

(i) Solicit or provide any Services to any customer or account to whom you provided any Services as a Colors on Parade franchisee during the prior three (3) years or divert or attempt

to divert any such customer or account to any competitor or other party, including yourself or a business that you operate; or

(ii) Operate or manage any business that provides any Services, or provide any Services, within the Designated Area or any other area where you provided any Services as a Colors On Parade franchisee during the during the prior three (3) years; or

(iii) Offer or provide any Services within five (5) miles from any commercial customer or retail account to whom you provided any Services as a Colors on Parade franchisee during the term of this Agreement.

You agree that each of the foregoing post-term restrictive covenants is independent of and divisible and severable from the others and is necessary and reasonable to preserve the value of the System. In the event the geographic or temporal scope of Sections 5.6(b)(i), 5.6(b)(ii) and/or Section 5.6(b)(iii) is deemed excessive under applicable law by an arbitrator or court in an action to enforce the provisions of this Section 5.6(b), only the remaining subsections of Section 5.6(b) shall apply.

If you refuse voluntarily to comply with the foregoing restrictive covenants upon the expiration or any earlier termination of this Agreement, you must pay us, as damages, an amount equal to 30% of your Gross Sales within the geographic and temporal scope of Sections 5.6(b)(i), 5.6(b)(ii) and/or Section 5.6(b)(iii) and the two-year period will not commence until you begin to voluntarily to comply with the foregoing restrictive covenants or the entry of an order of an arbitrator or court enforcing this provision, whichever shall first occur. If we are required to engage an attorney or take any action to enforce the foregoing restrictive covenants, you must also reimburse us for our costs and expenses, including reasonable attorney's fees and the costs of investigating and/or prosecuting such action.

(c) **No Defense.** The existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants contained in this Section 5.6.

(d) **Injunctive Relief.** You acknowledge that your failure to comply with any requirement of this Section 5.6 will cause us irreparable injury for which no adequate remedy at law may be available. Accordingly, in such event, you agree that we shall be entitled to obtain injunctive relief prohibiting any conduct by you in violation of the terms of Section 5.6, and that no bond shall be required in order to implement any injunction so issued.

(e) **Survival.** The provisions of Section 5.6 shall survive the expiration or any earlier termination of this Agreement.

(f) **Modification of Covenants; Blue-Pencil**. We shall have the right, in our sole discretion, to reduce the scope of any covenant contained in this Agreement, without your consent, notwithstanding the provisions of Section 9.2 hereof. Further, in the event that a court of competent jurisdiction or arbitrator should find any of the restrictive covenants contained in this Agreement is contrary to law, you and we hereby authorize and direct the court or arbitrator to modify or "blue line" the restriction so as to make it enforceable to the maximum extent in accordance with applicable law and all other restrictive covenants contained in this Agreement shall remain in full force and effect.

5.7 **Limitations on Assignments by You**.

(a) **General Prohibition.** The rights granted to you under this Agreement are personal, and we would not have entered into this Agreement absent your commitment to be personally involved with the Franchised Business. Therefore, except as expressly provided below, you may not, without our prior written consent, assign, transfer, convey or otherwise dispose of, or encumber or grant a security interest in, this Agreement, the License granted herein, all or substantially all of the assets used in the Franchised Business, or a controlling interest in you or any entity to which your rights under this Agreement may be transferred, or any of your rights or duties under this Agreement (each of which is hereinafter referred to as an "*Interest*").

(b) **Assignment to Corporation or Limited Liability Company.** You may assign an Interest in this Agreement to a corporation or limited liability company formed by you for your convenience or legal reasons (an "*Entity*"), provided that the follow conditions are met and fulfilled at the time of assignment:

(i) The Entity must be newly formed and may not own any assets or engage in any business except for the Franchised Business or other activities under franchise agreements with us.

(ii) You and any other person owning at least 50% of the Entity's outstanding equity securities of any class must personally guarantee and assume all of the obligations of the Entity under this Agreement and agree to be personally bound by the provisions of Sections 5.4, 5.5, 5.6 and 7 of this Agreement.

(iii) You must at all times (A) own a majority of the Entity's equity interests of each class of equity securities outstanding, and (B) own equity interests having a majority of the voting power of each voting class of the Entity's outstanding equity securities.

(iv) You must execute an assignment document which is satisfactory to us in form and substance. In addition, you and the Entity must execute an agreement satisfactory to us, in form and substance, confirming that: (A) the Entity assumes your obligations under this Agreement; (B) the assignment does not release you from any of your liabilities to us under this Agreement; (C) the certificates or other documents evidencing ownership in the Entity shall bear appropriate legends prohibiting any further transfer of such certificates or other documents or any equity interest in the Entity without compliance with this Agreement; and (D) such other provisions as we may reasonably require to protect our interests with respect to the Franchised Business and its operations.

(c) **Assignment to Third Party.** You may assign an Interest to a third party, provided that each of the following conditions have been met:

(i) You have first provided us with a copy of the written offer received from the third party and offered in writing to assign the Interest to us upon the same terms and conditions as are offered in writing by such third party, except that we will have thirty (30) days to accept such offer, and we may substitute for any non-cash consideration an equivalent amount of cash; and we have declined to accept your offer to sell such Interest. Such third party offer may not include any assets or liabilities except those relating to the Franchised Business.

(ii) The proposed transferee (A) in our discretion, meets our current standards for new area representatives, (B) is not be affiliated with any competitor, in any respect, and (C) purchases the Interest upon terms and conditions no more favorable to such third party than those offered to us, within sixty (60) days after we have declined to accept the offer made to us pursuant to clause (i).

(iii) You execute a general release in our favor, subject to applicable state law.

(iv) You or the transferee pay us (A) an administrative fee equal to 50% of the then-current Initial Franchisee Fee; plus (B) if the transferee is not an existing area representative, an Equipment Start-Up Fee in an amount established by us from time to time in the Manuals; plus (C) the then-current Initial On-Site Assistance and Marketing Fee; plus (D) if the transferee has not previously successfully completed the Training Program, a training fee in an amount established by us from time to time in the Manuals; plus (E) if the Interest transferred is other than an internal stock or other interest transfer within the area representative's entity or company, the then-current Initial Franchise Fee that we charge to area representatives.

(v) The transferee, whether already an area representative or a Unit Franchisee, executes the then-current form of our Area Representative Franchise Agreement for the remainder of the term as shown in Section 2 hereof.

(vi) If the transferee does not have, or has not purchased the minimum equipment that we require of a new area representative from you, the transferee purchases the same from us or an approved vendor.

(vii) The transferee completes, to our satisfaction, all required training programs.

(viii) You agree to be bound by the provisions of Section 5.4, 5.5, 5.6 and 7 to the extent they constitute post-term obligations.

(ix) All of your financial obligations to us and our affiliates have been paid in full (whether or not then due), and no Event of Default and no event which, with the giving of notice and/or with the passage of time would constitute an Event of Default, exists.

(x) You agree to subordinate any right you may have to payment from the transferee to all of our and our affiliates' rights to receive Royalty or other amounts payable to us or any of our affiliates by the transferee from time to time.

(d) **Assignment to Spouse or Child.** If you die or become disabled, you may assign your Interests to your spouse or child, subject to the conditions set forth in Section 5.7(c) above, except that no administrative or business-set up transfer fee will be charged, and we will have a right of first refusal to purchase your Interests, at the fair market value thereof, as determined by (i) agreement between us and you (in the case of disability) or your executor, administrator or guardian (if you have died or are incapacitated), or (ii) if an agreement cannot be reached, by an independent third party appraiser selected by us, subject to your approval. If we and you are unable to agree upon an appraiser, then an appraiser shall be appointed by the American Arbitration Association upon petition by either you or us.

5.8 **Guaranty. Other Covenants of Equity Owners.** If you are an entity, the holders of a majority of each class of your equity interests (and any other equity owner who will have principal executive or operating responsibility for such entity) must execute a guaranty, in form and substance acceptable to us, personally assuming and guaranteeing the payment and performance of all of your obligations under this Agreement. In addition, all of your equity owners must execute and deliver to us an agreement, in form and substance satisfactory to us, to be bound by the provisions of Section 5.4, 5.6, 5.7 and 7 of this Agreement.

5.9 **Disclose Discoveries and Ideas to Franchisor**. Franchisee shall promptly disclose to Franchisor all discoveries, inventions or ideas, whether patentable or not, relating to Franchisor's business, which are conceived or made by Franchisee or any partner, officer, director, agent, or employee of Franchisee, solely or jointly with others, during the term of this Agreement, whether or not Franchisor's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such discoveries, inventions or ideas are the exclusive property of Franchisor, and that Franchisor shall have no obligation to Franchisee with respect thereto. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by franchisees within the System will be distributed to the other franchisees as a benefit of belonging to the System.

6. TERMINATION

6.1 **Events of Default.** Any one or more of the following events will constitute an event of default ("*Event of Default*") by you hereunder:

(a) You fail to pay, when due, any fee, expense, charge or other amount due to us, a Unit Franchisee or any of our affiliates or under any financing program offered by us, or any sums you have collected on behalf of us, a Unit Franchisee or any affiliate or any other party, within ten (10) days after written notice of such failure; or, if you have previously been given notice of any such default on at least three (3) occasions during the prior twelve (12) months and you thereafter fail to pay any such fee, expense, charge or other amount promptly when due (in which event written notice is not required);

(b) Any of your representations contained in this Agreement or in any other document or certificate previously furnished to us or furnished to us in the future is untrue in any material respect or omits any material fact necessary to make such representation not misleading in light of the circumstances in which such representation was made;

(c) You submit to us (i) in any twelve-month period, one (1) or more financial statements or other reports which understate by more than two percent (2%) the Gross Sales for the Designated Area or any sums owed by you to us for the applicable period, or (ii) any financial statement or other information or supporting record which intentionally understates the Gross Sales for the Designated Area or the amounts owed by you to us for the applicable period;

(d) You fail to successfully complete the Training Program and/or fail to begin to operate the Franchised Business within six (6) months from the Effective Date;

(e) You voluntarily suspend the operation of the Franchised Business for more than seven (7) consecutive calendar days without our prior written consent other than for reasons of *force majeure*, but only so long as the *force majeure* exists (vacations taken in the ordinary course shall not constitute a suspension of operations so long as you have made adequate provisions with your employees or other franchisees for servicing the accounts you customarily service);

(f) You file a petition for relief from your debts, liabilities or obligations, or for appointment of a receiver for you or for all or a substantial portion of your assets, or make a general assignment for the benefit of your creditors; or a petition is filed against you or a receiver is appointed for you or for all or a substantial portion of your assets, or a judgment is entered against you and such petition, appointment or judgment is not stayed or vacated or otherwise discharged within thirty (30) days, or becomes unappealable or is acquiesced in or consented to by you;

(g) You become bankrupt, insolvent or otherwise unable to pay your obligations as they become due;

(h) You assign, transfer, convey, sublicense or encumber, or attempt to assign, transfer, convey, sublicense or encumber, all or any of your Interests, except as provided above;

(i) You are convicted of a felony, or a crime involving moral turpitude or consumer fraud, or any other crime or offense that we reasonably believe may have an adverse effect on the System, the Marks or the Franchised Business;

(j) You violate any federal, state or local health or safety law which results, or could result, in the endangerment of the public, and fail to cure such violation within the applicable period permitted by law, if any, or by the applicable governmental authority, or within five (5) days after written notice thereof from us, or immediately upon notice from us if there is an immediate threat to the public's safety or health as a result of such violation;

(k) You fail to meet the minimum sales levels for the Designated Area, as set forth In Exhibit A, unless a committee designated by COPFAC determines, after a hearing, that there were extenuating circumstances for such failure and recommends that we grant a reasonable extension of your development obligations;

(l) You breach or fail to comply with any other covenant or agreement contained in this Agreement or any rule, regulation, procedure, specification or standard contained in the Manuals (including, without limitation, standards and procedures relating to customer service and responses to customer complaints) and you fail to cure or correct that breach or failure to comply within thirty (30) days after written notice thereof.

6.2 **Remedies.** If any Event of Default occurs, we may, at our option and without further notice or demand of any kind, declare this Agreement and the License granted in this Agreement to be immediately terminated and of no further force or effect, except as otherwise expressly provided in this Agreement. No such termination shall relieve you of your obligations, debts or liabilities under this Agreement. This right of termination is in addition to any other rights or remedies we may have at law or in equity. In addition, at our option, you must pay to us, not as a penalty but as liquidated damages, the greater of the amount of $25,000 or the amount equal to 7% of the Gross Sales for the Designated Area for twelve month period prior to termination, which sum shall be immediately due and payable. We shall have no obligation to perform any of our obligations under this Agreement if at any time there exists an Event of Default or an event that, with the giving of notice or passage of time or both, would result in the existence of an Event of Default.

6.3 **Conflicting State Law.** If the termination, renewal or assignment provisions contained in this Agreement are inconsistent with any applicable state law governing the relationship of franchisors and franchisees, the provisions of such law shall apply, but only to the extent of such inconsistency.

6.4 **Termination by You**. Provided that you are in full compliance with all of the terms and provisions of this Agreement and all of your obligations hereunder, you may terminate this Agreement, subject to your obligations under the following Section 7, in the event of any material default by us under this Agreement, if we fail to cure such default within thirty (30) days following our receipt of a written notice of default that describes our default with sufficient specificity to permit a cure.

7. YOUR POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement, you must:

7.1 **Payment Obligations.** Pay all sums owing to us or any of our affiliates, including all costs and expenses incurred in enforcing the provisions of this Section 7 and, upon our request, submit to an audit of your books and records. In addition, if you violate any of the post-term non-competition, non-solicitation and confidentiality provisions of this Agreement, you must pay to us, not as a penalty but as liquidated damages, the greater of the $25,000 or the amount equal to 7% of the Gross Sales for the Designated Area for twelve month period prior to termination, which sum shall be due and payable, immediately upon demand. The parties agree that this liquidated damages sum is intended to be a reasonable estimate of the damages that we will sustain as a result of your violation of any of these provisions. It is agreed that it will be difficult or impossible to estimate the total of the above-referenced damages.

7.2 **Return of Confidential Information.** Return all Confidential Information to us, including but not limited to the Manuals.

7.3 **Cease Identification With Us.** Take all actions necessary to cancel any assumed name or equivalent registrations relating to your use of the Marks; and notify the telephone company, the postal service and all listing agencies of the expiration or termination of your right to use all telephone numbers, post office boxes and all classified and other directory listings of the Franchised Business. You hereby authorize the telephone company, the postal service and all listing agencies to transfer to us or our designee all such numbers, post office boxes and classified or directory listings as soon as possible, and you hereby authorize us or our designee to direct the telephone company, the postal services and all listing agencies to transfer such numbers, boxes and listings to us or our designee.

7.4 **Customer Notification.** Deliver to us all copies of your customer lists, in all formats, paper, electronic or otherwise, and, upon our request, notify all of your customers and/or Unit Franchisees who operate within the Designated Area of the expiration or termination of this Agreement, and provide them with such other information as we may reasonably request.

7.5 **Promote Separate Identity.** Not, directly or indirectly, in any manner, identify yourself as a former franchisee of ours or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks for purposes of offering or providing any Services.

7.6 **Cease Use of System.** Cease any and all use of the System.

7.7 **Option to Purchase Assets and/or Assume Equipment Leases.** At our option, to be exercised within thirty (30) days after the expiration or any earlier termination of this Agreement, we shall have the right to purchase the Operating Unit(s) and/or any other equipment, tools and supplies used in connection with the Franchised Business for depreciated book value or fair market value (determined pursuant to NADA's Black Book, whichever is less. If you do not own, but instead lease or rent, your Operating Unit(s) and/or equipment, then we shall have the option to assume your lease(s) or rental arrangement(s) or, if the lease(s) or rental arrangement(s) are not assumable, then the right to sublease the same from you upon the same terms as the underlying leases(s) or rental arrangement(s). You shall indemnify us for any sums which are past due under any lease of the above-referenced Operating Unit(s) and/or equipment as of the date we assume your lease or rental arrangement or sublease such equipment and/or Operating Units(s) from you. In order to secure our rights under this Section 7.7, we shall have a right to place a lien upon your Operating Unit(s), equipment, tools and supplies, and you hereby authorize us to execute, on your behalf, one or more Financing Statements, pursuant to the Uniform Commercial

Code, and to file or record same in all public offices wherever filing or recording is deemed by us to be necessary or desirable in order to perfect a security interest in such equipment, tools and supplies.

7.8 **Return Products.** Return all tints, chemicals and other products and inventory that we or our affiliates have provided to you. We will reimburse you only for those tints, chemicals and other products and inventory that are in unopened containers in an amount equal to the price that you originally paid us or our affiliates for such products and inventory.

7.9 **Injunctive and Other Relief.** Because we will suffer irreparable harm if you do not take the actions required of you under this Section 7, we will be entitled to obtain injunctive relief (including specific performance) in addition to any other remedies available to us, and no bond shall be required in order to implement any injunction so issued.

7.10 **Survival of Covenants.** The covenants contained in this Section 7 shall survive the expiration or any earlier termination of this Agreement.

8. DISPUTE RESOLUTION.

8.1 **Disputes to be Arbitrated.** Except as set forth in Section 8.5, any controversy, claim or dispute arising out of or relating in any way to the Franchised Business or this Agreement, or its breach, including without limitation any claim that this Agreement or any of part of this Agreement is invalid, illegal or otherwise voidable or void, shall be resolved by arbitration before and in accordance with the Commercial Rules of Arbitration of the American Arbitration Association ("*AAA*"); provided, however, that the parties shall have the right to discovery in accordance with the Federal Rules of Civil Procedure and the arbitrator shall have the right and power to issue sanctions, including but not limited to the entry of an award against a party on the merits, for failure to provide discovery. Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to the arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the federal common law of arbitration. To the extent that the applicable state law requires this provision to be initialed to be effective, it is agreed that the Federal Arbitration Act referenced above governs, and that the parties' signatures at the end of this document shall act to indicate their acceptance of this provision. The arbitration of any disputes between the parties shall be conducted on an individual basis and such disputes shall not be arbitrated on a class-wide basis, nor shall any of these disputes be consolidated with the arbitration of any other disputes that might arise among or between the parties or any of other franchisees, unless a court of competent jurisdiction should determine that this provision is unenforceable, in which event a dispute which either party seeks to have adjudicated on a class-wide basis, or consolidated with other disputes that may arise among or between the parties or any other franchisees, may be submitted to the AAA for arbitration, in accordance with AAA's Supplementary Rules for Class Arbitrations; provided, however, in the event that the arbitrator determines that the arbitration should proceed as a class arbitration or consolidated with other disputes (the "*Class Determination Award*"), either party shall have the right to obtain judicial review of the Class Determination Award. In the event that either party moves a court of competent jurisdiction for a review of the Class Determination Award, the arbitration proceedings shall be stayed until the court has issued an order confirming or vacating the Class Determination Award.

8.2 **Mediation**. Before either party may commence an arbitration proceeding against the other with respect to any claim or dispute, the party that wishes to submit a claim or dispute to arbitration must give the other party written notice which specifies, in detail, the nature and grounds of such claim or dispute, and the other party will have a period of thirty (30) days following receipt of such notice within which to notify the party that wishes to submit a claim or dispute to arbitration whether the other party elects to submit

such claim or dispute to mediation by the AAA. Neither party shall have the right to commence any arbitration proceeding against the other with respect to any such claim or dispute in any court unless the other party fails to exercise its option to submit such claim or dispute to mediation or the mediation proceedings have terminated, either as the result of the written declaration of the mediator appointed by AAA to the effect that further efforts at mediation are no longer worthwhile or as a result of the parties' written declaration. Any mediation or arbitration proceedings under this Agreement shall be conducted in the city and state in which our principal place of business is located. Either party shall have the right to specifically enforce its rights to mediation, as set forth herein.

8.3 **Entry of Judgment.** Judgment may be entered upon an arbitration award in any court having competent jurisdiction and shall be final, binding and non-appealable. The parties each waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between the parties, each party shall be limited to the recovery of only the actual damages sustained.

8.4 **Procedures.** The arbitration provisions of this Section 8 are self-executing and shall remain in full force and effect after the expiration or termination of this Agreement. At the request of either party, the arbitrator shall be an experienced commercial litigation attorney with experience in disputes between franchisors and franchisees. At the request of any party, the arbitrator shall be an experienced commercial litigation attorney with experience in the arbitration and litigation of disputes between franchisors and franchisees. The parties shall have the right to conduct discovery in any arbitration proceeding in accordance with the Federal Rules of Civil Procedure and, at the request of a party to the proceeding, the arbitrator shall have the authority to issue subpoenas directed to third parties. If any party to the arbitration proceeding fails to participate in any part of the arbitration proceeding, or to appear at any properly noticed hearing, or to provide any discovery requested by the other party in accordance with the Federal Rules of Civil Procedure, the arbitrator is authorized and directed to enter an award against such party by default or otherwise. Arbitration proceedings shall take place in the city and state in which our principal place of business is located, unless otherwise agreed by the parties, and shall be conducted before a single arbitrator selected by the parties or appointed by the AAA. The arbitrator is authorized to enter an award against any party to an arbitration proceeding and any third party acting in concert with a party to the arbitration proceeding.

8.5 **Excepted Disputes.** The obligation to arbitrate shall not be binding upon any party with respect to claims relating to the Marks or requests for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when necessary to preserve the *status quo* or prevent irreparable injury pending arbitration of the underlying dispute. This exception specifically does not include declaratory judgment, declaratory relief or other claims in equity, which must be brought in arbitration.

9. MISCELLANEOUS

9.1 **Survival of Representations.** All statements contained in this Agreement or in any certificate, agreement, instrument or other document delivered by or on behalf of any party pursuant to this Agreement or in connection with the transactions contemplated by this Agreement constitute representations, warranties, stipulations, covenants and agreements made by such party and shall survive the execution of this Agreement and the consummation of the transactions contemplated by this Agreement.

9.2 **Entire Agreement.** This Agreement, the attachments hereto, and the documents referred to herein, constitute the entire Agreement between you and us concerning the subject matter hereof and supersede any and all prior agreements, oral or written, and you acknowledge and agree that no other

representations which are not contained herein induced you to execute this Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by both parties and executed by their authorized officers or agents in writing. Nothing contained in this Section 9.2 is intended to disclaim the representations we made in our Franchise Disclosure Document.

9.3 **Covenants are Independent**. Each of the covenants contained herein is independent of the others.

9.4 **Notices.** All notices, requests, demands, tenders and other communications required or permitted under this Agreement shall be in writing and shall be duly given if delivered, mailed (certified or registered mail, postage prepaid) or sent by overnight courier service to the other party at its address set forth on Exhibit A. Any party may change its mailing address by giving notice to the other party in the manner provided above.

9.5 **Waiver.** Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but that waiver will be effective only if evidenced by a written document signed by such party. A waiver on one occasion shall not constitute a waiver of the same or any other breach on any other occasion. No course of dealing or performance by any party, and no failure, omission, delay or forbearance by any party, in whole or in part, in exercising any right, power, benefit or remedy, shall constitute a waiver of such right, power, benefit or remedy.

9.6 **Amendments and Modifications.** This Agreement may be amended or modified only by a written document signed by both parties.

9.7 **Cumulative Remedies.** No remedy conferred upon us is intended to be exclusive of any other remedy, and each and every such remedy shall be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

9.8 **Independent Contractor Relationship.** Nothing in this Agreement or in any instrument, agreement or other document delivered pursuant to this Agreement or in connection herewith shall make either party hereto the partner, joint venturer, agent or employee of the other. It is intended that you are and shall continue to be an independent contractor responsible for all of your obligations and liabilities with respect to the establishment and operation of the Franchised Business. You have no authority, express, implied or apparent, to act on behalf of or to bind us, and you may take no action to create any such authority or the appearance of an employer-employee relationship between us. In indicating your affiliation with us, you must at all times clearly represent that the Franchised Business is independently owned and operated, consistent with applicable law, including without limitation by exhibiting a notice of such fact in a conspicuous place at the Franchised Business, and, as directed by us, in your advertising and on your contracts, forms, stationery and promotional materials. In no event shall we be or be deemed your fiduciary. However, you agree that you have a fiduciary duty to us and the System to hold Confidential Information imparted to you in trust and confidence for our benefit.

9.9 **Cost of Enforcement.** In any action to enforce the rights of either party under this Agreement, the prevailing party, as determined by the arbitrators, court or other tribunal before which such action is brought, shall be entitled to recover the costs and expenses of such party, including reasonable attorneys' fees, incurred in investigating, prosecuting or defending such action. In addition, if we take any legal action to enforce compliance by a Unit Franchisee operating within the Designated Area of its obligations under its franchise agreement, with your consent, you shall be responsible for a share of the costs and expenses, including reasonable attorneys' fees, incurred in investigating, prosecuting and

defending such action, which shall be based upon your and our respective entitlements to the royalties payable by such Unit Franchisee under its franchise agreement. By way of illustration, if the Unit Franchisee is required to pay a royalty equal to 30% of its Gross Sales under its franchise agreement, we shall be responsible 23% (7%/30%) of the costs and expenses incurred in enforcing the Unit Franchisee's compliance under its franchise agreement, and you will be responsible for the balance. Any monetary recovery from such Unit Franchisee shall be allocated, after deducting all of the costs and expenses incurred in such action, in the same manner. If we take any legal action to enforce compliance by a Unit Franchisee operating within the Designated Area of its obligations under its franchise agreement, we shall have the right to prosecute, defend and/or settle such action in such manner as we determine, in our sole and absolute discretion.

9.10 **Singulars and Plurals; Pronouns.** Where the context so requires, the use of the singular form herein shall include the plural, and the use of the plural form the singular, and the use of any gender shall include any and all genders.

9.11 **Execution in Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

9.12 **Headings.** The headings in this Agreement are for convenience of reference and are not a part of this Agreement and shall not affect the meaning or construction of any of its provisions.

9.13 **Inconsistent Terms; Additional Terms**.

(a) To the extent that the provisions of this Agreement are in direct conflict with the provisions of any Exhibit or Addendum hereto, the provisions of the Exhibit or Addendum shall control.

(b) The parties acknowledge that additional terms and conditions may be made a part of this Agreement by attaching an Exhibit or Addendum containing such additional terms and conditions, or by including such terms or conditions on Exhibit A. Such terms and conditions are hereby incorporated into this Agreement by this reference without further action by the parties.

9.14 **Successors and Assigns.** We may assign this Agreement or any of our rights or duties under this Agreement without your consent. Except as expressly otherwise provided in this Agreement, this Agreement is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors and permitted assigns.

9.15 **Severability.** If any provision of this Agreement or any instrument or other document delivered pursuant or in connection with this Agreement is for any reason held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other instrument or document, and this Agreement and such other instruments and documents shall be interpreted and construed as if such invalid, illegal or unenforceable provision had not been contained in this Agreement.

9.16 **Governing Law; Choice of Forum.** This Agreement has been executed and delivered in, and shall be governed by, construed and enforced in accordance with the laws of the State in which our principal place of business is located, without regard to its conflicts of law rules, unless applicable law requires the application of the laws of your home state. Any mediation or arbitration proceedings under this Agreement shall be conducted in the city and state in which our principal place of business is located and any litigation relating to matters not required to be arbitrated by this Agreement shall be brought in a

court for the county of the state in which our principal place of business is located, or in the federal district court for such district. You and we each hereby consent to the jurisdiction and venue of such courts and waive any defense that such courts lack jurisdiction or venue with respect to such proceeding.

9.17 **Time of Performance.** Time is of the essence of this Agreement.

10. **ACKNOWLEDGMENTS.** You hereby acknowledge as follows:

10.1 **Receipt of Franchise Disclosure Document and Agreements.** You acknowledge and agree that you received a copy of our Franchise Disclosure Document ("*FDD*") not later than fourteen (14) days prior to the date you executed this Agreement and/or paid any consideration to us, and that you have read and understand the FDD and each of the agreements you have executed this date.

10.2 **Representations Regarding Profitability. NEITHER WE NOR ANY OF OUR OFFICERS, AGENTS OR REPRESENTATIVES HAS MADE ANY REPRESENTATION TO YOU AS TO THE ANTICIPATED REVENUES, EARNINGS OR PROFITABILITY OF THE FRANCHISED BUSINESS OR ANY OTHER FRANCHISE, OR THE HISTORICAL FINANCIAL PERFORMANCE OF ANY FRANCHIS, EXCEPT FOR THE INFORMATION CONTAINED IN THIS AGREEMENT OR IN THE FDD. IN ENTERING INTO THIS AGREEMENT, YOU ARE NOT RELYING UPON ANY INFORMATION FURNISHED BY US OR ANY OF OUR OFFICERS, AGENTS OR REPRESENTATIVES, EXCEPT FOR THE INFORMATION CONTAINED IN THIS AGREEMENT OR IN THE FDD.**

10.3 **System Modification.** We may, but are not obligated to, add, delete, modify or amend the scope or type of products or services which you will be permitted or required to offer in the operation of the Franchised Business. If we franchise any concepts that are not now or not hereafter declared part of the System, we will offer you a right of first refusal for sixty (60) days with respect thereto for the Designated Area, upon terms no less favorable to you than those offered generally to third parties; provided, however, that we shall be under no obligation to offer you any right of first refusal unless, at such time, no Event of Default, or event which with the giving of notice or passage of time or both would become an Event of Default, exists, and you are, in our reasonable opinion, financially qualified to acquire such franchise.

10.4 **Professional Consultants.** You acknowledge and agree that we have advised you to consult with professionals, such as lawyers or accountants, prior to executing this Agreement, and that you have been given an adequate opportunity to do so.

10.5 **Independent Investigation**. You acknowledge that you have conducted your own independent investigation of us and the System and that you understand that the Franchised Business involves risk and its success will be in large part dependent upon your own abilities, participation and efforts.

10.6 **Other Forms of Agreements.** Other franchisees in the System may have executed, or may in the future execute, forms of franchise or other agreements containing materially different terms and conditions than those contained in this Agreement.

10.7 **Representations Regarding Waivers**. This Agreement contains certain representations by you that there have not been violations of franchise law either federally or by state. To the extent that any state or federal law prohibits you from having to provide any such waiver or disclaimer at the inception of your Area Development Franchise, the waiver or disclaimer shall be void and the state or federal prohibition shall control.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date set forth on Exhibit A.

AREA REPRESENTATIVE FRANCHISEE:

_____

TOTAL CAR FRANCHISING CORPORATION

By: _____
Name: Jeff Cox
Title: President & CEO
Date:

EXHIBIT A

TO AREA REPRESENTATIVE FRANCHISE AGREEMENT

Name and Address of Area Representative:

Effective Date:

Designated Area:

Initial Franchise Fee:	$
Designated Area Fee:	$
Notice Address for Franchisor:	Total Car Franchising Corporation P.O. Box 50940 Myrtle Beach, SC 29579

EXHIBIT B

TO AREA REPRESENTATIVE FRANCHISE AGREEMENT

PERSONAL GUARANTY AND ASSUMPTION OF OBLIGATIONS

Each of the undersigned hereby absolutely, unconditionally and irrevocably guarantee to TOTAL CAR FRANCHISING CORPORATION, a South Carolina corporation ("*TCFC*"), all of the obligations (the "*Obligations*") of _____ ("*Area Representative*"), to TCFC under that certain Area Representative Franchise Agreement], effective as of _____, by and between Franchisee and TCFC (the "*Franchise Agreement*"), and hereby personally assumes all of the Obligations, including all restrictive covenants, both in-term and post-term, as fully as if each of the undersigned was a signatory to the said Franchise Agreement.

The undersigned acknowledges and agrees that this Guaranty is a guaranty of payment and performance and not of collection and that liability of the undersigned shall be immediate and primary and shall not be contingent upon the exercise or enforcement by TCFC of any remedies TCFC may have against Franchisee.

Any and all payments or performance made by the undersigned hereunder shall be made free and clear of and without deduction for any set-off, counterclaim, or withholdings.

The undersigned acknowledges and agrees that no modification of any of the Obligations, and that no waiver, extension, renewal, indulgence, settlement, compromise or failure to exercise due diligence in collection, for any period or periods, whether or not longer than the original period, or any substitution or release of any other person or collateral directly or indirectly liable for or securing any of the Obligations, shall affect or impair, or release the undersigned from liability under this Guaranty. The Guarantor herein specifically recognizes that the Obligations include the personal obligation to be bound by and adhere to all of the restrictive covenants as contained in the non-competition and non-solicitation agreements as contained within the Franchise Agreement with the franchisor and any separate agreements required by TCFC.

This Guaranty shall continue and remain in full force and effect until all of the Obligations have been fully paid and performed.

If any claim hereunder is referred to an attorney for collection, the undersigned shall be liable to TCFC for all costs of collection, including reasonable attorneys' fees.

This Guaranty may not be assigned without the consent of TCFC. This Agreement is binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, legal representatives, successors and permitted assigns.

This Guaranty shall be governed by, and construed and enforced under, the laws of the state in which TCFC's principal place of business is located. If any provision of this Guaranty is for any reason held invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Guaranty and this Guaranty shall be interpreted and construed as if such invalid, illegal or unenforceable provision had not been contained in this Guaranty.

Time is of the essence.

IN WITNESS WHEREOF, each of the undersigned has issued this Guaranty as of _____, 20___.

GUARANTOR:

_____

FRANCHISEE REPRESENTATIONS ACKNOWLEDGMENT

Important Instructions: Read this document carefully and do not sign it if it contains anything you think may be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, Total Car Franchising Corporation may take actions in reliance on the truth of what it says.

Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted an independent investigation of Total Car Franchising Corporation ("Franchisor"), the System (as that term is used in the Franchise Agreement), the risks, burdens and nature of the business Franchisee will conduct under the Franchise Agreement ("Franchise Agreement"), the Territory and the Territory's market area.

2. Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risk and that any success or failure will be substantially influenced by the Franchisee's ability and efforts.

3. Each of the undersigned understands that Franchisor has previously entered into franchise agreements with provisions different from the provisions of the Franchise Agreement covering the Territory and can enter into franchise agreements in the future with provisions different from the provisions of the Franchise Agreement; and Franchisee will have no objection or claim against Total Car Franchising Corporation for its agreements with others.

4. Franchisee has received a copy of the Franchise Agreement and all related documents with all blanks filled in (except for blanks concerning the effective date of the Franchise Agreement) at least 5 business days before executing them and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning those documents.

5. Franchisee has received a disclosure statement as required by law at least 14 days before signing the Franchise Agreement, this affidavit or any related document or paying any funds to Franchisor and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning the disclosure statement.

6. Franchisor has made no representation, warranty, promise, guaranty, prediction, projection or other statement or information as to the future, past, likely or possible income, expenses, sales volume, profitability or success, expected or otherwise, of the Territory, any other territory or any business in general.

7. Each of the undersigned understands that:

7.1 Franchisor does not authorize its employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection or other statement or information concerning actual or potential income, expenses, sales volume, profitability or prospects or chances of success, either generally or of any Territory.

7.2 Actual results vary from territory to territory and from time period to time period, and Franchisor cannot estimate, project or predict the results of any particular Territory.

7.3 Franchisor has specifically instructed its employees that they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection or other statement or give other information as to income, expenses, sales volume, profitability or prospects or chances of success, either generally or with respect to any particular Territory.

7.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection, other statement or information is made or given, the undersigned should not (and will not) rely on it.

8. Before signing the Franchise Agreement, and any related documents, the undersigned Franchisee has had ample opportunity: (A) to discuss the Franchise Agreement, any related documents, the Territory and the business Franchisee will conduct under the Franchise Agreement with his or her own attorneys, accountants and other advisors; (B) to contact Franchisor's existing Franchisees; and (C) to investigate all statements and information made or given by Franchisor, its employees and agents relating to the System, the Territory and any other subject.

9. Each of the undersigned understands that the Franchise Agreement licenses certain rights for the Territory, specified in the Franchise Agreement, and that no "exclusive," "expansion," "protected," "non-encroachable" or other territorial rights, rights of first refusal or rights of any other kind are granted or have been promised concerning any other geographical territory.

10. Each of the undersigned understands that the Franchise Agreement (including any riders and exhibits) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous oral or written agreements, statements or understandings of Franchisor, the undersigned and the Franchisee.

11. Each of the undersigned understands that nothing stated or promised by Franchisor which is not specifically as shown in the Franchise Agreement, can be relied upon by the undersigned or the Franchisee.

12. If the undersigned is an individual, the undersigned is a resident of the State of _____; if the undersigned is an entity, it was formed under the laws of the State of _____ and its principal place of business is located in the State of _____.

13. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or the Franchisee. Each of them has other considerable skills, abilities, opportunities and experience in other matters and of a general nature which enable each of them to derive income which is satisfactory to them from other endeavors. Each of the undersigned understands that each of them has agreed to maintain their other skills and abilities throughout the term of the Franchise Agreement so that they will maintain their ability to derive a satisfactory income from other endeavors.

14. There is no fiduciary or confidential relationship between Franchisor and the undersigned or between Franchisor and Franchisee. Each of the undersigned expects Franchisor to deal, and will act as if Franchisor is dealing, with him or her at arm's length and in Franchisor's best interests.

15. Franchisor has advised the undersigned and the Franchisee to consult with their own advisors on the legal, financial and other aspects of the Franchise Agreement, this document, the Territory,

and the business contemplated. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

16. Neither Franchisor nor any employee has provided the undersigned or the Franchisee with services or advice, which are legal, accounting or other professional services, or advice.

17. The statements made in this document supplement and are cumulative to statements, warranties and representations made in other documents, such as the Franchise Agreement. The statements made in this document and the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other. The acknowledgements made in this Exhibit are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under applicable state law.

_____

Date:

FRANCHISE COMPLIANCE QUESTIONNAIRE

As you know, Total Car Franchising Corporation. ("we", "us" or "Franchisor") and you are preparing to enter into a Unit Franchise Agreement and an Area Representative Franchise Agreement. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Unit Franchise Agreement and Area Representative Franchise Agreement (as applicable) and each exhibit and schedule attached to them?

   Yes ☐ No ☐

2 Do you understand all of the information contained in the Unit Franchise Agreement and the Area Representative Franchise Agreement (as applicable) and each exhibit and schedule attached to them?

   Yes ☐ No ☐

   If "No", what part(s) of the Unit Franchise Agreement or the Area Representative Franchise Agreement do you not understand? (Attach additional pages, if necessary)

   _____
   _____
   _____
   _____
   _____
   _____

3. Have you received and personally reviewed the Franchise Disclosure Documents we provided to you?

   Yes ☐ No ☐

4. Do you understand all of the information contained in the Franchise Disclosure Documents?

   Yes ☐ No ☐

   If "No", what part(s) of the Franchise Disclosure Documents do you not understand? (Attach additional pages, if necessary)

   _____
   _____
   _____
   _____
   _____
   _____

5. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes ☐ No ☐

6. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes ☐ No ☐

7. Has any employee or other person speaking on our behalf make any statement or promise concerning the revenues, profits or operating costs of a Franchised Business?

Yes ☐ No ☐

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Franchise Disclosure Documents?

Yes ☐ No ☐

9. Has any employee or other person speaking on our behalf make any statement or promise regarding the amount of money you may earn in operating a Franchised Business?

Yes ☐ No ☐

10. Has any employee or other person speaking on our behalf make any statement or promise concerning the total amount of revenue a Franchised Business will generate?

Yes ☐ No ☐

11. Has any employee or other person speaking on our behalf make any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Franchise Disclosure Documents?

Yes ☐ No ☐

12. Has any employee or other person speaking on our behalf make any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes ☐ No ☐

13. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Documents?

Yes ☐ No ☐

14. If you have answered "Yes" to any of questions seven (7) through thirteen (13), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

_____
_____
_____
_____
_____

15. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity, and that such dealings are solely between you and the Franchisor?

Yes ☐ No ☐

Your answers are not intended to, nor shall act as a release, estoppel or waiver of any liability incurred under applicable state law; however, your answers are important to us and we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

_____

Date: _____

EXHIBIT D

UNIT FRANCHISE AGREEMENT

UNIT FRANCHISE AGREEMENT

BETWEEN

COLORS ON PARADE FRANCHISING CORPORATION

AND

___

EFFECTIVE DATE:

Territory:

COLORS ON PARADE

UNIT FRANCHISE AGREEMENT

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COLORS ON PARADE

UNIT FRANCHISE AGREEMENT

THIS UNIT FRANCHISE AGREEMENT is made, as of the date set forth in Exhibit A attached hereto (the "*Effective Date*"), by and between **TOTAL CAR FRANCHISING CORPORATION** (hereinafter referred to as "*we*" or "*us*"), a South Carolina corporation with its principal place of business located at 125 Daytona Street, Conway, SC 29526, and the party listed on Exhibit A as the Unit Franchisee (hereinafter referred to as "*you*"), whose address is set forth on Exhibit A.

R E C I T A L S

We have acquired the rights to and/or developed, and have refined, technology (the "*Technology*") and have developed expertise with respect to providing fixed site or mobile transportation-related repair and reconditioning services, including paint repair, paintless dent removal, headlight, wheel and interior restoration and repair, on automobiles, trucks, planes and/or other transportation-related equipment ("*Services*") and/or managing the provision of such services by third parties under the Colors on Parade® trademark and service marks (the "*Marks*").

We have also developed a system for marketing the Services. This marketing system, together with the Services, the Technology, the Marks, and such other marks, trade dress and other intellectual property, know-how and confidential information as may now be or hereafter become part of the system (which are referred to hereinafter collectively as the "*System*").

You have advised us that you wish to obtain a license to act as a Colors on Parade® Unit franchisee and provide Services as a Colors On Parade franchisee upon the terms and conditions set forth herein.

NOW, THEREFORE, intending to be legally bound hereby, we and you hereby agree as follows:

1. **GRANT OF LICENSE**. We hereby grant you a non-exclusive license to use the System to provide and/or manage the provision of Services (the "*Franchise*") in the territory described in Exhibit A and/or any other area where we permit you to provide Services (the "*Territory*") as a Colors on Parade® Unit Franchisee (the "*Franchised Business*" or "*Business*"), upon the terms and conditions set forth herein. You have the right to provide the Services to those accounts within the Territory that are assigned to you by us or by the Colors on Parade® area Representative franchisee for your Territory (the "*Area Representative*"). With our written consent or the written consent of the Area Representative, you may also provide Services to other accounts within the Territory that are independently developed by you and approved by us and that have not been assigned to other Unit Franchisees. In addition, with our written consent or at our request, you may use the System to service other accounts or in areas outside the Territory for the purpose of assisting other Colors on Parade® franchisees to service their customers. Similarly, other Colors on Parade® franchisees may use the System in your Territory and service accounts you have previously serviced if we or the Area Representative, with our approval, determine it necessary or advisable. No rights of first refusal or other rights are granted to you herein or extended to you by virtue of the Franchise.

2. **TERM; RENEWAL**

2.1 **Term.** The term of this Agreement shall commence on the Effective Date and terminate on the twentieth (20th) anniversary of the Effective Date (the "*Initial Term*").

2.2 **Renewal.** You may, at your option, renew the Franchise for one (1) additional twenty (20) year term, however, in order to do so, you must:

(a) notify us in writing, not less than 90 nor more than 180 days prior to the expiration of the Initial Term, of your desire to renew;

(b) not permit any Event of Default (as hereinafter defined) or any event which, with the giving of notice and/or the passage of time, would constitute an Event of Default to exist either at the time you give your notice on intent to renew or at the date of expiration of the Initial Term of this Agreement;

(c) execute our then-current form of Unit Franchise Agreement, which may have terms and conditions materially different from those contained in this Agreement;

(d) pay us a renewal fee equal to 50% of the then-current Initial Franchise Fee that we charge to Unit Franchisees at the time of renewal and the Initial Franchise Fee paid hereunder, but in no event less than $2,500.00; and

(e) execute a general release in our favor, unless prohibited by applicable state law.

3. **FEES**

3.1 **Initial Franchise Fee/Renewal Fee.** Unless you are executing this Agreement to renew an existing franchise agreement, you must pay us an initial franchise fee of $_____ (the "*Initial Franchise Fee*") when you sign this Agreement. If you are executing this Agreement to renew an existing franchise agreement, you must pay us a renewal fee in the amount set forth on Exhibit A (the "*Renewal Fee*") when you sign this Agreement. The Initial Franchise Fee or Renewal Fee is not refundable.

3.2 **Royalty**

(a) Subject to the provisions of Section 3.6 and the Performance Incentive Program described in Section 4.4, if applicable, you must also pay us a continuing monthly royalty equal to thirty percent (30%) of your Gross Sales (the "*Royalty*"). "Gross Sales" includes any and all revenues from Services provided by you and/or your employees and independent contractors and/or from managing the provision of any such services by a third party. Gross Sales does not include (i) promotional allowances or rebates paid to you when you purchase products or supplies, or (ii) sales or use taxes, measured on the basis of your Gross Sales, imposed by governmental authorities, if such taxes are added to your selling price for your services and are in fact paid. Refunds to customers shall be deducted from Gross Sales only to the extent such amounts have previously been included in Gross Sales and Royalties paid thereon. Gross Sales shall be calculated monthly on all services provided as of the last day of each calendar month and you must provide us or the Collections Agent (as defined hereafter) with copies of the invoices the Gross Sales and written reports of the Gross Sales for each month by the tenth (10^{th}) day of the next following month. No portion of the Royalty described in this Section 3.2 shall be attributable to any specific patent or copyright as distinct from the System and that your obligation to pay the Royalty described herein shall not

be predicated or conditioned upon the validity of any patent or copyright claimed by us and used in the System. In the event that a court of competent jurisdiction determines that apportionment of the Royalty is necessary or appropriate, any patent or copyright license granted to you hereunder shall be deemed to be royalty free and made in the consideration of your proper use of the Marks and System.

(b) Notwithstanding anything contained in the foregoing Section 3.2(a), we or an agent that we appoint in accordance with Section 4.3 (the "*Collections Agent*") will collect your Gross Sales from your customers. We or the Collections Agent will pay you seventy percent (70%) of your collected Gross Sales not later than the 20th day following the date on which such Gross Sales are collected and the balance shall be retained by us and the Area Representative or paid to us and the Area Representative by the Collections Agent in payment of the Royalties payable by you pursuant to Section 3.2(a). If your customers do not make timely payment, we or the Collections Agent shall use reasonable efforts to collect the same from your customers. We or the Collections Agent may also retain third parties to attempt to collect sums owed by your customers, in which event we shall be entitled to deduct the costs and expenses paid to such third parties from the amount of the collected Gross Sales payable to you.

3.3 **Training Fees.** Unless you are executing this Agreement to renew an existing franchise agreement and have already completed the Training Program described in section 4.1(b), you must complete training for and pay us the following training fee (the "*Training Fee*") for each Service that you wish to provide:

Paint restoration - $0
Paintless dent removal - $4,000
Interior repair - $5,000

Training Fees are payable at least thirty (30) days prior to the first day of the Training Program. Training Fees are not refundable. In addition, if you fail to complete the Training Program within six (6) months from your execution of this Agreement, we may assess a penalty against you in the amount of the Initial Franchise Fee.

3.4 **Equipment Set-up Fee**. Unless you are executing this Agreement to renew an existing franchise agreement and/or are obtaining the equipment necessary to begin to operate the Franchised Business from a third party, you must pay us the Equipment Set-up Fee stated in Exhibit A for a start-up package that includes certain of the equipment that you will need. The Equipment Set-up Fee is payable at least thirty (30) days prior to the first day of the Training Program and is not refundable.

3.5 **Late Fee and Interest.** If you do not pay any amounts due to us promptly when due, you must also pay us a late fee of $100.00 plus interest on the overdue amount at the rate of ten percent (10%) per annum on the overdue amount or at the maximum rate permitted by law from the date due until paid.

3.6 **On-going Training and Assistance Fee**. If, in our sole discretion, we appoint another franchisee (the "*Assisting Franchisee*") to provide you with on-going training and/or assistance, we will pay the Assisting Franchisee a continuing monthly fee (the "*On-going Training and Assistance Fee*") equal to up to five percent (5%) of your collected Gross Sales and, if we do so, the amounts payable to you pursuant to Section 3.2(a) above will be reduced by the amount of the On-going Training and Assistance Fees paid to the Assisting Franchisee.

4. OUR OBLIGATIONS TO YOU

4.1 **Initial Obligations.** Unless you are executing this Agreement to renew an existing franchise, prior to the commencement of the Franchised Business, we will do the following:

(a) **Confidential Operating Standards Manual.** We will provide to you, on loan, one copy of our Confidential Operating Standards Manual or make a copy of the Manual available to you (which, as revised by us from time to time, is referred to hereafter as the "*Manual*"). You may not copy the Manual or disclose its contents to any person other than your employees and independent contractors, who must first sign an agreement, satisfactory to us in form and substance, to keep the Manual's contents confidential and not use its contents except in performing their duties as your employee, and to abide by certain non-competition and non-solicitation restrictions. The Manual shall remain our property at all times and must be returned to us upon request. We reserve the right to amend the Manual from time to time in our sole discretion. Amendments shall become effective upon your receipt or on the date specified by us. For purposes of this Agreement, the term "Manual" also includes any and all manuals and other confidential information, directives, specifications and procedures furnished to you by us, whether or not physically incorporated into the Manual itself. The provisions of the Manual may not alter the fundamental rights granted to you in this Agreement and, if the provisions of this Agreement and the Manual are in direct conflict with respect to any of the fundamental rights granted to you in this Agreement, the provisions of this Agreement shall control.

(b) **Training.** Unless you have received at least three full months of training by another Colors On Parade franchisee or are executing this agreement to renew the franchise, will provide you with the training that we believe necessary for you to provide each Service that you wish to provide and to begin to operate the Franchised Business (the "*Training Program*"). The Training Program will be provided in or about Myrtle Beach, SC (paint repair and refinishing), Myrtle Beach, SC and Wilmington, NC (paintless dent removal) and Kailua, Hawaii (interior repairs), or at such other location(s) as we may designate.

(c) **Equipment**. Unless you are executing this Agreement to renew an existing franchise agreement and/or are obtaining the equipment necessary to begin to operate the Franchised Business a from a third party, we will provide you with a start-up package, which includes certain of the equipment that you will need to begin to operate the Franchised Business (the "*Set-up Package*"). In addition, we will furnish you with our standard specifications for the white pickup truck or trailer that you will require to operate the Franchised Business ("*Operating Unit*") and a list of suppliers of the equipment, tools, products and supplies that you will need to operate the Franchised Business after start-up and to provide Services. You may purchase such equipment, tools, products and supplies only from these approved suppliers and you may not, under any circumstances, purchase products from any company or person that has attempted to "knock off" or otherwise analyze for replication of any of our products, including but not limited to all products patented or patent pending and all products that are sold with the Colors on Parade® trademark or trade name, unless specifically authorized by us in writing. You may purchase the Operating Unit from any source, so long as it meets our standard specifications and will permit you to provide the Services. You may, at your option, upgrade the specifications of the Operating Unit. We or the Area Representative or another Area Representative that we designate must inspect each the Operating Unit to be used in connection with the operation of the Franchised Business in order to confirm that it meets or exceeds our standards and specifications, as set forth in the Manual, and you may not use an Operating Unit in connection with the operation the Franchised Business unless and until it has been inspected and certified by us or the Area Representative. You must also purchase your proprietary mobile lab with the assigned paint related products from or through us.

(d) Accounts. Once you have developed or been assigned a specific account by us or the Area Representative in the Territory, you will have the right to service such account during the term of this Agreement or any renewal; provided, however, that (a) this provision shall not apply to any

national or regional account disclosed in Section 5.2(h) or any account identified by us or the Area Representative in advance, in writing, as excluded from the application of this provision; and (b) in the event that we or the Area Representative receive any complaint from such account that we or the Area Representative determine to be significant enough to (i) jeopardize the continued servicing of such account by you or any other business operating under the System, or (ii) adversely affect the goodwill associated with our company or the Marks, as defined in Section 5.4, or an account asks us or the Area Representative to assign such account to another franchisee, we or the Area Representative, with our approval, may do so.

4.2 **Ongoing Obligations.** After you commence operation of the Franchised Business, we will provide you, as we deem appropriate, with the following:

(a) At least one national or regional meeting per year. We have the right to charge you a fee to attend such meetings. Such meetings are currently provided at a fee to cover our expenses;

(b) Training in new technology, if any, included in the System and, upon your request, other operational advice. If such additional training is mandatory, we will provide such training free of charge. If not, you may be required to reimburse us for our costs and expenses.

(c) Marketing advice and suggestions.

(d) Periodic on-site assistance by one of our employees or agents, the Area Representative or another Area Representative.

(e) Other assistance or advice by means of newsletter, telephone or other form of electronic communication.

(f) Research and development.

(g) Collection Services.

4.3 **Delegation of Duties.** We may delegate some or all of our duties to you under this Agreement to the Area Representative or another franchisee, however, we shall retain the primary responsibility for performing the delegated obligations to you under this Agreement. Without limiting the foregoing, we may, as provided above, delegate the obligation to collect your Gross Sales to a Collections Agent (who may be the Area Representative).

4.4 **Performance Incentive Program.** Provided you are in full compliance with all of the provisions of this Agreement and the Manual, if you are not eligible for any other Royalty reduction or rebate from us or the area Representative for the Territory, you will receive a performance incentive ("*Performance Incentive*") for each month that your Gross Sales exceed the benchmarks set forth below.

Under the Performance Incentive Program (if applicable):

(1) If your Gross Sales for the month are $10,000 or more (but less than $15,000), you will receive a Performance Incentive in an amount equal to 3% of your Gross Sales for the month;

(2) If your Gross Sales for the month are $15,000 or more (but less than $20,000), you will receive a Performance Incentive in an amount equal to 5% of your Gross Sales for the month;

(3) If your Gross Sales for the month are $20,000 or more (but less than $30,000), you will receive a Performance Incentive in an amount equal to 7% of your Gross Sales for the month; and

(4) If your Gross Sales for the month are $30,000 or more, you will receive a Performance Incentive in an amount equal to 10% of your Gross Sales for the month.

Any Performance Incentives earned by you hereunder will be remitted to you within 30 days following the end of the month during which the Performance Incentive was earned.

5. YOUR OBLIGATIONS TO US

5.1 **Prior to Commencement of Operations.** Unless you are executing this Agreement to renew an existing franchise, before offering any Services to the public, you must do the following:

(a) **Training**. Unless you have received at least three full months of training for each Service that you wish to provide by a Colors On Parade franchisee or are executing this Agreement to renew the franchise, you must complete, to our satisfaction, the Training Program for each Service. The Training Fees are set forth in Section 3.3. You will also be responsible for all travel, meals and lodging expenses incurred in connection with your attendance at this and any other training program or courses. If you fail to complete all required Training Programs to our satisfaction, we may, at our option, either terminate this Agreement or assess a penalty against you in the amount of the Initial Franchise Fee, which shall be payable upon demand. If we terminate this Agreement as a result of your failure to complete any required Training Program to our satisfaction, we will retain the Initial Franchise Fee and apply it to our costs. Termination of this Agreement shall not relieve you from your obligations under Sections 5.4, 5.5, 5.6 and 7, which shall survive such termination.

(b) **Equipment and Supplies.** Unless you obtain the equipment that you will need to begin to operate the Franchised Business from a third party, you must pay us the Equipment Set-up Fee for each Service that you wish to provide and purchase an Operating Unit and all of the remaining equipment specified for each such Service. You may only use equipment, tools, products and supplies in connection with the Franchised Business that meet our standards and specifications, and you must purchase all equipment, tools, products and supplies that you use in connection with the operation of the Franchised Business only from or through us or approved suppliers. As provided above, you may not, under any circumstances, purchase products from any company or person that has attempted to "knock off" or otherwise analyze for replication all of our products, including but not limited to all products patented or patent pending and all products that are sold with the Colors on Parade® trademark or trade name. Without limiting the foregoing, except as provided above, you must purchase your Operating Unit with the assigned paint related products through us. Any equipment, tools, products and supplies or Operating Unit which you purchase or lease for the Franchised Business and which is equipped in accordance with our standards and specifications may not be sold, assigned, transferred, leased, subleased or otherwise disposed of without our prior written consent, which consent will not be unreasonably withheld. Prior to any sale, assignment, transfer, lease, sublease, or other disposition, you must remove the Marks from the Operating Unit and/or such equipment, tools, products and supplies, and remove from such equipment, tools, products and supplies any materials, supplies or equipment which we deem to be proprietary, and reconfigure the Operating Unit and equipment, tools, products and supplies, all in accordance with the Manual.

(c) **Computer**. Obtain, maintain and use a laptop computer meeting the standards and specifications provided in the Manual in order to properly identify paint matches and comply with matters regarding billing. The System may have improvements or future requirements due to new

products or services authorized. You must update your hardware, from time to time, as necessary, to operate the software required for the Franchised Business.

(d) **Software; Electronic Information**. Purchase, register and install a QuickBooks Pro program on the laptop computer that you will utilize in operations and bring your computer with you to the Training Program. Although we do not currently require our franchisees to provide us with independent access to their financial information, you must, if required by the Manual, provide us with independent electronic access to information required to be maintained on your computer. You must also make all electronic records available for inspection by us, upon request.

(e) **Insurance.** Purchase and thereafter maintain in effect general liability, worker's compensation and such other insurance as we specify in the Manual, from time to time, or which may otherwise be required by applicable governmental laws or regulations, in amounts, with deductibles, and written by duly licensed carriers acceptable to us, and containing such other qualifications, terms and conditions as we may specify in the Manual. Unless otherwise specified in the Manual, all insurance policies shall name us as an additional named insured and shall not be cancelable without the insurer giving us at least thirty (30) days prior written notice. You must supply us with certificates of insurance, satisfactory to us in form and substance, evidencing these insurance coverages. We will notify you if any certificate that you provide to us is unsatisfactory and you must then take the steps necessary to correct any deficiencies. If you fail to purchase or pay for such insurance, we may do so on your behalf, in which event you must reimburse us upon demand for any amounts we spend to obtain such insurance, or impose reasonable fines or penalties against you, upon prior notice.

5.2 **Upon Commencement of Operations.** After you commence your operations and thereafter during the term of this Agreement, you must do the following:

(a) **Compliance with Manual.** Operate the Franchised Business in strict compliance with this Agreement, the Manual and such other rules, regulations, specifications and standards as we may reasonably specify. You may not offer for sale any services or products which we have not have specifically approved or authorized and you must offer at least one Service at all times. Failure by you or at least one of your employees to be properly trained to our satisfaction with respect to each Service that you provide will be an Event of Default (as defined hereinafter). We may add or delete other product lines or services from time to time to or from the System, which we may designate as Services, and which may be substantially different than those presently offered under the System or change any such designation.

(b) **Full-Time Commitment.** Be personally involved in the operation and management of the Franchised Business on a full-time basis, as defined in the Manual, and cooperate fully with us in the development of the Territory; provided, however, that you may retain another individual to operate and/or manage the Franchised Business on your behalf, with our prior written consent, so long as such individual has successfully completed all of the required training and executed such non-competition, non-disclosure or other covenants as we may require, and has been approved by us to act in your stead. In operating and/or managing the business on a full-time basis, you may not operate any other business, specifically including but not limited to any related business, services or products not authorized or permitted in writing by us, and no related products or services may be utilized or sold by the Franchised Business without our prior written permission.

(c) **Training Programs; National and Regional Meetings and Conventions.** Before providing any Service, attend and satisfactorily compete all required training programs with respect to such Service. You must also attend all national and regional meetings or conventions held or conducted by us and all meetings scheduled by the Area Representative for franchisees operating within its development area. We may charge a reasonable fee for your attendance at any such

programs, meetings or conventions held or conducted by us for the purpose of allowing us to cover the costs of producing and presenting the same.

(d) **Conduct Business as a Colors On Parade Franchisee**. You acknowledge and agree that quality of workmanship, customer service and customer relations and the appearance and demeanor of yourself and your employees and independent contractors are extremely important to our goodwill and the goodwill of the System. You must maintain high standards in the operation of the Franchised Business and, at all times, give prompt, courteous and efficient service to your customers. All work performed by you and your employees and independent contractors must be performed promptly, competently and in a workmanlike manner. All of your interactions with your customers, vendors, suppliers, employees and independent contractors, other Colors On Parade franchisees and the public must adhere to the highest standards of honesty, integrity, courtesy, fair dealing and professional and ethical conduct. You may not engage in any trade practice or other activity that may be harmful to our goodwill or the goodwill of the System or disruptive to the System or other franchisees operating within the System, or reflect unfavorably on us, the System or the services provided by franchisees operating within the System, or disparage us, the System or other franchisees operating within the System, or constitute deceptive or unfair competition, or otherwise be in violation of any applicable laws. If we determine, in our sole discretion, that you have failed to maintain high standards in the operation of the Franchised Business, provide prompt, courteous and efficient service to your customers, or perform all work promptly, competently and in a workmanlike manner, or that any of your interactions with your customers, vendors, suppliers, employees and independent contractors, other Colors On Parade franchisees or the public do not meet the highest standards of honesty, integrity, courtesy, fair dealing and professional and ethical conduct, or that you have engaged in any trade practice or other activity that may be harmful to our goodwill or the goodwill of the System, or disruptive to the System or other franchisees operating within the System, or reflect unfavorably on us, the System or the services provided by franchisees operating within the System, or disparage us, the System or other franchisees operating within the System, or constitute deceptive or unfair competition, or otherwise violate any applicable law, we will notify you in writing of the corrective action that you must take to cure the default(s) and your failure to take such corrective action within ten (10) days following your receipt of such notice will constitute a material default hereunder and cause for the termination of this Agreement without any further prior notice or opportunity to cure the default. In addition, in all of your business dealings with your accounts, you must wear a Colors on Parade uniform of such design and color as we may prescribe from time to time, as set forth in the Manual, and prominently identify and hold yourself out as a Colors On Parade franchisee, as per the requirements of this Agreement and the Manual, and all repair, reconditioning and/or restoration services that you provide must be provided as a Colors on Parade franchisee pursuant to the terms and provisions of this Agreement.

(e) **Days and hours of Operation.** Except to the extent prohibited by applicable law, operate the Franchised Business as required in order to service your accounts properly and in accordance with the requirements of each account.

(f) **Employees and Independent Contractors.** In providing the Services to the public, use only employees and/or independent contractors who have been trained to our satisfaction or who have been successfully trained pursuant to training programs which we make available to you and require your employees and independent contractors to wear Colors on Parade uniforms while working for the Franchised Business of such design and color as we may prescribe from time to time, as set forth in the Manual. You must obtain from each employee and independent contractors whom you train a written acknowledgment, in the form which we prescribe, that such employee or independent contractor has completed our training program.

(g) **Confidential Information**. You must take reasonable precautions

necessary to protect all Confidential Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees and independent contractors to inform them of the obligation to protect Confidential Information, and their related responsibilities and obligations. You must also obtain Non-Disclosure and Non-Competition Agreements and pre-interview forms, each in a form satisfactory to us, from each of your employees and independent contractors, and it is your responsibility to ensure that the form of covenants executed by your employees and independent contractors will be enforceable, to the maximum extent possible, under the laws of the state in which the Services are provided, and to use your best efforts to enforce all such agreements.

(h) **Compliance with Law.** Comply with all applicable federal, state and local laws, regulations, rules, ordinances or decrees.

(i) **Hardware and Software Requirements.** Utilize all specified computer hardware and software for use in the Franchised Business as specified in the Manual. In the future, we may require you to purchase additional or updated computer hardware or software. Our hardware and software specifications may change from time to time and we may require replacements for the computer hardware and software that you use in the Franchised Business. You may also be required to pay certain licensing fees in connection with your use of certain hardware and software programs. You must execute such software license agreements as we or outside vendors may require in order to use the software we have approved or require and you must hold us harmless of any claims due to your acquisition or use of any software that we may require.

(j) **National and Regional Accounts.** We or the Area Representative may establish national or regional accounts, with respect to which we or the Area Representative may negotiate contracts covering multiple locations or sub-accounts. You must cooperate in the establishment and servicing of such accounts and follow the procedures and regulations (including, if legal, pricing policies) we or the Area Representative may establish with respect thereto. Your failure to do so may have significant adverse economic effects not only upon the Franchised Business and the Area Representative's business, but also upon the businesses of other Unit Franchisees or Area Representatives and multi-unit franchisees.

(k) **Ongoing Purchases of Equipment, Tools, Products, and Supplies.** Purchase equipment, tools, products and supplies only as provided in Section 5.1(b) above. We may become the sole source of supply of other items and set a price to cover our costs and expenses and a reasonable profit.

(l) **Trademarks.** Not take any position of attempted ownership of any domain name that includes any of the Marks. In the event that you register a domain name or other name that includes the Marks or any of our products, you will hold the name or mark in trust and must transfer it to us upon demand.

5.3 **Financial Information; Records; Inspection**

(a) **Financial Information.** You must furnish us with financial information concerning you and the Franchised Business in such form and at such times as we may request or specify in the Manual. Such information may include monthly, quarterly and annual balance sheets, profit and loss statements, and statements of cash flow, tax returns and other financial information that we believe reasonably necessary for us to evaluate the Franchised Business and your compliance with this Agreement. You must certify all such financial statements as being true and correct. Financial statements need not be audited unless an Event of Default (as hereinafter defined) has occurred during the last twelve (12) months and/or we request,

in our discretion, that you provide us with audited financial statements.

(b) **Books and Records.** You must maintain all books and records required by law or by us as specified in the Manual, including a complete listing of customer accounts. You must provide us with complete customer account information on at least a quarterly basis. Unless we otherwise agree in writing, in advance, you must adhere to generally accepted accounting principles in your record keeping and you must follow the record keeping systems and use the record keeping software programs we require. You must keep hard copies of your records for at least six (6) years. All records must be kept at your principal place of business as designated on Exhibit A (which you may change to another location which is acceptable to us upon giving us at least ten (10) days advanced written notice).

(c) **Inspection.** You must permit us or our representatives to inspect your books, records, accounts and bank statements at any time during reasonable business hours, without advance notice, or provide us with copies of such books, records, accounts and bank statements within ten (10) days of our request. We also have the right to audit your books and records, upon demand, at our expense. However, if such audit discloses that you have understated Gross Sales, or the Services that you have provided, or any sum owed to us, by two percent (2%) or more, you must reimburse us, upon demand, for all audit costs, including meals, lodging and travel expenses and the costs and expenses of employees and other agents engaged in the audit, and pay us any additional amounts due.

(d) **Under-reporting.** Regardless of the percentage of under reporting, if we determine that you have deliberately failed to report any sales that you have made while performing the Services or utilizing the System, in any way, we may terminate this Agreement immediately.

5.4 **Trademarks and Other Intellectual Property; Confidential Information**

(a) **Intellectual Property**.

(i) You may only use in the operation of the Franchised Business the trademarks, service marks, logos and insignias or trade dress that we designate in writing from time to time for use in the System (the "*Marks*"). You will have no interest in the Marks or the goodwill associated with the Marks, except to use them as provided in this Agreement and the Manual, and you shall have no ownership rights to the names or Marks in other forums such as "domain names" on the Internet. Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our benefit, and upon expiration, cancellation or termination of this Agreement, no monetary amount shall be attributable to any goodwill associated with your use of the System or the Marks. You must use the Marks only in compliance with the rules prescribed by us, and in no event may you use the Marks or any confusingly similar variations thereof as part of any corporate name or with any prefix, suffix or other modifying words, terms or designs (other than those licensed to you or approved by us). You may not use the Marks in connection with any unauthorized products or services. We reserve the right to revoke approval of the use of previously approved Marks, to add new Marks to the System, to modify any Marks or to adopt a new primary Mark for the System, and it will be your responsibility to pay for the costs of discontinuing the use of or modifying previously approved Marks in the Franchised Business; provided, however, that, if within any five-year period, on one or more occasions, we adopt a new primary Mark for the System on a System-wide basis, you shall only be responsible for the first $3,000.00 per Operating Unit (as defined herein) of the aggregate costs and expenses you incur in implementing the new primary Mark(s), and we will reimburse you for any excess expenditures upon presentation of proof of all costs and expenses you have incurred. However, we will not reimburse you for (1) any loss of good will, (2) sums previously or thereafter spent on advertising or marketing (other than written advertising materials containing the Mark which become no longer usable), and (3) signage expenditures, to the extent they exceed $1,000.00 in the aggregate, and in no event shall our liability hereunder exceed $3,000.00 per Operating Unit plus $1,000.00 for signage expenses. You must

promptly discontinue use of Marks eliminated from the System and initiate use of new or modified Marks, as we may prescribe.

(ii) You must notify us immediately of any infringement of or challenge to your or our use of any of the Marks that comes to your attention. We will have the exclusive right (but not the obligation) to take any action which we believe appropriate under the circumstances and to retain all proceeds received in connection with any infringements. You must cooperate fully with us in any infringement or challenge, including, if requested, providing documents and/or testimony.

(iii) You may not contest, directly or indirectly, our use or ownership of or our interest in any of the Marks.

(iv) You must comply with our instructions in filing and maintaining tradename or fictitious name registrations, and you must execute any documents that we require to obtain or maintain protection for any of the Marks. You must submit to us, in advance, any advertising or other promotional materials that you wish to use in connection with the Franchised Business, and you may not use any of such materials until you have received our written approval. We shall have the right to withdraw our approval at any time upon giving you reasonable notice. Upon expiration or termination of this Agreement, all of your rights to use the Marks shall automatically revert to us without the execution of any document.

(b) **Confidential Information**

(i) Prior to or during the term of this Agreement, we may disclose to you, in confidence, either orally or in writing, certain trade secrets (which include, but are not limited to, our paint and scratch removal processes), know-how and other information relating to our business, the System and the management, operation or promotion of the Franchised Business and System (collectively "*Confidential Information*"). Confidential Information also includes the identity, contact information and requirements of all customers that you develop, with or without our assistance or the assistance of the Area Representative, or to whom you provide any Services while operating under his Agreement. You may not, nor may you permit any person to, use, disclose, divulge, publish, copy, reproduce, or disseminate any Confidential Information to any other person, except that you may disclose Confidential Information to the extent necessary for your employees and independent contractors to perform their functions and job duties in the operation of the Franchised Business, provided that such employees and independent contractors have signed a confidentiality, non-solicitation and noncompete agreement in a form approved by us. You will be responsible for any damages that we incur as a result of your breach or failure to comply with the provisions of this Section 5.4(b)(i).

(ii) Confidential Information does not include (A) information that becomes generally known to the public other than through your actions or conduct; (B) information disclosed to you by a third party having legitimate and unrestricted possession of such information before the date you execute your first Franchise Agreement with us, or before you began negotiations to purchase any franchise from us, whichever occurs first; (C) information that you can demonstrate was within your legitimate and unrestricted possession before you executed your first Franchise Agreement with us, or before you began negotiations to purchase any franchise from us, whichever occurred first; and (D) commencing five (5) years after the expiration or any earlier termination of this Agreement, information that is not protectable as a trade secret. You hereby expressly acknowledge that our paint and scratch removal processes, to the extent not patented, constitute trade secrets owned by us, and particularly, you agree that all of the processes contained in the Manual constitute trade secrets.

(iii) You must take reasonable precautions to protect our Confidential Information

from unauthorized disclosure or use, including without limitation conducting orientation and training programs for your employees and independent contractors to inform them of your obligations to protect our Confidential Information from unauthorized disclosure or use. You must have each of your employees and independent contractors sign an employee non-compete, non-solicitation and non-disclosure agreement, approved by us, naming us as an intended third-party beneficiary with the independent right to enforce the agreement, and you will be responsible for any cost and expenses (including without limitation attorney's fees) incurred in enforcing all rights under those agreements. You must have the agreements signed by your employees and independent contractors reviewed by an attorney, at your expense, to ensure that such agreements are enforceable under applicable state law, and your use of an agreement approved by us shall not constitute or be a basis for waiver of your duty to ensure that the agreements signed by your employees or independent contractors are enforceable under applicable law.

(c) **Survival.** This Section 5.4 shall survive the expiration or any earlier termination of this Agreement.

5.5 **Indemnification.** You must indemnify, defend and hold us and our affiliates and our and our affiliates' officers, directors, employees, agents and representatives (collectively, "*Indemnities*") harmless from any and all claims, demands, suits, proceedings, fines, losses, damages, costs and expenses (including reasonable attorneys' fees) (collectively, "*Damages*") suffered or incurred, directly or indirectly, by any of them as a result of (a) your breach or other failure to perform your obligations under this Agreement, or (b) any other action or claim resulting from or in any way related to the operation of the Franchised Business, except that you shall not be liable for Damages resulting from our gross negligence or reckless conduct. If any third-party claim that is subject to this indemnification provision is asserted against you or any Indemnitee, you shall promptly notify us. The provisions of this Section 5.5 shall survive the expiration of or any earlier termination of this Agreement.

5.6 **Covenants Against Competition**

(a) **In-Term.** So long as this Agreement is in effect, you shall not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business, to any other party (including yourself acting in any capacity other than a Colors On Parade franchisee pursuant to the provisions of this Agreement) by direct or indirect inducement or otherwise;

(ii) Directly or indirectly own, maintain, engage in, or have any interest in any other business which is engaged in providing any repair, restoration or reconditioning services; or

(iv) Provide any repair, restoration or reconditioning services, directly or indirectly, other than as a Colors on Parade Unit Franchisee pursuant to the provisions of this Agreement.

You agree that each of the foregoing in-term restrictive covenant is independent of and divisible and severable from the others and is necessary and reasonable to protect legitimate interests of the System. In the event the geographic or temporal scope of Sections 5.6(a)(i), 5.6(a)(ii) and/or Section 5.6(a)(iii) is deemed excessive under applicable law by an arbitrator or court in an action to enforce the provisions of this Section 5.6(a), only the remaining subsections of Section 5.6(a) shall apply.

(b) **Post-Term.** Except as otherwise approved or specified by us in writing, you shall not, for a continuous uninterrupted period commencing upon the expiration or any earlier termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either

directly or indirectly, for yourself or through, on behalf of or in conjunction with any person or entity:

(i) Solicit or provide any Services to any customer or account to whom you provided any Services as a Colors on Parade franchisee during the prior three (3) years or divert or attempt to divert any such customer or account to any competitor or other party, including yourself or a business that you operate; or

(ii) Operate or manage any business that provides any Services, or provide any Services, within the Territory or any other area where you provided any Services as a Colors On Parade franchisee during the during the prior three (3) years; or

(iii) Offer or provide any Services within five (5) miles from any commercial customer or account to whom you provided any Services as a Colors on Parade franchisee during the term of this Agreement.

You agree that each of the foregoing post-term restrictive covenants is independent of and divisible and severable from the others and is necessary and reasonable to preserve the value of the System. In the event the geographic or temporal scope of Sections 5.6(b)(i), 5.6(b)(ii) and/or Section 5.6(b)(iii) is deemed excessive under applicable law by an arbitrator or court in an action to enforce the provisions of this Section 5.6(b), only the remaining subsections of Section 5.6(b) shall apply.

If you refuse voluntarily to comply with the foregoing restrictive covenants upon the expiration or any earlier termination of this Agreement, you must pay us, as damages, an amount equal to 30% of your Gross Sales within the geographic and temporal scope of Sections 5.6(b)(i), 5.6(b)(ii) and/or Section 5.6(b)(iii) and the two-year period will not commence until you begin to voluntarily to comply with the foregoing restrictive covenants or the entry of an order of an arbitrator or court enforcing this provision, whichever shall first occur. If we are required to engage an attorney or take any action to enforce the foregoing restrictive covenants, you must also reimburse us for our costs and expenses, including reasonable attorney's fees and the costs of investigating and/or prosecuting such action.

(c) **No Defense.** The existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement of the covenants contained in this Section 5.6.

(d) **Injunctive Relief.** Your failure to comply with any requirement of this Section 5.6 will cause us irreparable injury for which no adequate remedy at law may be available. Accordingly, in such event, we shall be entitled to injunctive relief prohibiting any conduct by you or anyone acting in concert with you in violation of the terms of this Section 5.6, and no bond shall be required in order to implement any injunction so issued or, if the posting of a bond is required for the effectiveness of such injunctive relief by law, the amount of the bond shall not exceed the sum of $1.00.

(e) **Survival.** The provisions of this Section 5.6 shall survive the expiration or any earlier termination of this Agreement.

(f) **Modification of Covenants**. We shall have the right, in our sole discretion, to reduce the scope of any covenant contained in this Agreement, without your consent, and you agree that you shall comply immediately with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 9.2 hereof. Further, in the event that a court of competent jurisdiction or arbitrator shall find any of the restrictive covenants contained this Agreement to be excessive in scope or contrary to law, you and we hereby authorize and direct the court or arbitrator to modify the restriction so as to make it enforceable to the maximum extent in accordance with applicable law and all

other restrictive covenants contained in this Agreement shall remain in full force and effect.

5.7 **Assignment**

(a) **General Prohibition.** The rights granted to you under this Agreement are personal, and we would not have entered into this Agreement absent your commitment to be personally involved with the operation of the Franchised Business. Therefore, except as expressly listed below, you may not, without our prior written consent, assign, transfer, convey or otherwise dispose of, or encumber or grant a security interest in, this Agreement, the Franchise granted herein, all or substantially all of the assets used in the Franchised Business, any account assigned to you, as described in Section 4.1(d), or a controlling interest in you or any entity to which your rights under this Agreement may be transferred, or any of your rights or duties under this Agreement (each of the foregoing is referred to as an "*Interest*") and you may not subcontract with any third party for the provision of any Services.

(b) **Assignment to Corporation or Limited Liability Company.** You may assign your Interest in this Agreement to a corporation or limited liability company formed by you for your convenience or legal reasons (an "*Entity*") provided that each of the following conditions is met and fulfilled at the time of assignment: The Entity must be newly formed and may not own any assets or engage in any business except for the Franchised Business or other activities under franchise agreements with us.

(i) You and any other person owning at least 10% of the Entity's outstanding equity securities of any class must personally guarantee the obligations of the Entity under this Agreement and agree to be personally bound by the provisions of Sections 5.4, 5.5, 5.6 and 7 of this Agreement.

(ii) You must at all times (A) own a majority of the Entity's equity interests of each class of equity securities outstanding, and (B) own equity interests having a majority of the voting power of each voting class of the Entity's outstanding equity securities.

(iii) You must execute an assignment document that is satisfactory to us in form and substance. In addition, you and the Entity must execute an agreement satisfactory to us, in form and substance, confirming that: (A) the Entity assumes your obligations under this Agreement; (B) the assignment does not release you from any of your liabilities to us under this Agreement; (C) the certificates or other documents evidencing ownership in the Entity shall bear appropriate legends prohibiting any further transfer of such certificates or other documents or any equity interest in the Entity without compliance with this Agreement; and (D) such other provisions as we may reasonably require to protect our interests with respect to the Franchised Business and its operations.

(c) **Assignment to Third Party.** You may assign any of your Interest to a third party, provided that each of the following conditions is met:

(i) You have first offered in writing to assign your Interest to us upon the same terms and conditions as are offered in writing by such third party, except that we will have thirty (30) days to accept such offer and we may substitute an equivalent amount of cash for any non-cash consideration; and (B) we have failed or declined to accept your offer to sell such Interest (such offer may not include any assets or liabilities except those relating to the Franchised Business);

(ii) The third party (A) in our discretion, meets our current standards for new Unit Franchisees, (B) is not be affiliated with any competitor in any respect, and (C) purchases the Interest upon

terms and conditions no more favorable to such third party than those offered to us no later than sixty (60) days after we have declined to accept the offer you made to us pursuant to clause (i):

(iii) You execute a general release in our favor, subject to applicable law:

(iv) You pay us (A) an administrative fee of $1,000, and (B) if the transferee has not previously successfully completed the Training Program, a Training Fee in an amount established from time to time by us in the Manual;

(v) If the Interest transferred is other than an internal stock or other interest transfer within your entity or company, the transferee pays us the Initial Franchise Fee for a Unit Franchisee;

(vi) The transferee completes, to our satisfaction, the Training Program;

(vii) The transferee agrees executes our then-current form of Unit Franchise Agreement for the remainder of the term as shown in Section 2 hereof;

(viii) You agree to be bound by the provisions of Sections 5.4, 5.5, 5.6, and 7 to the extent they constitute post-term obligations;

(ix) All of your financial obligations to us and our affiliates are paid in full (whether or not then due) and no Event of Default or an event which, with the giving of notice and/or the passage of time, would constitute an Event of Default, exists; and

(x) You agree to subordinate any right you may have to payments from the transferee to all of our (and our affiliates') rights to receive Royalties or other amounts owed to us (or any of our affiliates) by the transferee.

(d) **Assignment to Spouse or Child.** If you die or become disabled, you may assign your Interests to your spouse or child, subject to the same conditions as shown in Section 5.7(c) above, except that no administrative transfer fee will be charged, and we will not have a right of first refusal to purchase your Interests, as described in Section 5.7(c) above.

5.8 **Guaranty; Other Covenants of Equity Owners**. If you are an entity, all of your owners must execute a personal guaranty, in form and substance acceptable to us, guaranteeing the payment and performance of all of your obligations to us and personally assuming all such obligations. In addition, all of your owners must execute and deliver to us an agreement, in form and substance satisfactory to us, to be bound by the provisions of Sections 5.4, 5.6, 5.7 and 7 of this Agreement.

5.9 **Disclose Discoveries and Ideas to Franchisor.** Franchisee shall promptly disclose to Franchisor all discoveries, inventions or ideas, whether patentable or not, relating to Franchisor's business, which are conceived or made by Franchisee or any partner, officer, director, agent, or employee of Franchisee, solely or jointly with others, during the term of this Agreement, whether or not Franchisor's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such discoveries, inventions or ideas are the exclusive property of Franchisor, and that Franchisor shall have no obligation to Franchisee with respect thereto. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by franchisees within the System will be distributed to the other franchisees as a benefit of belonging to the System.

6 TERMINATION

6.1 **Events of Default.** Any one or more of the following events will constitute an Event of Default ("*Event of Default*") by you hereunder:

(a) You fail to submit any Gross Sales report required by this Agreement when required, or to pay, promptly when due, any fee, expense, charge or other amount due to us (or any of our affiliates) or under any financing program sponsored by us and within ten (10) days after written notice of such failure; or, if you have previously been given notice of any monetary default on at least three (3) occasions during the prior twelve (12) months and you thereafter fail to pay, promptly when due, any such fee, expense, charge or other amount (in which event written notice is not required);

(b) Any of your representations in this Agreement or in any other document or certificate furnished to us previously or at any time in the future is untrue in any material respect or omits any material fact necessary to make such representation not misleading in light of the circumstances in which such representation was made;

(c) You submit to us (i) in any twelve-month period, one (1) or more financial statements or other reports which understate by more than two percent (2%) your Gross Sales or any amounts owed by you to us for the applicable period; or (ii) any financial statement or other information or supporting record which intentionally understates your Gross Sales or any amounts owed by you to us for the applicable period;

(d) You fail to successfully complete the Training Program or to commence the Franchised Business within six (6) months after the Effective Date;

(e) You fail comply with any corrective action that we require pursuant to the provisions of Section 5.2(d) within ten (10) days;

(f) You voluntarily suspend operation of the Franchised Business for more than seven (7) consecutive calendar days without our prior written consent other than for a *force majeure* (but only so long as the *force majeure* exists) or vacations in the ordinary course, so long as you have made adequate provisions with your employees or other Colors on Parade franchisees for servicing the accounts you customarily service;

(g) You file a petition for relief from your debts, liabilities or obligations, or for appointment of a receiver for you or for all or a substantial portion of your assets, or make a general assignment for the benefit of your creditors; or a petition is filed against you or a receiver is appointed for you or for all or a substantial portion of your assets, or a judgment is entered against you, and such petition, appointment or judgment is not stayed or vacated or otherwise discharged within thirty (30) days, or becomes unappealable or is acquiesced in or consented to by you;

(h) You become bankrupt, insolvent or otherwise unable to pay your obligations as they become due;

(i) You assign, transfer, convey, sublicense or encumber, or attempt to assign, transfer, convey, sublicense or encumber, all or any of your Interests, except as provided above;

(j) You are convicted of a felony, or a crime involving moral turpitude or consumer fraud, or any other crime, offense or act that we believe is likely to have an adverse effect on the Franchised

Business, the System or the Marks;

(k) You violate any federal, state or local health or safety law or commit any other act which could result in the endangerment of the public, and fail to cure such violation within the applicable period permitted by law, if any, or by the applicable governmental authority, or within five (5) days after written notice from us (or immediately upon notice from us if there is an immediate threat to the public's safety or health as a result of such violation or act); or

(l) You breach or fail to comply with any other covenant or agreement contained in this Agreement or any rule, regulation, procedure, specification or standard contained in the Manual (including without limitation standards and procedures relating to customer service and responses to customer complaints) and you do not correct that breach or failure to comply within thirty (30) days after written notice thereof.

6.2 **Remedies.** If any Event of Default by you occurs, we may, in our sole discretion, impose reasonable penalties or fines, which shall be payable by you upon demand. We may also, at our option and without only such notice as may be required by applicable law, declare this Agreement and the Franchise granted in this Agreement to be immediately terminated and of no further force or effect, except as otherwise expressly provided in this Agreement. No such termination shall relieve you of your obligations, debts or liabilities under this Agreement. This right of termination is in addition to any other rights or remedies we may have at law or in equity. In addition, upon termination, the royalties payable by you during the remainder of the term of the agreement, calculated on the basis of your average actual monthly gross sales during the 3-month period prior to termination, shall become immediately due and payable, without demand. We shall have no obligation to perform our obligations under this Agreement if at any time there exists an Event of Default or an event that, with the giving of notice or passage of time or both, would result in the existence of an Event of Default.

6.3 **Conflicting State Law.** If any of the termination, renewal or assignment provisions of this Agreement are inconsistent with any applicable state law governing the relationship of franchisors and franchisees, the provisions of such law shall apply, but only to the extent of such inconsistency.

6.4 **Termination by You**. Provided that you are in full compliance with all of the terms and conditions of this Agreement and all of your obligations hereunder, you may terminate this Agreement, subject to your obligations under Section 5.6(b) and the following Section 7, in the event of any material default by us under this Agreement if we fail to cure such default within thirty (30) days following our receipt of a written notice of default that describes our default with sufficient specificity to permit a cure.

7 YOUR POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement, you must:

7.1 **Payment Obligations.** Provide us with all invoices that you have issued for your Gross Sales, unless you have previously provided such invoices to us or the Collections Agent, and pay all sums owing to us or any of our affiliates, including all costs and expenses incurred in enforcing the provisions of this Section 7.

7.2 **Return of Confidential Information.** Return all Confidential Information to us, including but not limited to the Manual.

7.3 **Cease Identification With Colors on Parade.** Take all actions necessary to cancel all assumed name or equivalent registrations relating to your use of the Marks; and notify the telephone

company, the postal service and all listing agencies of the expiration or termination of your right to use all telephone numbers, post office boxes and all classified and other directory listings of the Franchised Business. You must turn over all phone numbers, internet sites, email listings and other media locations used during your franchise to us and authorize the telephone company, the postal service and all listing agencies to transfer to us or our designee all such numbers, post office boxes and classified or directly listings as soon as possible, and you hereby authorize us or our designee to direct the telephone company, the postal services and all listing agencies to transfer such numbers, boxes and listings to us or our designee.

7.4 **Customer Notification.** Provide us with a complete listing of all customer accounts and, upon our request, notify all of your customers of the expiration or termination of this Agreement, and provide them with such other information as we may reasonably request.

7.5 **Promote Separate Identity.** Not, directly or indirectly, in any manner, identify yourself as a former franchisee of ours or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks for purposes of offering or providing any Services.

7.6 **Cease Use of System.** Cease any and all use of the System; at our request, submit to an audit of your financial records and the financial records of the principals of your Business; and provide us with copies of all customer lists, in all formats, i.e., paper, electronic or otherwise.

7.7 **Post-Term Covenants**. Comply with all of your post-term covenants under Section 5.6(b).

7.8 **Option to Purchase Assets and/or Assume Equipment Leases**. At our option, to be exercised within thirty (30) days after the expiration or any earlier termination of this Agreement, we shall have the right to purchase the Operating Unit(s) and/or any or all other equipment, tools and supplies used in connection with the operation of the Franchised Business for depreciated book value or fair market value, whichever is less. If we cannot agree on fair market value within a reasonable time, an independent appraiser shall be designated by us whose determination shall be binding. If we elect to exercise any option to purchase herein provided, we will have the right to set off all amounts due from you and the cost of the appraisal, if any, against any payment therefor. If you do not own, but instead lease or rent, your Operating Unit(s) and/or equipment, then we shall have the option to assume your lease(s) or rental arrangement(s) or, if the lease(s) or rental arrangement(s) are not assumable, to sublease the same from you upon the same terms as the underlying leases(s) or rental arrangement(s). If we elect to exercise any option to assume lease or sublease herein provided, you shall indemnify us for any sums which are past due under any lease of the above-referenced Operating Unit(s) and/or equipment as of the date we assume your lease or rental arrangement or sublease such equipment and/or Operating Units(s) from you. In order to secure our rights under this Section 7.8, we shall have a right to place a lien upon your Operating Unit(s), equipment, tools and supplies, and you hereby authorize us to execute, on your behalf, one or more Financing Statements, pursuant to the Uniform Commercial Code, and to file or record same in all public offices wherever filing or recording is deemed by us to be necessary or desirable in order to perfect a security interest in such equipment, tools and supplies.

7.9 **Injunctive and Other Relief.** Because we will suffer irreparable harm if you do not take the actions required of you under this Section 7, you hereby agree that, in such event, we will be entitled to injunctive relief (including specific performance) in addition to any other remedies available to us, and that no bond shall be required in order to implement any injunction so issued.

7.10 **Survival of Covenants.** The covenants contained in this Section 7 shall survive the expiration or any earlier termination of this Agreement.

8 DISPUTE RESOLUTION

8.1 **Disputes to be Arbitrated.** Except as set forth in Section 8.5, any controversy, claim or dispute arising out of or relating in any way to the Franchised Business or this Agreement, or its breach, including without limitation any claim that this Agreement or any of part of this Agreement is invalid, illegal or otherwise voidable or void, shall be resolved by arbitration, in Myrtle Beach, SC, in accordance with the Commercial Rules of Arbitration of the American Arbitration Association ("*AAA*"); provided, however, that the parties shall have the right to discovery in accordance with the Federal Rules of Civil Procedure and the arbitrator shall have the right and power to issue sanctions, including but not limited to the entry of an award against a party on the merits, for failure to provide discovery. Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to the arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the federal common law of arbitration. To the extent that the applicable state law requires this provision to be initialed to be effective, it is agreed that the Federal Arbitration Act referenced above governs, and that the parties' signatures at the end of this document shall act to indicate their acceptance of this provision. The arbitration of any disputes between the parties shall be conducted on an individual basis and such disputes shall not be arbitrated on a class-wide basis, nor shall any of these disputes be consolidated with the arbitration of any other disputes that might arise among or between the parties or any of other franchisees, unless a court of competent jurisdiction should determine that this provision is unenforceable, in which event a dispute which either party seeks to have adjudicated on a class-wide basis, or consolidated with other disputes that may arise among or between the parties or any other franchisees, may be submitted to the AAA for arbitration, in accordance with AAA's Supplementary Rules for Class Arbitrations; provided, however, in the event that the arbitrator determines that the arbitration should proceed as a class arbitration or consolidated with other disputes (the "*Class Determination Award*"), either party shall have the right to obtain judicial review of the Class Determination Award. In the event that either party moves a court of competent jurisdiction for a review of the Class Determination Award, the arbitration proceedings shall be stayed until the court has issued an order confirming or vacating the Class Determination Award.

8.2 **Mediation**. Before any party may commence an arbitration proceeding against the other with respect to any claim or dispute, the party that wishes to submit a claim or dispute to arbitration must give the other party written notice which specifies, in detail, the nature and grounds of such claim or dispute, and the other party will have a period of thirty (30) days following receipt of such notice within which to notify the party that wishes to submit a claim or dispute to arbitration whether the other party elects to submit such claim or dispute to mediation by the AAA. Neither party shall have the right to commence any arbitration proceeding against the other with respect to any such claim or dispute in any court unless the other party fails to exercise its option to submit such claim or dispute to mediation or the mediation proceedings have terminated, either as the result of the written declaration of the mediator appointed by AAA to the effect that further efforts at mediation are no longer worthwhile or as a result of the parties' written declaration. Any mediation or arbitration proceedings under this Agreement shall be conducted in the city and state in which our principal place of business is located. Either party shall have the right to specifically enforce its rights to mediation, as set forth herein.

8.3 **Entry of Judgment.** Judgment may be entered upon an arbitration award in any court having competent jurisdiction and shall be final, binding and non-appealable. The parties each waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between the parties, each party shall be limited to the recovery of only the actual damages sustained.

8.4 **Procedures.** The arbitration provisions of this Section 8 are self-executing and shall remain in full force and effect after the expiration or termination of this Agreement. At the request of any party, the arbitrator shall be an experienced commercial litigation attorney with experience in the arbitration

and litigation of disputes between franchisors and franchisees. The parties shall have the right to conduct discovery in any arbitration proceeding in accordance with the Federal Rules of Civil Procedure and, at the request of a party to the proceeding, the arbitrator shall have the authority to issue subpoenas directed to third parties. If any party to the arbitration proceeding fails to participate in any part of the arbitration proceeding, or to appear at any properly noticed hearing, or to provide any discovery requested by the other party in accordance with the Federal Rules of Civil Procedure, the arbitrator is authorized and directed to enter an award against such party by default or otherwise. Arbitration proceedings shall take place in the city and state in which our principal place of business is located, unless otherwise agreed by the parties, and shall be conducted before a single arbitrator selected by the parties or appointed by the AAA. The arbitrator is authorized to enter an award against any party to an arbitration proceeding and any third party acting in concert with a party to the arbitration proceeding.

8.5 **Excepted Disputes.** The obligation to arbitrate shall not be binding upon any party with respect to claims relating to the Marks or requests for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when necessary to preserve the *status quo* or prevent irreparable injury pending arbitration of the underlying dispute. This exception specifically does not include declaratory judgment, declaratory relief or other claims in equity, which must be brought in arbitration.

9 MISCELLANEOUS

9.1 **Survival of Representations.** All statements in this Agreement or in any certificate, agreement, instrument or other document delivered by or on behalf of any party pursuant to this Agreement or in connection with the transactions contemplated by this Agreement constitute representations, warranties, stipulations, covenants and agreements made by such party and shall survive the execution of this Agreement and the consummation of the transactions contemplated by this Agreement.

9.2 **Entire Agreement.** This Agreement, the attachments hereto, and the documents referred to herein, constitute the entire agreement between you and us concerning the subject matter hereof, and supersede any prior agreements; and you acknowledge and agree that no other representations which are not contained herein induced you to execute this Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing contained in this Section 9.2 is intended to disclaim the representations we made in our Franchise Disclosure Document.

9.3 **Notices.** All notices, requests, demands, tenders and other communications required or permitted under this Agreement shall be in writing and shall be duly given (i) if delivered, mailed (certified or registered mail, postage prepaid) or sent by overnight courier service to the other party at its address set forth on Exhibit A, or (ii) if transmitted by facsimile to the facsimile number of the other party set forth on Exhibit A. Any party may change its mailing address or facsimile number by giving notice to the other party in the manner provided above.

9.4 **Waiver.** Any term or condition of this Agreement may be waived at any time by the party hereto which is entitled to the benefit thereof, but that waiver will be effective only if evidenced by a written document signed by such party. A waiver on one occasion shall not be a waiver of the same or any other breach on any other occasion. No course of dealing or performance by any party, and no failure, omission, delay or forbearance by any party, in whole or in part, in exercising any right, power, benefit or remedy, shall constitute a waiver of such right, power, benefit or remedy.

9.5 **Amendments and Modifications.** This Agreement may be amended or modified only by

a written document signed by both parties.

9.6 **Cumulative Remedies.** No remedy conferred upon us is intended to be exclusive of any other remedy, and each and every such remedy shall be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

9.7 **Independent Contractor Relationship.** Nothing in this Agreement or in any instrument, agreement or other document delivered pursuant to this Agreement or in connection herewith shall make either party hereto the partner, joint venturer, agent or employee of the other. It is intended that you are and shall continue to be an independent contractor responsible for all of your obligations and liabilities with respect to the establishment and operation of the Franchised Business. You have no authority, express, implied or apparent, to act on behalf of or to bind us, and you may take no action to create any such authority or the appearance of an employer-employee relationship between us. In indicating your affiliation with us, you must at all times clearly represent that the Franchised Business is independently owned and operated, consistent with applicable law, including without limitation by exhibiting a notice of such fact in a conspicuous place at the Franchised Business, and, as directed by us, in your advertising and on your contracts, forms, stationery and promotional materials. In no event shall we be or be deemed your fiduciary. However, you agree that you have a fiduciary duty to us and the franchise system to hold confidential information imparted to you in trust and confidence for the benefit of the franchisor and the franchise system.

9.8 **Cost of Enforcement.** In any action to enforce the rights of either party under this Agreement, the prevailing party, as determined by the arbitrators or court before which such action is brought, shall be entitled to recover the costs and expenses of such party, including reasonable attorneys' fees, incurred in investigating, prosecuting or defending such action.

9.9 **Singulars and Plurals; Pronouns.** Where the context so requires, the use of the singular form herein shall include the plural, and the use of the plural form the singular, and the use of any gender shall include any and all genders.

9.10 **Execution in Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

9.11 **Headings.** The headings in this Agreement are for convenience of reference and are not a part of this Agreement and shall not affect the meaning or construction of any of its provisions.

9.12 **Inconsistent Terms; Additional Terms**.

(a) To the extent that the provisions of this Agreement are in direct conflict with the provisions of any Exhibit or Addendum hereto, the provisions of the Exhibit or Addendum shall control.

(b) The parties acknowledge that additional terms and conditions may be made a part of this Agreement by attaching an Exhibit or Addendum containing such additional terms and conditions, or by including such terms or conditions on Exhibit A. Such terms and conditions are hereby incorporated into this Agreement by this reference without further action by the parties.

9.13 **Successors and Assigns.** We may assign this Agreement or any of our rights or duties under this Agreement without your consent. Except as expressly otherwise provided in this Agreement, this Agreement is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors and permitted assigns.

9.14 **Severability.** If any provision of this Agreement or any instrument or other document delivered pursuant to or in connection with this Agreement is for any reason held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other instrument or document, and this Agreement and such other instruments and documents shall be interpreted and construed as if such invalid, illegal or unenforceable provision had not been contained in this Agreement.

9.15 **Governing Law; Choice of Forum.** This Agreement has been executed and delivered in, and shall be governed by, construed and enforced in accordance with the laws of the state in which our principal place of business is located, without regard to its conflicts of law rules, unless applicable state law requires the application of the laws of your home state. Any mediation or arbitration proceedings under this Agreement shall be conducted in the city and state in which our principal place of business is located and any litigation relating to matters not required to be arbitrated by this Agreement shall be brought in a court for the county of the state in which our principal place of business is located, or in the federal district court for such district. You and we each hereby consent to the jurisdiction and venue of such courts and waive any defense that such courts lack jurisdiction or venue with respect to such proceeding.

9.16 **Time of Performance.** Time is of the essence of this Agreement.

10 ACKNOWLEDGMENTS. You hereby acknowledge as follows:

10.1 **Receipt of Franchise Disclosure Document and Agreements.** You acknowledge and agree that you received a copy of our Franchise Disclosure Document ("*FDD*") no later than fourteen (14) days prior to the date you executed this Agreement or the date that you paid us any consideration, and that you have read the FDD and each of the agreements you have executed this date.

10.2 **Representations Regarding Profitability. NEITHER WE NOR ANY OF OUR OFFICERS, AGENTS OR REPRESENTATIVES HAS MADE ANY REPRESENTATION TO YOU AS TO THE ANTICIPATED SALES, EARNINGS OR PROFITABILITY OF THE FRANCHISED BUSINESS OR ANY OTHER COLORS ON PARADE® FRANCHISE, OR THE HISTORICAL FINANCIAL PERFORMANCE OF ANY COLORS ON PARADE® FRANCHISE EXCEPT AS SET FORTH IN THE FDD. IN ENTERING INTO THIS AGREEMENT, YOU ARE NOT RELYING UPON ANY INFORMATION FURNISHED BY US OR ANY OF OUR OFFICERS, AGENTS OR REPRESENTATIVES EXCEPT FOR THE INFORMATION CONTAINED IN THIS AGREEMENT OR THE FDD.**

10.3 **System Modification.** We may, but are not obligated to, add, delete, modify or amend the scope or type of products or services that you will be permitted or required to offer in the operation of the Franchised Business.

10.4 **Professional Consultants.** You acknowledge and agree that we have advised you to consult with professionals, such as lawyers or accountants, prior to executing this Agreement, and that you have been given an adequate opportunity to do so.

10.5 **Independent Investigation.** You acknowledge and agree that you have conducted your own independent investigation of us and the System, and that you understand that the Franchised Business involves risk and its success will be in large part dependent upon your own abilities, participation and efforts.

10.6 **Other Forms of Agreements.** Other Unit Franchisees in our System may have executed,

or may in the future execute, forms of franchise or other agreements containing materially different terms and conditions than those contained in this Agreement.

10.7 **Representations Regarding Waivers**. This Agreement contains certain representations to be made by you that there have not been violations of franchise law either federally or by state. To the extent that your state law or federal law prohibits you from having to provide a waiver or disclaimer at the inception of the Franchised Business, the waiver or disclaimer shall be void and the state or federal prohibition shall control.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date shown in Exhibit A.

TOTAL CAR FRANCHISING CORPORATION

By:_____
Name: Jeff Cox
Title: President & CEO
Date:

UNIT FRANCHISEE:

_____

Date:

EXHIBIT A

Name and Address of Unit Franchisee:

Effective Date:

Territory:

Initial Franchise Fee or Renewal Fee: $ -0-

Training Fee: $ -0-

Equipment Set-up Fee: $ -0-

Notice Address for Franchisor: Total Car Franchising Corporation
P.O. Box 50940
Myrtle Beach, SC 29579

EXHIBIT B

PERSONAL GUARANTY AND ASSUMPTION OF OBLIGATIONS

Each of the undersigned hereby absolutely, unconditionally and irrevocably guarantee to TOTAL CAR FRANCHISING CORPORATION, a South Carolina corporation ("*TCFC***"**), all of the obligations (the "*Obligations*") of _____, a _____ ("*Franchisee*"), to TCFC under that certain [Unit Franchise Agreement][Area Representative Franchise Agreement], effective as of _____, by and between Franchisee and TCFC (the "*Franchise Agreement*"), and hereby personally assumes all of the Obligations, including all restrictive covenants, both in-term and post-term, as fully as if each of the undersigned was a signatory to the said Franchise Agreement.

The undersigned acknowledges and agrees that this Guaranty is a guaranty of payment and performance and not of collection and that liability of the undersigned shall be immediate and primary and shall not be contingent upon the exercise or enforcement by TCFC of any remedies TCFC may have against Franchisee.

Any and all payments or performance made by the undersigned hereunder shall be made free and clear of and without deduction for any set-off, counterclaim, or withholdings.

The undersigned acknowledges and agrees that no modification of any of the Obligations, and that no waiver, extension, renewal, indulgence, settlement, compromise or failure to exercise due diligence in collection, for any period or periods, whether or not longer than the original period, or any substitution or release of any other person or collateral directly or indirectly liable for or securing any of the Obligations, shall affect or impair, or release the undersigned from liability under this Guaranty. The Guarantor herein specifically recognizes that the Obligations include the personal obligation to be bound by and adhere to all of the restrictive covenants as contained in the non-competition and non-solicitation agreements as contained within the Franchise Agreement with the franchisor and any separate agreements required by TCFC.

This Guaranty shall continue and remain in full force and effect until all of the Obligations have been fully paid and performed.

If any claim hereunder is referred to an attorney for collection, the undersigned shall be liable to TCFC for all costs of collection, including reasonable attorneys' fees.

This Guaranty may not be assigned without the consent of TCFC. This Agreement is binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, legal representatives, successors and permitted assigns.

This Guaranty shall be governed by, and construed and enforced under, the laws of the state in which TCFC's principal place of business is located. If any provision of this Guaranty is for any reason held invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Guaranty and this Guaranty shall be interpreted and construed as if such invalid, illegal or unenforceable provision had not been contained in this Guaranty.

Time is of the essence.

IN WITNESS WHEREOF, each of the undersigned has issued this Guaranty as of _____, 202_.

GUARANTOR(S):

_____

_____

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EXHIBIT F

CURRENT FRANCHISEES

Contact	Address	City	State	ZIP Code	Phone	Email
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EXHIBIT G

FORMER FRANCHISEES

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EXHIBIT H

FINANCIAL STATEMENTS

Total Car Franchising Corporation

Financial Statements

Years Ended December 31, 2020, 2019 and 2018

Total Car Franchising Corporation
December 31, 2020

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Independent Auditors' Report

To the Board of Directors and Shareholders
of Total Car Franchising Corporation

Opinion

We have audited the accompanying financial statements of Total Car Franchising Corporation (a South Carolina Corporation), which comprise the balance sheets as of December 31, 2020, 2019 and 2018, and the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Total Car Franchising Corporation as of December 31, 2020, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 13, Total Car Franchising Corporation determined that certain deferred tax assets and liabilities were improperly recorded for the years ending December 31, 2018 and 2017. As a result, beginning retained earnings has been restated for the year ended December 31, 2017 and Total Car Franchising Corporation has restated the financial statements for the years ending December 31, 2018 and 2017 for the correction of this misstatement. Our opinion on the December 31, 2018 and 2017 financial statements is not modified with respect to this matter.

As described in Note 14, Total Car Franchising Corporation changed its method of accounting for revenue recognition for the year ended December 31, 2019 using the modified retrospective approach, pursuant to the guidance in the Accounting Standard Codification Topic 606, Revenue from Contracts with Customers. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Total Car Franchising Corporation internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Total Car Franchising Corporation ability to continue as a going concern for a reasonable period of time.

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

Smith Sapp, PA

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
March 5, 2021

SMITH SAPP
Certified Public Accountants & Consultants

Total Car Franchising Corporation
Balance Sheets
December 31, 2020, 2019 and 2018

Assets

	2020	2019	2018
Current Assets			
Cash and Cash Equivalents	$ 378,943	$ 323,606	$ 308,396
Accounts Receivable, net	275,120	255,845	363,926
Inventory	417,261	238,720	229,755
Other Current Assets	22,415	30,417	22,446
Deferred Tax Asset	83,945	80,917	97,138
Total Current Assets	1,177,684	929,505	1,021,661
Notes Receivable, net	192,157	63,234	65,251
Property and Equipment, net	971,404	966,242	994,127
Deferred Tax Asset	170,892	110,480	21,545
Intangible Assets, net	26,657	28,463	30,268
Goodwill, net	208,392	419,954	419,954
Other Assets	1,805	1,805	6,094
Total Assets	$ 2,748,991	$ 2,519,683	$ 2,558,900

Liabilities and Stockholders' Equity

	2020	2019	2018
Current Liabilities			
Accounts Payable and Accrued Expenses	$ 624,625	$ 516,366	$ 553,256
Current Maturities on Notes Payable	177,823	168,483	160,897
Current Portion of Deferred Revenue	59,028	43,696	
Total Current Liabilities	861,476	728,545	714,153
Notes Payable	728,684	739,700	907,789
Deferred Revenue	318,638	239,203	
Deferred Tax Liability	48,099	81,218	72,437
Total Liabilities	1,956,897	1,788,666	1,694,379
Stockholders' Equity			
Common Stock; no par value; 1,000 shares authorized, 1,000 shares issued and 920 shares outstanding	50,000	50,000	50,000
Treasury Stock; 80 shares at $1,383	(110,619)	(110,619)	(110,619)
Unearned Compensation	(207,409)	(276,546)	(345,682)
Retained Earnings	1,060,122	1,068,182	1,270,822
Total Stockholders' Equity	792,094	731,017	864,521
Total Liabilities and Stockholders' Equity	$ 2,748,991	$ 2,519,683	$ 2,558,900

The accompanying notes are an integral part of the financial statements

Total Car Franchising Corporation
Statements Operations and Retained Earnings
For the Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Revenues			
Royalty Fees, net	$ 2,002,240	$ 2,251,009	$ 2,233,877
Franchise Fees	59,028	44,226	41,046
Product Sales	999,738	978,195	961,317
Total Revenues	3,061,006	3,273,430	3,236,240
Costs of Product Sales	697,896	686,493	661,819
Gross Profit	2,363,110	2,586,937	2,574,421
Expenses			
Personnel	1,178,561	1,109,577	924,398
Selling, General and Administrative	1,389,859	1,419,166	1,490,634
Total Expenses	2,568,420	2,528,743	2,415,032
Net Operating Income (Loss)	(205,310)	58,194	159,389
Other Income (Expenses)			
Gain on Sale of Equipment			2,222
Interest and Other Income	6,366	15,021	26,716
Governmental Grant Income	219,500		
Loss on Sale of Company Owned Territory	(84,632)		
Interest Expense	(39,497)	(47,389)	(45,433)
Total Other Income (Expense)	101,737	(32,368)	(16,495)
Income (Loss) Before Income Taxes	(103,573)	25,826	142,894
Income Taxes Provision (Benefit)	(95,513)	18,953	44,379
Net Income (Loss)	(8,060)	6,873	98,515
Retained Earnings - Beginning	1,068,182	1,270,822	1,172,307
Adoption of ASC 606 (See Note 14)		(209,513)	
Retained Earnings - Beginning, As Restated	1,068,182	1,061,309	1,172,307
Retained Earnings - Ending	$ 1,060,122	$ 1,068,182	$ 1,270,822

The accompanying notes are an integral part of the financial statements

Total Car Franchising Corporation
Statements of Cash Flows
For the Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Cash Flows from Operating Activities			
Net Income (Loss)	$ (8,060)	$ 6,873	$ 98,515
Adjustments to Reconcile Net Income (Loss) to Net Cash and Cash Equivalents Provided by Operating Activities			
Depreciation and Amortization	34,055	29,690	30,935
Deferred Tax Provision	(96,559)	9,680	14,227
Loss on Sale of Company Owned Territory	84,632		
Gain on Sale of Equipment			(2,222)
Stock-based Compensation	69,137	69,136	
Write off of Accounts Receivable		(108,544)	
Provision for Uncollectable Accounts, Net of Recoveries	1,307	161,085	43,582
(Increase) Decrease in Accounts Receivable	(20,582)	55,540	(103,750)
(Increase) in Inventory	(178,541)	(8,965)	(43,049)
(Increase) Decrease in Other Current Assets	8,002	(7,971)	26,410
(Increase) Decrease in Notes Receivable	(27,379)	2,017	40,383
(Increase) Decrease in Deposits		4,289	(4,289)
Increase (Decrease) in Accounts Payable and Accrued Expenses	108,259	(36,890)	(83,145)
Increase (Decrease) in Deferred Revenues	94,767	(227)	
Net Cash and Cash Equivalents from Operating Activities	69,038	175,713	17,597
Cash Flows from Investing Activities			
Purchases of Property and Equipment	(37,411)		
Proceeds from Sale of Property and Equipment			6,349
Proceeds from Sale of Company Owned Territory	25,386		
Net Cash and Cash Equivalents from Investing Activities	(12,025)		6,349
Cash Flows from Financing Activities			
Proceeds from Notes Payable	150,000		624,661
Payments on Notes Payable	(151,676)	(160,503)	(711,425)
Sale of Treasury Stock			13,827
Net Cash and Cash Equivalents from Financing Activities	(1,676)	(160,503)	(72,937)
Net Increase (Decrease) in Cash and Equivalents	55,337	15,210	(48,991)
Cash and Cash Equivalents - Beginning	323,606	308,396	357,387
Cash and Cash Equivalents - Ending	$ 378,943	$ 323,606	$ 308,396

Supplemental Cash Flow Disclosures

	2020	2019	2018
Income Taxes Paid	$ 1,096	$ 58,711	$
Interest Paid	32,387	47,450	44,162
Stock Purchase Financed with Note Payable			470,128
Issuance of Restricted Stock			365,682
Sale of Company Owned Territory Financed with Note	101,544		

The accompanying notes are an integral part of the financial statements

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Total Car Franchising Corporation (the "Company") was formed in 1991. The Company is the franchisor for approximately 230 Colors on Parade franchises nationwide. Specializing in scratch repair, spot blending, paint free dent removal and interior restoration, Colors on Parade franchises utilize proprietary appearance technology to do body shop quality repairs for new and used car dealers, fleet operators such as rental car companies and retail customers, in more than 25 states coast to coast. During the years ended December 31, 2020, 2019 and 2018 franchises sold amounted to 23, 15 and 16, respectively. The Company had owned and franchised territories of 49, 48 and 49 in operation as of December 31, 2020, 2019 and 2018, respectively.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Certain prior period balances have been adjusted to conform to current period presentation.

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses in preparing these consolidated financial statements in conformity with US GAAP. Actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Codification 606, *Revenue from contracts with customers*, ("ASC 606"). This guidance establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company adopted this new guidance effective the first day of fiscal year 2019 using the modified retrospective transition method and applied ASC 606 to those contracts which were not completed as of December 31, 2018.The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings at the beginning of fiscal 2019. In performing its analysis, the Company reflected the aggregate effect of all modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price. Comparative information from prior year periods has not been adjusted and continues to be reported under the accounting standards in effect for those periods. Refer to Note 14 for further disclosure of the impact of the new guidance.

Revenue Recognition

The Company's three main revenue sources are Royalty Fees, Franchise Fees, and Product Sales, which are discussed in detail below. There are two items involving revenue recognition of contracts that require us to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated standalone selling price of each obligation.

Royalty Fees

Royalty fees are recognized during the respective franchise agreement based on the royalties earned each period as the underlying franchise store sales occur. Adoption of ASC 606 will not change when the royalty revenue is recognized, this new guidance did not impact the recognition of royalty income.

Franchise Fees

The Company sells individual franchises, which typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), and continuing royalty fees based upon a percentage of franchisee net sales. The initial term of franchise agreements are typically 20 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration, or a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, and ongoing services. Under ASC 605, initial franchise fees paid by franchisees for each arrangement were recognized as revenue in their entirety on the date of commencement of the legal contract. Upon adoption of Topic 606, the Company determined that certain initial franchisee payments, and the franchise rights and related ongoing services, represented a single performance obligation. Revenue related to franchise rights and ongoing services is deferred and recognized on a straight-line basis over the duration of the agreement, as this ensures that revenue recognition aligns with the customer's access to the franchise right.

Product Sales

Revenues from product sales are recognized at the time of sale to the franchisee or area director. Adoption of ASC 606 will not change when the product sales revenue is recognized, this new guidance did not impact the recognition of product sales income.

Costs of Product Sales

Cost of product sales includes cost of inventory sold during the period, net of discounts and allowances, shipping and handling costs, and sales taxes. The Company receives various rebates from third party vendors in the form of quantity discounts and payments under exclusive agreements. Such rebates are classified as either a reduction of cost of goods sold or a reduction of cost incurred, depending on the nature of the rebate, and are recognized when the related merchandise is sold.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and other highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains bank accounts at various financial institutions. The balances at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2020, 2019 and 2018, the Company had $36,446, $208,008 and $173,486, respectively, of cash and cash equivalents in excess of the federal deposit insurance limit.

Inventories

Inventories are valued at the lower of cost or market; cost is determined using the average cost method.

Property and Equipment

All acquisitions of property and equipment in excess of $2,500 and all repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost and depreciated using the straight-line or accelerated methods based on the following estimated useful lives of the assets:

Building	40 years
Furniture, Fixtures and Equipment	5-7 years

Depreciation expense was $30,412, $27,855, and $28,751 for the years ended December 31, 2020, 2019 and 2018, respectively.

Intangible Assets and Goodwill

Intangible assets are stated on the basis of cost. Intangible assets are comprised primarily of patents and goodwill. Amortization of patents is calculated using the straight-line method over 7 to 20 years.

ASC 350 "Goodwill and Other Intangible Assets" requires that assets with indefinite lives no longer be amortized, but instead be subject to annual impairment tests. Following the guidelines contained in ASC 350, the Company tests goodwill and intangible assets that are not subject to amortization for impairment annually or more frequently if events or circumstances indicate that impairment is possible. The Company has elected to conduct its annual test annually as of the end of the Company's fiscal year. During the year ended December 31, 2020, management qualitatively assessed goodwill to determine whether testing was necessary. Factors that management considers in this assessment include macroeconomic conditions, industry and market considerations, overall financial performance of the related Franchise area's owned by the Company (both current and projected), changes in management and

strategy, and changes in the composition and carrying amounts of net assets. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is then performed.

Stock-Based Compensation
The Company accounts for equity instruments issued to employees in accordance with accounting guidance that requires awards to be recorded at their fair value on the date of grant and are amortized over the vesting period of the award. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the award, which is typically the vesting term of the equity instrument issued.

Advertising
The Company's advertising costs are expensed as incurred. During the years ended December 31, 2020, 2019 and 2018, the Company incurred $76,782, $100,865, and $92,711 of advertising expense, respectively.

Income Taxes
Accounting standards prescribe when to recognize and how to measure the effects of tax positions taken or expected to be taken in the Company's tax returns. In order to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. To the extent that all or a portion of a tax position is not recognized, a liability would be recognized for the unrecognized benefits. As of December 31, 2020, management has determined that the Company does not have any material unrecognized tax benefits. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions.

Multiple states and other governmental authorities assess taxes on revenue producing transactions of the Company occurring in their jurisdictions. The Company collects the taxes and remits the entire amount to the proper authorities. The Company's policy is to exclude the tax collected and remitted to the authorities from revenue and costs of sales.

Recent Issued Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-01, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than 12 months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the impact the pronouncement may have on the financial statements.

Note 2 – Revenue Recognition

Revenues from contracts with customers for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Company Market Related Income	$ 26,172	$ 24,728	$ 38,233
Royalties	1,725,880	1,957,973	1,946,155
Billing & Collections Fees	250,188	268,308	249,489
Total	2,002,240	2,251,009	2,233,877
DMA Income			7,246
Franchise Fees	59,028	43,626	33,400
Training Fees		600	400
Total	$ 59,028	$ 44,226	$ 41,046

As disclosed in Note 1, prior period amounts have not been adjusted under the modified retrospective method of adoption of Topic 606.

Note 3 – Accounts Receivable

Accounts receivable of approximately 99%, 100% and 94% at December 31, 2020, 2019, and 2018, respectively, were related to revenues from royalties and supplies. Accounts receivable are stated net of an allowance for doubtful accounts. The Company's estimate is based on historical collection experience and a review of the current status of specific accounts. The Company reviews the delinquency status on an account by account basis. Components of accounts receivable as of December 31, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Trade Receivables	$ 330,247	$ 312,750	$ 448,338
Supplier Credits Receivable			25,000
Other Receivables	3,084		1,652
	333,331	312,750	474,990
Allowance for Doubtful Accounts	(58,211)	(56,905)	(111,064)
Accounts Receivable, Net of Allowance	$ 275,120	$ 255,845	$ 363,926

Note 4 – Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on notes is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. All outstanding notes relate to accumulated royalty fees and Company financed sales of franchisee operating regions. Components of notes receivable as of December 31, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Notes Related to Royalties Due	$ 140,452	$ 140,452	$ 146,057
Notes Related to Franchisee Territories	153,544	19,121	26,119
Other Notes Receivable	3,500	9,000	
	297,496	168,573	172,176
Allowance for Doubtful Accounts	(105,339)	(105,339)	(106,925)
Notes Receivable, Net of Allowance	$ 192,157	$ 63,234	$ 65,251

Note 5 – Property and Equipment

A summary of Property and Equipment as of December 31, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Building	$ 975,848	$ 975,848	$ 975,848
Furniture, Fixtures and Equipment	260,652	225,048	225,048
	1,236,500	1,200,896	1,200,896
Accumulated Depreciation	(541,134)	(510,692)	(482,807)
	695,366	690,204	718,089
Land	276,038	276,038	276,038
	$ 971,404	$ 966,242	$ 994,127

Note 6 – Goodwill and Intangible Assets

The Company assesses goodwill and territorial rights for impairment annually and all other intangibles are amortized using the straight-line method. Intangibles are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value.

During the year ended December 31, 2020 goodwill and territorial rights with a cost of $311,475 was determined to have $103,083 of impairment. During each of the years ended December 31, 2019 and 2018, goodwill and territorial rights with a cost of $511,475 were determined to have $91,521 of impairment. Other intangibles subject to amortization had a gross carrying amount of $44,123 as of December 31, 2020, 2019 and 2018. Accumulated amortization for the years ended December 31, 2020, 2019 and 2018 was $17,466, 15,660, and $13,855, respectively.

Note 7 – Accounts Payable and Accrued Expenses

Components of accounts payable and accrued expenses as of December 31, 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Trade Accounts Payable	$ 326,303	$ 215,163	$ 199,939
AD Fund Obligation	74,026	73,022	121,718
Other Payables	9,647	34,604	26,820
	409,976	322,789	348,477
Accrued Employee Compensation	176,087	162,506	150,341
Other Accrued Expenses	38,562	31,071	54,438
	$ 214,649	$ 193,577	$ 204,779

Note 8 – Income Taxes and Deferred Income Taxes

Current and deferred income taxes consist of the following for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Current tax			
Federal income tax provision	$	$ 7,946	$ 27,503
State income tax provision	1,046	1,327	2,649
Deferred tax	(96,559)	9,680	14,227
	(95,513)	18,953	44,379
Deferred Tax Asset:			
Federal net operating loss carryforward	158	158	
State net operating loss carryforwards	56,259	56,437	59,147
Employee compensation	41,422	38,734	40,460
Unearned compensation	53,926	17,975	
Allowance for doubtful accounts	42,523	42,183	56,677
Deferred Revenue	98,193	73,554	
	292,481	229,040	156,284
Valuation allowance	(37,644)	(37,644)	(37,601)
Deferred tax asset, net of valuation allowance	254,837	191,397	118,683
Deferred Tax Liability:			
Property and equipment	6,960	7,300	7,767
Goodwill and intangibles	41,139	73,918	64,670
	$ 48,099	$ 81,218	$ 72,437

At December 31, 2020, management determined a valuation allowance for certain state net operating losses is necessary, as management believes certain of those carryforwards will expire prior to their utilization. As such, a valuation allowance has been recorded to reduce those deferred tax assets to their realizable values. The federal income tax provision reflects current year income tax expense (benefit).

Note 9 – Notes Payable

	2020	2019	2018
Note payable to Small Business Administration, bearing interest at 3.75%, interest and principal due monthly at $731, beginning May 28, 2021 with final maturity May 05, 2050.	$ 150,000	$	$
Note payable to a related party, bearing interest at 4.50%, interest and principal due monthly at $10,721, with final maturity November 20, 2022.	235,815	341,618	452,179
Note payable to Branch Banking & Trust, bearing interest at 4.89%, interest and principal due monthly at $6,614, with final maturity October 23, 2028, secured by land, building, and personal guarantees.	520,692	566,565	616,507
	906,507	908,183	1,068,686
Current Portion	(177,823)	(168,483)	(160,897)
	$ 728,684	$ 739,700	$ 907,789

Future maturities of notes payable are as follows:

2020	$ 177,823
2021	176,409
2022	64,188
2023	67,358
2024	70,684
Thereafter	350,045
	$ 906,507

Note 10 – Stock-Based Compensation

On September 15, 2018, the Company's existing shareholders (the "Previous Shareholders") transferred 660 shares of stock to related parties. In addition, the Company purchased the remaining 340 shares from the Previous Shareholders for $470,128 by issuing a note payable to the Previous Shareholders. The purchase of these shares was recorded as treasury stock on the Company's Balance Sheet. Subsequent to the share repurchase on September 15, 2018, the Company issued 250 shares of treasury stock to various executives. The shares vest 100% on the 5th anniversary of the share grant. If the executive dies or becomes permanently disabled, the shares vest 20% each year, annually on the anniversary of the share grant. If the employee leaves the company voluntarily or due to willful misconduct, the shares are forfeited. Management determined the fair value of the shares to be 345,682 or approximately $1,383 per share at grant date, which is recorded within Unearned Compensation on the Balance Sheet. The compensation expense related to this issuance will be recognized over the 5 year vesting period of the shares.

Note 11 – Related Party Transactions

On November 5, 2018 the Company sold 10 shares of treasury stock to the Colors On Parade Franchise Advisory Council for approximately $13,827.

During the year ended December 31, 2007, the Company entered into a consulting services agreement with Total Car, Inc., which requires bi-monthly payments of $8,553 to be paid to TCI with annual increases based on the change in the consumer price index. On September 15, 2018, the Company renewed the contract which calls for monthly payments of $19,000 to be paid to TCI with annual increases based on the change in the consumer price index. Payments related to the agreement was $219,364, $234,384, and $211,810 for the years ended December 31, 2020, 2019, and 2018, respectively.

Notes payable at December 31, 2020, 2019 and 2018, were due to the following related parties:

	2020	2019	2018
Note payable to a stockholder, unsecured	$ 235,815	$ 341,618	$ 452,179

Interest expense related to these notes was $12,182, $18,040, and $6,017 for the years ended December 31, 2020, 2019 and 2018, respectively.

Note 12 – Defined Contribution Plan

During the years ended December 31, 2020, 2019 and 2018 the Company had a 401(k) plan that covers all employees which have attained 21 years of age and satisfied a six-month service requirement. Effective January 1, 2003 the plan became a safe harbor plan. Contributions are equal to 100% on the first 3% of eligible employee contributions and 50% on the next 2% of eligible employee contributions. For the years ended December 31, 2020, 2019 and 2018, the Company incurred expense of $42,204, $24,940 and $19,764, respectively, for matching contributions to the plan.

Note 13 – Prior Period Adjustments

During the year ended December 31, 2018 it was determined that certain state net operating losses had not previously been recorded for the year ended December 31, 2017. In addition, for the year ended December 31, 2017, it was determined there was an error in the calculation of the deferred tax liability related to property plant and equipment. Changes made to the financial statements related to these adjustments are as follows by year.

2017: Deferred tax assets of $135,086 (Current $65,480 and Non-current $69,606) were restated to deferred tax assets of $123,709 (Current $77,652 and Non-current $46,057) and deferred tax liabilities of $63,236 (Non-current $63,236) for a reduction in total assets of $78,259 and an increase in total liabilities of $63,236. The provision for income taxes of $6,145 for the year ended December 31, 2017 was also restated to $98,141.

Note 14 – Adoption of ASC 606

The Company adopted Topic 606 on January 1, 2019 using the modified retrospective transition method and recorded a decrease to opening retained earnings of $209,513. The adoption of this standard update resulted in no tax impact. The Company adopted Topic 606 only for contracts with remaining performance obligations as of January 1, 2019, under the modified retrospective transition method. Comparative information from prior year periods has not been adjusted and continues to be reported under the accounting standards in effect for those periods under Topic 605.

The adoption changed the timing of recognition of franchise fees, area director franchise fees, as well as timing of the recognition of territory franchise fees.

The cumulative effects of the changes made to the Balance Sheets as of January 1, 2019, for the adoption of Topic 606 were as follows:

	Balance at December 31, 2018	Adjustments Due to ASC 606	Balance at January 1, 2019
Current Assets			
Deferred Tax Assets	$ 21,545	$ 73,613	$ 95,158
Liabilities			
Deferred Revenue		(283,126)	(283,126)
Stockholders' Equity			
Retained Earnings	$ 1,270,822	$ (209,513)	$ 1,061,309

In accordance with the new revenue standard requirements, the following tables summarize the effects of the new standard on the Company's Balance Sheets and Statements of Operations and Retained Earnings for the year ended December 31, 2019.

	As reported December 31, 2019	Effect of Change	Balance without ASC 606 adoption
Current Assets			
Deferred Tax Assets	$ 92,504	$ 73,613	$ 21,545
Liabilities			
Deferred Revenue	282,899	282,899	
Stockholders' Equity			
Retained Earnings	$ 1,055,306	$ 168	$ 1,055,079

	As reported December 31, 2019	Effect of Change	Balance without ASC 606 adoption
Revenues			
Royalty Fees, net	$ 2,251,009	$	$ 2,251,009
Initial Fee Income	44,226	227	43,999
Product Sales	978,195		978,195
Total Revenues	3,273,430	227	3,273,203
Expenses			
Expenses unaffected by ASC 606	3,212,902		3,212,902
Other Income (Expenses)	32,368		32,368
Total Expenses	3,245,270		3,245,270
Provision for Income Taxes	34,163	59	34,104
Net Income	$ (6,003)	$ 168	$ (6,171)

Note 15 – Commitments and Contingencies

From time to time, the Company is a defendant in various pending and threatened litigation arising from normal business activities. The results of the various pending or threatened litigation, some of which may not be covered by insurance, are not determinable at this time.

Note 16 – Subsequent Events

During January 2021, the Company sold one of its' Company Owned Territory's for approximately $11,360, and recognized $18,640 as a loss on that sale, which was recorded in the December 31, 2020, Balance Sheet and Statement of Operations and Retained Earnings.

Management has evaluated subsequent events through March 5, 2021, the date the financial statements were available to be issued and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in the financial statements, other than the disclosure above.

EXHIBIT I

GENERAL RELEASE

RELEASE

This **RELEASE**, dated as of the last date set forth on the signature page hereof ("Release"), is made by and between Total Car Franchising Corporation, a South Carolina corporation with offices located at 25 Daytona Street, Conway, SC 29526 ("Franchisor"), and the undersigned person or entity ("Franchisee").

A. Franchisor and Franchisee have entered into a Franchise Agreement dated _____ (the "Agreement").

B. Franchisee desires to [transfer] [renew] its franchise rights and Franchisor agrees to consent to such [transfer] [renewal], subject to the conditions contained herein.

NOW THEREFORE, incorporating the foregoing Background herein by reference and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Termination of Agreement. Franchisor and Franchisee agree and acknowledge that the Agreement is hereby immediately terminated and shall be of no further force or effect.

2. Conditions. This Release is expressly contingent upon the execution [by the transferee][by Franchisee], concurrently with the execution of this Release, of Franchisor's current form of franchise agreement [and such other documents as the Franchisee and transferee have agreed upon and Franchisor has approved in connection with such transfer]. The franchise agreement described in this paragraph includes any ancillary agreements contained in Franchisor's current franchise disclosure document.

3. Release.

(a) Franchisee, to the fullest extent permitted by law, hereby forever releases and discharges Franchisor and waives any and all rights or Claims it has, may have, had, or may have had against Franchisor, its affiliates and each of their officers, directors or employees from the beginning of time until the date of this Release, of any kind, whether known or unknown, including but not limited to any Claims arising under or related to the Agreement.

(b) As used in this paragraph 3, "Claims" means any and all manner of actions, causes of action, suits, debts, dues, sums of money, account reckonings, bonds, bills, specialties, covenants, contracts, controversies, sanctions, costs, attorneys' fees, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, of whatever kind or nature, whether absolute or contingent, known or unknown, matured or unmatured, at law, in equity, or in any other proceeding.

(c) Nothing contained in this paragraph 3 is intended to affect the rights and responsibilities of the parties under any of the agreements described in paragraph 2 or any agreements between the parties which may be executed concurrently herewith.

4. Representations and Warranties. Franchisee represents and warrants to the Franchisor as follows:

(a) The execution and delivery of this Release does not violate (i) any law applicable to Franchisee; (ii) Franchisee's organizational documents; or (iii) any other agreement binding upon Franchisee.

(b) Franchisee has the power and authority to execute and deliver this Release and has taken all necessary action (corporate or otherwise) to authorize the execution and delivery of this Release.

5. Miscellaneous.

(a) This Release shall be construed in accordance with and governed by the laws of the State of South Carolina, without regard to its conflict of laws rules.

(b) This Release constitutes the sole agreement of the parties with respect to the subject matter hereof and thereof and supersedes all oral negotiations and prior writings with respect to the subject matter hereof and thereof. No amendment of this Release, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto.

(c) This Release (i) shall be binding upon the parties hereto and, where applicable, their respective heirs, executors, administrators, successors and permitted assigns, and (ii) shall inure to the benefit of the parties hereto and, where applicable, their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF, the parties have caused this Release to be signed by their duly authorized representatives.

TOTAL CAR FRANCHISING CORPORATION

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

FRANCHISEE:

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

EXHIBIT J

STATE SPECIFIC ADDENDA

CALIFORNIA

CALIFORNIA STATE SPECIFIC SUPPLEMENT TO FRANCHISE DISCLOSURE DOCUMENT

The following Addendum modifies the Franchise Disclosure Statement with respect to Franchises offered for sale or sold in the State of California, as follows:

"THE CALIFORNIA FRANCHISE RELATIONS ACT REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT."

a. The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

b. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

c. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

d. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

e. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

f. The franchise agreement requires binding arbitration. The arbitration will occur in California.

g. The franchise agreement requires application of the laws of the State of South Carolina. This provision may not be enforceable under California law.

h. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

i. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

j. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

k. The earnings claims figures contained in Item 19 of the FDD do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales

figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Colors On Parade franchised business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

CALIFORNIA ADDENDUM TO
AREA REPRESENTATIVE FRANCHISE AGREEMENT

The following Addendum modifies the Franchise Agreement with respect to Franchises offered for sale or sold in the State of California:

1. Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and you open for business.

2. The following restrictive covenant shall replace Article 5.6 subsection (b) in your Franchise Agreement, and this covenant controls:

(b) **Post Term**: The parties herein agree that as a California franchisee you will establish goodwill held jointly by you and by us in the accounts that you service, and in your designated Territory. As such, we have tendered to you $500, which you agree that you will hold in your business operating account, for the purchase of your portion of established goodwill in your territory in the event of your termination for any reason. If your franchise expires or is terminated you agree that you shall then use the $500 we have tendered to you as complete and full payment of the goodwill associated with your business and its territory and further you agree that you shall not, pursuant to California Business Code 16601, except as otherwise approved in writing by us, for a continuous uninterrupted period commencing upon the expiration or any earlier termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years, either directly or indirectly, for yourself or through, on behalf of or in conjunction with any person or entity:

(i) own, maintain, engage in the Core or Authorized services, or have any interest in any business which is located or operated in the Territory and which is engaged in any of the Core or Ancillary Services; or

(ii) employ or seek to employ any person who is at that time or was at any time within the immediate past twelve (12) months employed by us or any of our other Unit franchisees or Area Representatives, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment with us or any such other franchisee.

If you refuse voluntarily to comply with these obligations, the two-year period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision.

(c) **No Defense.** You acknowledge that the existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants contained in this Section 5.6.

(d) **Injunctive Relief.** Your failure to comply with any requirement of this Section 5.6 will cause us irreparable injury for which no adequate remedy at law may be available. Accordingly, in such event, we shall be entitled to seek injunctive relief prohibiting any conduct by you in violation of the terms of this Section 5.6, and no bond shall be required in order to implement any injunction so issued.

(e) **Survival.** The provisions of this Section 5.6 shall survive the expiration or any earlier termination of this Agreement.

(f) **Blue Pencil**. You agree that, to the extent that a court may find any provision of the restrictive covenants to be contrary to law, the Court or arbitrator(s) shall undertake to modify the restriction to be enforceable in accordance with the Court or arbitrator's application of the applicable law. In essence, the Court or arbitrator shall be free to "blue-pencil" the agreement to ensure enforcement.

THIS ADDENDUM TO FRANCHISE AGREEMENT is executed under seal this _____ day of _____, 202__ by the undersigned.

FRANCHISEE:

_____

By: _____

Title: _____

Date: _____

TOTAL CAR FRANCHISING CORPORATION

By: _____
Name: Jeff Cox
Title: President & CEO

ILLINOIS

ILLINOIS SUPPLEMENT TO FRANCHISE DISCLOSURE STATEMENT

The following Supplement modifies the Franchise Disclosure Statement with respect to Franchises offered for sale or sold in the State of Maryland, as follows:

Item 17(c):

Item 17(c) is amended to disclose that the general release required as a condition of renewal shall not apply to any liability under the Illinois Franchise Disclosure Act.

Item 17(m):

Item 17(m) is amended to disclose that, the release required as a condition of transfer shall not apply to any liability under the Illinois Franchise Disclosure Act.

Item 17(u):

Item 17(u) is amended to disclose that A franchisee may bring a lawsuit in Illinois.

Item 17(v):

Item 17(u) is amended to disclose that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17(w):

Item 17(w) is amended to disclose that Illinois laws apply.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

1. Illinois law shall apply and govern the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisee's rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void.

THIS ADDENDUM TO FRANCHISE AGREEMENT is executed under seal this _____ day of _____, 202__.

TOTAL CAR FRANCHISING CORPORATION

By: _____
Name: Jeff Cox
Title: President & CEO

FRANCHISEE:

_____

SPECIAL RISKS:

Illinois requires the following risk to be highlighted:

THE FRANCHISE AGREEMENT STATES THAT SOUTH 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.

MARYLAND

MARYLAND SUPPLEMENT TO FRANCHISE DISCLOSURE STATEMENT

The following Supplement modifies the Franchise Disclosure Statement with respect to Franchises offered for sale or sold in the State of Maryland, as follows:

Item 5:

The following shall be added to Item 5:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until we complete our pre-opening obligations under the franchise agreement.

Item 17(c):

Item 17(c) is amended to disclose that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17(m):

Item 17(m) is amended to disclose that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17(u):

Item 17(u) is amended to disclose that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Item 17(v):

Item 17(u) is amended to disclose that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17(w):

Item 17(w) is amended to disclose that, subject to the Maryland Franchise Registration and Disclosure Law, South Carolina laws apply.

Franchisee Representations Acknowledgment

The Franchisee Representations Acknowledgment is amended to provide as follows:

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 liability incurred under the Maryland Franchise Registration and Disclosure Law.

Franchise Compliance Questionnaire

The Franchise Compliance Questionnaire is amended to state that:

Your answers are not intended to, nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law; however, your answers are important to us and we will rely on them.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

The following Addendum modifies the Unit Franchise Agreement with respect to Franchises offered for sale or sold in the State of Maryland, as follows:

1. Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until we complete our pre-opening obligations under the franchise agreement.

2. Notwithstanding anything contained in this Agreement to the contrary, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 9.15 of the Unit Franchise Agreement shall be supplemented by the addition of the following language at the end of the section:

   A franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.

4. Sections 9 and 10 of the Unit Franchise Agreement is hereby amended as follows:

   All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, this Addendum has been executed in triplicate, concurrently with the Unit Franchise Agreement.

TOTAL CAR FRANCHISING CORPORATION

By: _____
Name:
Title:

FRANCHISEE:

_____

SPECIAL RISKS:

Maryland requires the following risk to be highlighted:

THE FRANCHISE AGREEMENT STATES THAT SOUTH 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.

MICHIGAN

SUPPLEMENT TO TOTAL CAR FRANCHISING CORPORATION
FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MICHIGAN

In recognition of the requirements of the Michigan Franchise Investment Law the Total Car Franchising Corporation's Franchise Disclosure Statement shall be supplemented by the following:

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void under Michigan law and cannot be enforced against you.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than (5) years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Michigan Attorney General does not constitute approval, recommendation, or endorsement by the Michigan Attorney General.

Any questions regarding the notice should be directed to the Department of the Attorney General, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, telephone (517) 373-7117.

NEW YORK

NEW YORK STATE ADDENDUM

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum"**, and Item 17(w), titled "**Choice of law"**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

SPECIAL RISKS:

New York requires the following risks to be highlighted:

1. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, SOUTH CAROLINA) GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

2. WE (OR A COLLECTIONS AGENT THAT WE APPOINT) SEND STATEMENTS TO THE CUSTOMERS TO WHOM A FRANCHISEE PROVIDES SERVICES, COLLECT FOR SUCH SERVICES AND DEDUCT, FROM THE AMOUNTS COLLECTED, THE ROYALTY AND CERTAIN OF THE OTHER FEES OR PAYMENTS THAT A FRANCHISEE IS REQUIRED TO MAKE UNDER THE FRANCHISE AGREEMENT, IF APPLICABLE, ON A MONTHLY BASIS, WHICH MAY AFFECT A FRANCHISEE'S CASH FLOW.

VIRGINIA

VIRGINIA SUPPLEMENT TO
FRANCHISE DISCLOSURE DOCUMENT

Additional Disclosure. 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 does not constitute "reasonable cause," as that term may be defined in 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. I any provision of the Franchise 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.

Virginia requires the following risks to be highlighted:

1. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, SOUTH CAROLINA) GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

2. WE (OR A COLLECTIONS AGENT THAT WE APPOINT) SEND STATEMENTS TO THE CUSTOMERS TO WHOM A FRANCHISEE PROVIDES SERVICES, COLLECT FOR SUCH SERVICES AND DEDUCT, FROM THE AMOUNTS COLLECTED, THE ROYALTY AND CERTAIN OF THE OTHER FEES OR PAYMENTS THAT A FRANCHISEE IS REQUIRED TO MAKE UNDER THE FRANCHISE AGREEMENT, IF APPLICABLE, ON A MONTHLY BASIS, WHICH MAY AFFECT A FRANCHISEE'S CASH FLOW.

WASHINGTON

WASHINGTON FRANCHISE AGREEMENT ADDENDUM

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned hereby acknowledge receipt of this addendum.

Total Car Franchising Coporation

By:_____
Name: Jeff Cox
Title: President & CEO

Franchisee:

_____

EXHIBIT K

STATE EFFECTIVE DATES

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, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, 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:

California	July 6, 2020
Illinois	Pending
Maryland	Pending
New York	Pending
Virginia	Pending

EXHIBIT L

RECEIPTS

Receipt
(YOUR COPY)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If TCFC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, TCFC or an affiliate in connection with the proposed franchise sale.

If TCFC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, TCFC or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

The franchise seller is Jeff Cox and/or _____, Total Car Franchise Corporation, 125 Daytona Street, Conway, SC 29526; telephone number 800-7COLORS; and/or _____ (name, address and telephone number of franchise broker).

Issuance Date: April 1, 2021

TCFC authorizes the agents listed in Exhibit B to receive service of process for it.

I have received an electronic copy of a Total Car Franchising Corporation Franchise Disclosure Document issued on April 1, 2021. This Franchise Disclosure Document included the following Exhibits:

Exhibit	Title		
A	State Administrators	F	Current Franchisees
B	Agents for Service of Process	G	Former Franchisees
C	Area Representative Franchise Agreement	H	Financial Statements
		I	General Release
D	Unit Franchise Agreement	J	State Specific Addenda
E	Table of Contents of Operations Manual	K	State Effective Dates
		L	Receipts

_____
Sign individually and as an officer

_____
(Print name of prospective franchisee)
Name:_____

Date:

Receipt
(OUR COPY)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If TCFC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, TCFC or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TCFC does not deliver this Franchise Disclosure Document to you on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit A.

The franchise seller is Jeff Cox and/or _____, Total Car Franchise Corporation, 125 Daytona Street, Conway, SC 29526; telephone number 800-7COLORS; and/or _____ (name, address and telephone number of franchise broker).

Issuance Date: April 1, 2021

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		L	Receipts

_____
Sign individually and as an officer

_____
(Print name of prospective franchisee)
Name:_____

Date: