

**FRANCHISE DISCLOSURE DOCUMENT
(UNIT FRANCHISE)**

TOTAL CAR FRANCHISING CORPORATION

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



As a unit franchisee, you will provide fixed site and/or mobile transportation-related repair, reconditioning and/or restoration services, including but not limited to paint repair, paintless dent removal, headlight, wheel and interior restoration and repair, on automobiles, trucks, planes and/or other transportation-related equipment in a designated territory.

The investment necessary to begin operation of a unit franchise ranges from \$16,100 to \$70,727. This includes \$6,750 to \$18,500 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 E and F.
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 G 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 E and F 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.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” to see whether your state requires other risks to be highlighted.

TABLE OF CONTENTS

<u>Item</u>		<u>Page</u>
1.	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
2.	BUSINESS EXPERIENCE	3
3.	LITIGATION	4
4.	BANKRUPTCY	4
5.	INITIAL FEES	4
6.	OTHER FEES	7
7.	ESTIMATED INITIAL INVESTMENT	13
8.	RESTRICTION ON SOURCES OF PRODUCTS AND SERVICES	18
9.	FRANCHISEE'S OBLIGATIONS	22
10.	FINANCING	24
11.	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	24
12.	TERRITORY	30
13.	TRADEMARKS	32
14.	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	33
15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE BUSINESS	34
16.	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	35
17.	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	36
18.	PUBLIC FIGURES	45
19.	FINANCIAL PERFORMANCE REPRESENTATIONS	45
20.	OUTLETS AND FRANCHISEE INFORMATION	47
21.	FINANCIAL STATEMENTS	58
22.	CONTRACTS	58
23.	RECEIPTS	58

Exhibits

EXHIBIT A	STATE ADMINISTRATORS
EXHIBIT B	AGENTS FOR SERVICE OF PROCESS
EXHIBIT C	FRANCHISE AGREEMENT
EXHIBIT D	OPERATIONS MANUAL TABLE OF CONTENTS
EXHIBIT E	CURRENT FRANCHISEES
EXHIBIT F	FORMER FRANCHISEES
EXHIBIT G	FINANCIAL STATEMENTS
EXHIBIT H	GENERAL RELEASE
EXHIBIT I	STATE SPECIFIC ADDENDA
EXHIBIT J	STATE EFFECTIVE DATES
EXHIBIT K	RECEIPTS

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor. Total Car Franchising Corporation (“*TCFC*”) is a South Carolina corporation that 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/or “CarLove” marks (the “*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 a Unit Franchise (the “*Franchise*”) whereby you (“*you*,” for the purposes of this franchise disclosure document, includes all equity owners of the franchisee) establish and operate a business that provides (1) motor vehicle paint repair and refinishing services, including exterior paint repair and refinishing, (2) paintless dent removal services, (3) interior repairs, and/or (4) other repair or reconditioning services (“*Services*”) under the Marks.

A Colors on Parade Unit Franchisee (“*Unit Franchisee*” or “*Franchisee*”) provides one or more of the Services within a defined territory (the “*Territory*”) under a Unit Franchise Agreement. The current form of the Unit Franchise Agreement is attached to this franchise disclosure document as Exhibit C. A Unit Franchisee operates one or more operating units, each of which consists of a certified Colors on Parade[®] truck, trailer or van with proprietary mobile laboratory (an “*Operating Unit*”). A Unit Franchisee receives assistance and advice from us and/or a Colors On Parade area representative franchisee designated by us (“*Area Representative*”). We compensate the Area Representative for assisting you by sharing with the Area Representative a portion of the monthly royalty fees that you pay to us.

We also offer an Area Representative franchise in a separate FDD as a separate line of business. We do not grant management responsibility to an Area Representative an Area Representative is not authorized to offer or sell franchises.

We began offering Unit Franchises (which were formerly called “Limited Rights Franchises” or “Operator Franchises”) in November 1991.

Competition. 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 Hazards Act (“*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 Operating Unit. 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, a Financial Advisor/Unit Field Trainer for Bankers Life, Myrtle Beach, SC, from November 2014 to May 2016. Mr. Harcum was a Pharmaceutical Sales Representative for Horizon Pharma, Myrtle Beach, SC.

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 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 (the “*Initial Franchise Fee*”) is \$5,000, however, if you have received at least full three months of training by another Colors On Parade franchisee or an approved third party, the Initial Franchise Fee will be reduced to \$2,500. In addition, the Initial Franchise Fee is reduced by 30% for an active member or veteran of any branch of the US armed services. You pay the Initial Franchise Fee to us upon your execution of the Franchise Agreement. The Initial Franchise Fee includes all of the services that you wish to offer and have been trained to provide, is uniform with respect to all new Unit Franchisees and is non-refundable.

Equipment Set-up Fee. Unless you purchase equipment for paint repair and refinishing or paintless dent repair from a third party, we will provide you with all equipment required for each Service that you wish to provide for an Equipment Set-up Fee. The Equipment Set-up Fee for each Service is as follows:

<i>Type of Service</i>	<i>Set-up Fee</i>
Paint repair and refinishing	\$5,000 - \$13,500
Paintless dent removal	\$4,000 – \$5,000
Interior repair	\$8,227

You pay the Equipment Set-up Fee to us when we have satisfied all of our pre-opening obligations to you under the Franchise Agreement, prior to the delivery of the equipment and before the business commences operations. We will deliver the equipment to you upon the completion of the Initial Training Program.

However, you may elect to purchase used equipment, 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.

All fees are uniformly imposed on all new Unit Franchisees and are non-refundable.

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

Item 6

OTHER FEES

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty ¹⁻³	20-30% of Gross Sales	Payable on the 20 th day of each month, based upon the previous month's Gross Sales	Gross Sales include all monies and receipts collected for the Services you and your employees perform and/or from managing the provision of any Services by a third party.
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 have underreported your Gross Sales.
Renewal	50% of the then-current Initial Franchise Fee at the time of renewal (but in no event less than \$2,500)	Prior to renewal	Other requirements must be met in order to renew.
Transfer	\$1,000	Prior to transfer	Other requirements must be met in order to transfer.
Training Surcharge	Amount of the Initial Franchise Fee	Upon demand	If you fail to complete the Initial Training Program or other approved training within six (6) months.
Liquidated Damages ⁵	The greater of \$25,000 or 30% of your Gross Sales for the 12 month period 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.

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
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 relating to the operation of your Franchise.

NOTES:

1. "Gross Sales" is defined as any and all revenues from any and all repair and reconditioning services that you and your employees provide and/or from managing the provision of any such service by a third party, 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 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.
2. You invoice for your Gross Sales and authorize us or an Area Representative that we designate (the "*Collections Agent*") to collect your Gross Sales. We or the Collections Agent will pay you the amount of the Gross Sales collected, less the Royalty and any other fees or charges payable by you to us or the Area Representative, within 20 days after they are collected. Subject to the performance incentive program described below, if applicable, the Royalty is 30% of Gross Sales.
3. Under the Performance Incentive Program, if applicable, you will receive a performance incentive ("*Performance Incentive*") for each month that your Gross Sales exceed \$10,000:
 - (a) If your Gross Sales for the month are between \$10,000 and \$15,000, you will receive a Performance Incentive in an amount equal to 3% of your Gross Sales for the month;
 - (b) If your Gross Sales for the month are between \$15,000 and \$20,000, you will receive a Performance Incentive in an amount equal to 5% of your Gross Sales for the month;
 - (c) If your Gross Sales for the month are between \$20,000 and \$30,000, you will receive a Performance Incentive in an amount equal to 7% of your Gross Sales for the month; and
 - (d) If your Gross Sales for the month are over \$30,000, you will receive a Performance Incentive in an amount equal to 10% of your Gross Sales for the month.

Any Performance Incentives that you earn will be paid to you within 30 days following the end of the month during which the Performance Incentive was earned. The Performance Incentive is not applicable to franchisees who are not otherwise obligated to pay a 30% Royalty or who are entitled to receive other rebates or performance incentives from us or an Area Representative and will not be paid to a franchisee who is not fully compliant under the Franchise Agreement.

4. Not applicable with respect to transfers to spouses or children or to an entity owned by you.
5. 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 an amount equal to 30% of your Gross Sales for the twelve (12) months prior to termination.

All of the fees described above are payable to us or our affiliates and are non-refundable.

Item 7

ESTIMATED INITIAL INVESTMENT

UNIT FRANCHISE - PAINT REPAIR AND REFINISHING SERVICES YOUR ESTIMATED INITIAL INVESTMENT					
<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
	<u>Low</u>	<u>High</u>			
Initial Franchise Fee (1)	\$1,750	\$5,000	Lump sum	When you sign the Franchise Agreement	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
Equipment Set-up Fee (3)	\$5,000	\$13,500	Lump sum	30 days before the first day of the Initial Training Program	TCFC
Insurance (4)	\$300	\$6,000	Down payment	Before opening	Insurance companies
Travel and living expenses while training (5)	\$1,500	\$6,000	As arranged by you	Before opening	Suppliers of transportation, food and lodging
Royalty	20% of Gross Sales	30% of Gross Sales	Deducted from the collected Gross Sales	Monthly	TCFC
Miscellaneous opening costs	\$250	\$1,500	As arranged	Before opening	Vendors
Additional funds – 3 to 6 months	\$2,000	\$15,000	As incurred by you	As incurred	Vendors, suppliers, etc.
Totals (6)	\$16,100	\$84,000			

UNIT FRANCHISE - PAINTLESS DENT REMOVAL SERVICES YOUR ESTIMATED INITIAL INVESTMENT					
<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Made</u>
	<u>Low</u>	<u>High</u>			
Initial Franchise Fee (1)	\$1,750	\$5,000	Lump sum	When you sign the Franchise Agreement	TCFC
Vehicle (2)	\$5,000	\$24,000	As arranged by you	As arranged by you	Vendor
Laptop Computer & Printer	\$300	\$2,000	As arranged by you	Before opening	Vendors
Equipment (3)	\$4,000	\$5,000	Lump sum	30 days before the first day of the Initial Training Program	TCFC
Tools	\$1,600	\$2,000	As incurred	As incurred	Vendors, suppliers, etc.
Insurance (4)	\$300	\$4,000	Down payment	Before opening	Insurance companies
Training	\$4,000	\$4,000	As arranged by you	Before opening	Vendors
Travel and living expenses while training (5)	\$1,500	\$6,000	As arranged by you	Before opening	Suppliers of transportation, food and lodging
Royalty	20% of Gross Sales	30% of Gross Sales	Deducted from the collected Gross Sales	Monthly	TCFC
Miscellaneous opening costs	\$250	\$1,500	As arranged by you	Before opening	Vendors
Additional funds - 3 to 6 months	\$2,000	\$15,000	As incurred	As incurred	Vendors, suppliers, etc.
Totals (6)	\$20,700	\$68,500			

UNIT FRANCHISE - INTERIOR REPAIRS YOUR ESTIMATED INITIAL INVESTMENT					
<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
	<u>Low</u>	<u>High</u>			
Initial Franchise Fee (1)	\$1,750	\$5,000	Lump sum	When you sign the Franchise Agreement	TCFC
Vehicle (2)	\$5,000	\$24,000	As arranged	As arranged	Vendor
Laptop Computer & Printer	\$300	\$2,000	As arranged	Before opening	Vendors
Equipment Set-up Fee (3)	\$8,227	\$8,227	Lump sum	30 days before the first day of the Initial Training Program	TCFC
Insurance (4)	\$300	\$4,000	Down payment	Before opening	Insurance companies
Training	\$5,000	\$5,000	As arranged by you	Before opening	Vendors
Travel and living expenses while training (5)	\$1,500	\$6,000	As arranged by you	Before opening	Suppliers of transportation, food and lodging
Royalty	20% of Gross Sales	30% of Gross Sales	Deducted from the collected Gross Sales	Monthly	TCFC
Miscellaneous opening costs	250	\$1,500	As arranged by you	Before opening	Vendors
Additional funds - 3 to 6 months	2,000	\$15,000	As incurred	As incurred	Vendors, suppliers, etc.
Totals (6)	\$24,327	\$70,727			

NOTES:

1. The initial franchise fee (the “*Initial Franchise Fee*”) is \$5,000, however, if you have received at least full three months of training by another Colors On Parade franchisee or an approved third party, the Initial Franchise Fee will be reduced to \$2,500. The Initial Franchise Fee is reduced by 30% for an active member or veteran of any branch of the US armed services. The Initial Franchise Fee includes all of the Services that you wish to offer and have been trained to provide.
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 or an Area

Representative we designate, and have the fully-equipped vehicle (an “*Operating Unit*”) inspected and certified by TCFC or an Area Representative designated by TCFC prior to the Initial Training Program and before you may use it for the operation of the Franchised Business. Financing for the vehicle may be available through vendor sources based on your credit.

3. The Equipment Set-up Fee includes certain of the mandatory tools, equipment and supplies necessary for you to provide each 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. You pay an Equipment Set-up Fee for each Service that you wish to provide in your Territory.
4. 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 Initial 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.
5. 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. Training for paint repair and refinishing is provided by TCFC in Conway, South Carolina. Training for paintless dent removal services and interior repairs is provided by approved third parties.
6. The figures above are TCFC’s best estimate 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. These figures do not include royalty fees, which are based upon your Gross Sales.

There are no other material payments that you need to make in order to begin operating your Franchised Business. Any amounts paid to TCFC or our affiliates are not refundable; 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. McGriff Insurance Services and State Farm offer a package program to franchisees 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.

Equipment, Tools, Products and Supplies. Initially, unless you purchase your equipment, tools and supplies from a third party, TCFC provides you with equipment, tools, supplies and the initial inventory necessary to perform the Services. 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, you must purchase the required tools, equipment and supplies 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 or their 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. 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 TCFC’s products, including all products patented or patent pending and all products that are sold with the Colors on Parade® trademark or trade name.

Vehicle. You must purchase or lease 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 vendor.

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 vendor.

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 refinishing paint products from PPG at purchase prices that are generally more competitive than independent jobber prices so that Franchisees. Under the agreement with PPG (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, PPG provides TCFC with a \$25,000 marketing credit each year. The PPG Agreement expires when at total of \$3,000,000 worth of product has been purchased from PPG pursuant to the agreement; as of the beginning of 2021, \$685,047 worth of product had been purchased. TCFC intends to renegotiate the PPG Agreement upon its expiration.

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 Unit Franchisees through a Stocking Agent, who is usually an Area Representative 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 Representative 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. Franchisees are not required to purchase any products through this program.

Except as described above, you are not obligated to purchase or lease any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate relating to establishing or operating your Franchised Business from TCFC or an affiliate, its designee, or suppliers designated or approved by TCFC, or under TCFC’s specifications.

Approval of other Suppliers. If you wish to use a supplier other than TCFC or 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 30% of your costs to establish a Unit Franchise. We estimate that purchases you make from or designated or approved suppliers represents approximately 0% - 25% of your ongoing costs in operating a Unit Franchise.

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.

Except as stated above, neither we nor our affiliates or Area Representatives currently receive rebates on required purchases made by Unit Franchisees.

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

This table 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.

<u>Obligation</u>	<u>Section In Agreement</u>	<u>Item In Franchise Disclosure Document</u>
a. Site selection and acquisition/lease	Not applicable	Not applicable
b. Pre-opening purchases/leases	5.1(c)	Items 7 and 8
c. Site development and other pre-opening requirements	5.1	Items 5, 7, 8 and 11
d. Initial and ongoing training	4.1(b), 4.1(c)(iii), 5.1(b), 5.2(c)	Items 7 and 11
e. Opening	None	None
f. Fees	3	Items 5, 6, 7 and 17

<u>Obligation</u>	<u>Section In Agreement</u>	<u>Item In Franchise Disclosure Document</u>
g. Compliance with Manual	4.1, 5.1, 5.2, 5.3(b), 5.4(b)(ii), 5.7(c)(iv), 7.2	Items 8, 15 and 16
h. Trademarks and proprietary information	5.2(j), 5.4	Items 13 and 14
i. Restrictions on products/services offered	4.1(c), 5.1(c)	Item 8 and 16
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	4.1(d)	Item 12
l. Ongoing product/service purchases	5.2(j)	Item 8
m. Maintenance, appearance and remodeling requirements	Not applicable	Item 11
n. Insurance	5.1(f)	Items 7 and 8
o. Advertising		Items 8 and 11
p. Indemnification	5.5	Item 6
q. Owner's participation/management/staffing	5.2	Item 15
r. Records and reports	5.3	Not applicable
s. Inspections and audits	5.3	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.

The U.S. Small Business Administration (“SBA”) has approved TCFC’s application to be listed on the Franchise Registry as of July 3, 2006. This listing ensures expedited loan processing for franchisees and prospective franchisees obtaining SBA financing. No fees or terms have been agreed upon for SBA financing.

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 Franchised Business, TCFC will:

1. Loan you the Manual (Section 4.1(a) of the Franchise Agreement).
2. Unless you have received at least three full months of training by a Colors On Parade franchisee or an approved third party, train you to provide paint restoration services. At your option, we will provide paint restoration training to your employees, but may require that you pay a training fee for such employees (Section 4.1(b) of the Franchise Agreement). Training for other Services is provided by third parties.
3. Furnish you with a list of approved suppliers of the tools, equipment and supplies that you will need to operate your Franchised Business and the specifications and standards for such equipment, including your Vehicle. (Section 4.1(c) of the Franchise Agreement).

Ongoing Assistance

During the operation of your Franchised Business, 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 or technology included in the System, if any, and other operational advice. There is no charge for such training if its is 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 franchisee or its employees, if needed (Section 4.2(d) of the Franchise Agreement).
5. Other assistance or advice that TCFC's believes may be helpful to you, 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. Collection services, either directly or through a Collections Agent. (Section 3.2(b) of the Franchise Agreement) - We or an Area Representative that we designate (the "*Collections Agent*") will collect for all of the services that you provide. We or the Collections Agent will pay you the amount of your collected Gross Sales, less the Royalty and any other fees payable by you to us, or to the Area Representative, within 20 days after receipt.

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 the 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.

You are not required to contribute to a marketing or advertising fund.

Computer System

Software. You must purchase, register and install a QuickBooks Pro program and PPG Paint Manager XI, if applicable, on the computer that you will use in connection with operation of the Franchised Business. 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 a laptop computer.

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

There are no optional or required maintenance updates, upgrading or support contract, however, the Computer 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.

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, the COLORS ON PARADE® Confidential Operations Manual (the “Manual”). The Table of Contents of the Manual is attached as Exhibit E to this franchise disclosure document. The Manual contains a total of 365 pages (of which 242 pages are devoted to the Unit Franchise Manual and 123 pages are devoted to the Area Representative Manual). The subjects covered by the Manuals and number of pages devoted to each subject are shown in Exhibit D.

Start-Up Time

TCFC estimates that the typical length of time between the signing of a Franchise Agreement and the commencement of the Franchised Business is approximately 30-90 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 Franchised Business will be operated, and the time needed to hire and train personnel, if applicable, obtain required insurance, procure business and otherwise implement your use of the System. You must commence operations within 90 days from the signing of your Franchise Agreement.

Approval of Territory; Site Selection

TCFC will approve your Territory prior to the execution of the Franchise Agreement. No site selection assistance is provided since Franchises generally operate from mobile Operating Unit(s).

Training

Before starting the business and within six (6) months from the effective date of the Franchise Agreement, unless you have received at least three full months of training by a Colors On Parade franchisee or an approved third party, you (if you are an individual, or one of your principals, if you are not an individual) must attend and successfully complete the required training for each Service that you wish to offer. 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 six (6) 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 six (6) months, we will retain the Initial Franchise Fee and apply it to our costs. Termination of the Franchise Agreement shall not relieve you from your post-termination obligations under Sections 5.4, 5.5, 5.6 and 7, which shall survive such termination.

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.

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

Listed below is the instructor and a summary of his experience:

Lee Moody. Mr. Moody worked as a Unit Franchisee in the Colors on Parade® 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 fieldwork, 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.

Area Representatives do not participate in TCFC's Initial Training Program, however, they may provide additional training and/or assistance to our Unit Franchisees in the field.

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 Initial 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 will be granted the non-exclusive right to operate the Franchised Business within a defined territory (the "*Territory*"), which will be described in your Franchise Agreement. The Territory will be a geographic area with an estimated population of at least 100,000.

You may not solicit or provide services to consumers outside your Territory without our consent. You may

not use any channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to solicit or make sales outside your Territory.

You may be assigned certain accounts within the Territory by us or the Area Representative for the Territory, if applicable. Except as provided below, once you have been assigned a specific account by us or an Area Representative, or you obtain a new account within the Territory on your own, you have the continuing right to service this account throughout the term of the Franchise Agreement and any renewal. This provision does not apply to any national or regional account described in Section 5.2(i) of the Unit Franchise Agreement or any account identified by either us or the Area Representative in advance, in writing, as excluded from the application of the provision. Also, in the event that we or the Area Representative receive any complaint from an account which we determine, in our sole determination, to be significant enough to (i) jeopardize the continued servicing of the account by you, or (ii) adversely affect the goodwill associated with the Marks, we or the Area Representative may, with our approval, assign the account to be serviced by another Franchisee. In the event that any such account is reassigned to another Franchisee, we or the Area Representative will make a good faith effort to identify, obtain and assign to you a replacement account of substantially similar, but not necessarily identical, expected value. However, neither we nor the Area Representative can guarantee that any replacement account will be found. With the consent of TCFC or the Area Representative, you may also provide Services to other accounts within the Territory that have not been assigned to other Franchisees.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

At TCFC's request or with TCFC's prior written consent, you may use the System to service accounts outside of your Territory 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, other Franchisees may use the System in your Territory to service your accounts if, in TCFC's reasonable opinion, you are unable to appropriately service your accounts. In either case, prior written consent must be obtained from TCFC. You may not solicit or accept work outside of your Territory without TCFC's approval.

You do not have any minimum sales requirements, however, you must devote your full time to the operation of the franchised business.

You may change your Territory without TCFC's prior approval, which will be granted so long as TCFC reasonably believes that the proposed new territory will support another Unit Franchisee and the Area Representative for the new territory, if any, agrees.

Reservation of Rights

TCFC reserves the right to operate, or to license others the right to operate, businesses under the System within the Territory. TCFC also reserves the right to develop other markets or use alternative distribution channels for the Services within the Territory, under the 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 plan to do so. TCFC is not required to offer any new services or products that it may develop to you and you do not have 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, you must offer such products or services. TCFC is not required to pay you any compensation for soliciting or accepting work inside your Territory.

TCFC will not pay any compensation to you if it solicits or provides services in your Territory.

Neither TCFC or an affiliate operates or plans to operate or franchise businesses under a different trademark that will sell similar goods or services to the goods and services that you sell as a Unit Franchisee.

Item 13

TRADEMARKS

You operate your Franchised Business under the 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.

All required filings with respect to these trademarks have been made.

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 the Marks or any pending material litigation involving the 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 the Marks, whether listed herein or not, that comes to your attention. TCFC has the right to take any action with respect to any infringement of or challenge to your use of any of TCFC’s Marks that it deems appropriate, but the Franchise Agreement does not require TCFC to take any action. TCFC has the right to control any administrative proceeding or litigation related to the 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 the Marks, or if the proceeding is resolved unfavorably to you.

If TCFC decides that you should modify or discontinue using any of the 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 for an approved fixed site 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 the Marks in the state in which your Franchised Business will be located or operated.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patent is material to the Franchises.

TCFC has the right to grant you a license to use the System under a perpetual license agreement with Total Car, Inc., its affiliate.

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 Unit 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 owns a copyright for the layout of the Operating Unit. Some of the above copyrights have been registered with the federal government. The duration of each copyright is the author's life plus 70 years. The copyrights cannot be renewed.

TCFC does not know of any copyright infringement that could materially affect you.

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. You may not, nor may you permit any person to, use or disclose any Confidential Information (including any portion of the Manual) to any other person, except to the extent necessary for your employees to perform their functions. 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 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.

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 a 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 may need to spend some time working on weekends. You may not operate any business other than the Franchised Business and no related automobile products or services may be utilized in the Franchised Business without the prior written permission of TCFC.

TCFC requires that your designated employee, and 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 the 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 Franchised Business operates.

TCFC may enforce the non-disclosure and non-competition agreements signed by your employees and contained in the Franchise Agreement. Although TCFC's litigation in this area is not the type of litigation required to be disclosed in Item 3 of this franchise disclosure document, TCFC will provide additional information about these cases upon your request. Any decision to enforce these agreements or covenants through litigation or otherwise will be made in the sole and absolute discretion of TCFC.

If you are an entity, and not an individual, then we will require each of your owners to execute a Personal Guaranty of your obligations to TCFC in the form attached as an exhibit 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 and provided by an approved third party, 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.

Except as otherwise specified in Item 12, you may only offer and provide Services to customers located within your Territory and you may not solicit or provide services to a customer within your Territory whose account is being serviced or has been assigned to another 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

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
A. Length of the franchise term	Section 2.1	20 years
B. Renewal or extension of the term	Section 2.2	If you have complied with the Unit Franchise Agreement and meet other conditions, you can extend the term of your franchise for an additional 20 years.
C. Requirements for franchisee to renew or extend	Section 2.2	You must give notice, not be in default, sign then-current form of Unit Franchise Agreement which may contain materially different terms and conditions from the original contract, sign a release, subject to applicable state law, and pay the renewal fee.
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 after written notice.
E. Termination by franchisor without cause	Not applicable	Not Applicable
F. Termination by franchisor with cause	Section 6.2	If you default under the Unit Franchise Agreement.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
H. "Cause" defined – non-curable defaults	Section 6.1	Your failure to make a payment owed to TCFC or our Affiliates or other default after having been given notice of nonpayment or other 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 initial training within 3 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 Franchise Agreement; you are convicted of a felony or certain other crimes; you fail to cure a violation of any health or safety law within the applicable period permitted by law. 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 amounts due; return of Confidential Information including certain chemicals and tints provided by TCFC or our Affiliate; complete de-identification; cease use of System; notify customers, if so requested; promote separate identity; sale of business assets to TCFC, if requested; and compliance with all post-term restrictive covenants, including non-competition and non-solicitation covenants.
J. Assignment of contract by franchisor	Section 9.13	TCFC may assign its rights or obligations to any person or entity.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
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, any account assigned to you as described in Section 4.1(d) of the Franchise Agreement or a change in control of a Franchisee.
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, subject to applicable state law; you agree to non-competition provisions; transferee agrees to discharge all of your obligations; transferee qualifies, meets training requirements and signs then-current Unit Franchise Agreement; you remain liable for existing obligations; and all applicable fees are 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, TCFC may purchase your Operating Unit(s) and other equipment, at depreciated book value, or if your Vehicle is leased or rented, assume that lease or rental arrangement, or sublease, subject to the lessor’s approval.
P. Death or disability of franchisee	Section 5.7(c)	Must meet transfer conditions described above, except if transfer is to your spouse or child, no administrative transfer fee is required and transfer is not subject to right of first refusal.
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 any Services or that supplies goods and services to franchisees in competition with TCFC; non-solicitation of customers and employees of TCFC or other franchisees.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
R. Non-competition covenants after the franchise is terminated or expires	Section 5.6(b)	No involvement in any business engaged in any Services for 2 years after termination, non-solicitation of customers and employees of TCFC or other franchisees.
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 this disclosure document or the Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
U. Dispute resolution by arbitration or mediation	Section 8	Arbitration and Mediation under the auspices of the American Arbitration Association in Conway, SC (subject to applicable state law).
V. Choice of forum	Section 9.15	Arbitration under the auspices of the American Arbitration Association in Conway, SC (subject to applicable state law).
W. Choice of law	Section 9.15	South Carolina law applies, subject to applicable state law.

The provision in the franchise agreements that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.

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 216 Colors On Parade unit franchisees. Of these 216 franchises, 17 operated for less than 12 months, 24 operated more than one year but less than 3 years and 175 operated more than 3 years as of December 31, 2020.

The following charts reflect the mean average annual gross sales, the highest, lowest and median gross sales and the sales expenses and gross margin for the fiscal year ended December 31, 2020 of these franchisees.

Chart 1

Annual Gross Sales		
	Franchisees Operating More Than 3 Years	Franchisees Operating More Than 1 Year But Less Than 3 Years
Average	\$139,711	\$87,836
Highest	\$632,997	\$207,345
Lowest	\$815	\$800
Median	\$111,177	\$81,400

Seventy five (75) or 43% of the franchisees that operated more than 3 years as of December 31, 2020 exceeded the average and twelve (12) or 50% of the franchisees that operated more than one year but less than 3 years as of December 31, 2020 exceeded the average.

The first column in Chart 1 reflects the mean average gross revenues and the highest, lowest and median gross revenues for fiscal year 2020 reported by the franchisees that operated for more than 3 years. The second column reflects the mean average annual gross revenues and the highest, lowest and median gross revenues for fiscal year 2020 reported by the franchisees that operated for more than one year but less than 3 years. The information in this chart is based on monthly sales reports submitted by the franchisees 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 this 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 Sales	Franchises Operating More Than 3 Years		Franchises Operating 1 to 3 Years	
	Number	Percentage	Number	Percentage
< \$100,000	87	49	14	58
\$100,001 – \$200,000	62	35	9	38
\$200,001 - \$300,000	17	10	1	4
\$300,001 - \$500,000	7	4	0	0
> \$500,000	3	2	0	0

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

Written substantiation of the data used in preparing Charts 1 and 2 will be made available to you on reasonable request, provided that we will not disclose data that identifies specific franchisees.

Chart 3

**AVERAGE SALES AND EXPENSE INFORMATION
FOR CERTAIN FRANCHISEES FOR CALENDAR YEAR 2020
(see Note 1)**

Gross Sales	Gross Margin (see Note 2)	Employee Wages	Van Expense	Insurance	Fuel Cost	Other Expenses (see Note 3)
< \$100,000	90%	11.1%	3.2%	3%	5.3%	4.2%
\$100,000 - \$200,000	90%	12.4%	2.7%	2.1%	3%	3.4%
> \$200,000	90%	14%	3%	1.6%	2.2%	2.9%

Note 1: We obtained the information shown in Chart 3 from our own records based on information reported by our franchisees on profit and loss statements in the ordinary course of business. The reports have not been audited by certified public accountants nor have we sought to independently verify their accuracy. Not all franchisees supplied us with their profit and loss statements. In fact, only 39 unit franchisees, representing less than 20% of Colors on Parade's unit franchisees, provided this information to us. The profit and loss forms used by the franchisees were not uniform, and the method of calculating their expenses varied. We only used the profit and loss statements that we reasonably believed conformed to our preparation standards and requirements. If the information on the profit and loss statements indicated that a category of expenses was missing or we had reason to believe that a type of expense had been miscategorized, we did not use that statement in the calculation of the information in the above chart. Accordingly, we only used the information provided by 36 franchisees to prepare this chart.

Note 2: "Gross Sales" means all revenues from the services provided by the franchisee and/or its employees and independent contractors and/or from managing the provision of any such services by a third party.

Note 3: "Gross Margin" means sales less cost of product used.

Note 4: "Other Expenses" includes charges and expenses for cell phone service, vehicle and equipment maintenance, uniforms, office supplies, and other miscellaneous costs. This list of expenses is not all inclusive and franchisees will incur additional expenses in the operation of their franchises, including, for example, interest payments, royalty fees, and the salary or draw of the owner of the franchise. Also, not all franchises incurred all the expenses listed.

Some outlets have attained these sales expenses and this gross margin. Your individual results may differ. There is no assurance that you will attain these sales expenses or this gross margin.

Written substantiation of the data used in preparing Chart 3 will be made available to you on reasonable request, provided that we will not disclose data that identifies specific franchisees.

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	220	211	-11
	2019	211	213	+2
	2020	213	216	+3
Company-Owned	2018	12	11	-1
	2019	11	7	-4
	2020	7	7	0
Total Outlets	2018	232	222	-10
	2019	222	220	-2
	2020	220	223	+3

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
All States	2018	0
	2019	0
	2020	0
TOTALS	2018	0
	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	Outlets Reacquired from Franchisees	Terminations	Non-Renewals	Ceased Operations for Other Reasons	Outlets at End of Year
Alabama	2018	10	0	0	1	0	0	9
	2019	9	1	0	0	0	0	10
	2020	10	1	0	2	0	0	9
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	8	1	0	0	1	0	8
	2019	8	0	0	0	0	0	8
	2020	8	3	0	1	0	0	10
California	2018	26	2	0	2	0	0	26
	2019	26	4	0	0	1	0	29
	2020	29	1	0	1	0	0	29
Colorado	2018	12	0	0	0	1	0	11
	2019	11	0	0	0	1	0	10
	2020	10	1	0	1	0	0	10
Connecticut	2018	2	0	0	1	0	0	1
	2019	1	1	0	1	0	0	1
	2020	1	0	0	0	0	0	1
Delaware	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Florida	2018	30	5	0	2	2	0	31
	2019	31	1	0	0	1	0	31
	2020	31	3	0	0	0	0	34

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Terminations	Non-Renewals	Ceased Operations for Other Reasons	Outlets at End of Year
Georgia	2018	3	1	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	3	0	1	0	0	6
Hawaii	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Illinois	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Kansas	2018	0	0	0	0	0	0	0
	2019	0	1	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	4	0	0	0	1	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Maryland	2018	4	0	0	0	1	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Michigan	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Missouri	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	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	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Terminations	Non-Renewals	Ceased Operations for Other Reasons	Outlets at End of Year
New Mexico	2018	7	0	0	0	1	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	1	0	5
New York	2018	15	1	0	0	1	0	15
	2019	15	1	0	0	2	0	14
	2020	14	1	0	2	0	0	13

North Carolina	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Oklahoma	2018	6	1	0	0	3	0	4
	2019	4	2	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Pennsylvania	2018	6	1	0	0	0	0	7
	2019	7	2	0	0	0	0	9
	2020	9	0	0	0	0	0	9
South Carolina	2018	20	0	0	0	1	0	19
	2019	19	1	0	0	0	0	20
	2020	20	0	0	1	0	0	19
Tennessee	2018	12	0	0	0	1	0	11
	2019	11	1	0	0	1	0	11
	2020	11	0	0	0	0	0	11
Texas	2018	25	0	0	2	2	0	21
	2019	21	0	0	1	5	0	15
	2020	15	1	0	3	0	0	13
Utah	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Virginia	2018	16	0	0	0	0	0	16
	2019	16	0	0	0	0	0	16
	2020	16	0	0	0	0	0	16

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Terminations	Non-Renewals	Ceased Operations for Other Reasons	Outlets at End of Year
TOTALS	2018	220	14	0	8	15	0	211
	2019	211	15	0	2	11	0	213
	2020	213	15	0	12	0	0	216

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	Outlets Closed	Outlets sold to Franchisees	Outlets at End of Year
California	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Colorado	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Connecticut	2018	1	0	0	0	0	1
	2019	1	0	0	1	0	0
	2020	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets sold to Franchisees	Outlets at End of Year
Delaware	2018	1	0	0	0	0	1
	2019	1	0	1	0	0	0
	2020	0	0	0	0	0	0

New Hampshire	2018	0	0	0	0	0	0
	2019	0	1	0	0	0	1
	2020	1	0	0	0	0	1
New Jersey	2018	1	0	0	0	0	1
	2019	1	0	1	0	0	0
	2020	0	0	0	0	0	0
North Carolina	2018	2	0	0	1	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
South Carolina	2018	1	0	0	1	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Tennessee	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Maryland	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Pennsylvania	2018	1	0	0	0	0	1
	2019	1	0	0	0	1	0
	2020	0	0	0	0	0	0
Totals	2018	12	0	0	2	0	10
	2019	10	1	1	2	1	7
	2020	7	0	0	0	0	7

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
Alabama	0	1	0
California	0	1	0
Colorado	0	0	0
Florida	0	1	0
Georgia	0	0	0
Illinois	0	0	0
Maryland	0	0	0
Nevada	0	0	0
New Jersey	0	0	0
North Carolina	0	0	0
Ohio	0	0	1
South Carolina	0	0	0
Texas	0	1	0
Virginia	0	0	0
Other States	0	0	0
Totals	0	4	1

A list of our current Franchisees (as of December 31, 2020) is attached to this Disclosure Document as Exhibit F. A list of the name and last known home address and telephone number of every Franchisee 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 G.

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 (“COPFAC”), whose members consist of our 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 G 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:

<u>Exhibit</u>	<u>Document</u>
C	Franchise Agreement
H	Release

Item 23

RECEIPTS

Attached to this Disclosure Document as Exhibit K 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
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 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, 5 th Floor Bismarck, North Dakota 58505
Illinois Office of the Attorney General 500 South Second Street Springfield, Illinois 62706	North Dakota Office of the Securities Commissioner 600 East Boulevard, 5 th Floor Bismarck, North Dakota 58505
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 11 th Avenue, SW, 3 rd Floor West Olympia, Washington 98504
Minnesota Commissioner Department of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198	

EXHIBIT C

FRANCHISE AGREEMENT



UNIT FRANCHISE AGREEMENT

BETWEEN

COLORS ON PARADE FRANCHISING CORPORATION

AND

—

EFFECTIVE DATE:

TERRITORY:

COLORS ON PARADE
UNIT FRANCHISE AGREEMENT

TABLE OF CONTENTS

	Page
1. GRANT OF LICENSE	1
2. TERM; RENEWAL	
2.1 Term	2
2.2 Renewal	2
3. FEES	
3.1 Initial Franchise Fee	2
3.2 Royalty	2
3.3 Training Fees	3
3.4 Equipment Set-up Fee	3
3.5 Late Fee and Interest	3
3.6 On-going Training and Assistance Fee	3
4. OUR OBLIGATIONS TO YOU	
4.1 Initial Obligations	
(a) Confidential Operating Standards Manual	4
(b) Training	4
(c) Equipment	4
(d) Accounts	5
4.2 Ongoing Obligations	5
4.3 Delegation of Duties	5
4.4 Performance Incentive Program	5
5. YOUR OBLIGATIONS TO US	
5.1 Prior to Commencement of Operations	6

	(a) Training	7
	(b) Equipment and Supplies	7
	(c) Computer	7
	(d) Software; Electronic Information	7
	(e) Insurance	7
5.2	Upon Commencement of Operations	
	(a) Compliance with Manual	7
	(b) Full-Time Commitment	7
	(c) Training Programs; National and Regional Meetings and Conventions	8
	(d) Conduct Business as a Colors On Parade Franchisee	8
	(e) Hours of Operation	8
	(f) Employees and Independent Contractors.	8
	(g) Confidential Information	9
	(h) Compliance with Law	9
	(i) Hardware and Software Requirements	9
	(j) National and Regional Accounts	9
	(k) Ongoing Purchases of Equipment, Tools, Products, and Supplies	9
	(l) Trademarks	9
5.3	Financial Information; Records; Inspection	
	(a) Financial Information	9
	(b) Books and Records	10
	(c) Inspection	10
	(d) Under-reporting	10
5.4	Trademarks and Other Intellectual Property; Confidential Information	

(a)	Intellectual Property	10
(b)	Confidential Information	11
(c)	Survival	12
5.5	Indemnification	12
5.6	Covenants Against Competition	
(a)	In-Term	12
(b)	Post-Term	13
(c)	No Defense	13
(d)	Injunctive Relief	13
(e)	Survival	13
(f)	Modification of Covenants (“Blue-Pencil”)	14
5.7	Limitations on Assignments by You	
(a)	General Prohibition	14
(b)	Assignment to Corporation or Limited Liability Company	14
(c)	Assignment to Third Party	14
(d)	Assignment to Spouse or Child	15
5.8	Guaranty; Other Covenants of Equity Owners	15
5.9	Disclose Discoveries and Ideas to Franchisor	15
6.	TERMINATION	
6.1	Events of Default	16
6.2	Remedies	17
6.3	Conflicting State Law	17
6.4	Termination by You	17
7.	YOUR POST-TERM OBLIGATIONS	
7.1	Payment Obligations	18
7.2	Return of Confidential Information	18

7.3	Cease Identification With Colors on Parade	18
7.4	Customer Notification	18
7.5	Promote Separate Identity	18
7.6	Cease Use of System	18
7.7	Post-Term Covenants	18
7.8	Option to Purchase Assets and/or Assume Equipment Leases	18
7.9	Injunctive and Other Relief	19
7.10	Survival of Covenants	19
8.	DISPUTE RESOLUTION	
8.1	Disputes to be Arbitrated	19
8.2	Mediation	19
8.3	Entry of Judgment	20
8.4	Procedures	20
8.5	Excepted Disputes	20
9.	MISCELLANEOUS	
9.1	Survival of Representations	20
9.2	Entire Agreement	20
9.3	Notices	21
9.4	Waiver	21
9.5	Amendments and Modifications	21
9.6	Cumulative Remedies	21
9.7	Independent Contractor Relationship	21
9.8	Cost of Enforcement	21
9.9	Singulars and Plurals; Pronouns	21
9.10	Execution in Counterparts	22

9.11	Headings	22
9.12	Inconsistent Terms; Additional Terms	22
9.13	Successors and Assigns	22
9.14	Severability	22
9.15	Governing Law; Choice of Forum	22
9.16	Time of Performance	22
10.	ACKNOWLEDGMENTS	
10.1	Receipt of Franchise Disclosure Document and Agreements	22
10.2	Representations Regarding Profitability	23
10.3	System Modification	23
10.4	Professional Consultants	23
10.5	Independent Investigation	23
10.6	Other Forms of Agreements	23
10.7	Representations Regarding Waivers	23

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 and/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 by third parties (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*”), if any. 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 are not being serviced by other franchisees or 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 granted hereby.

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 and Renewal Fee are 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 all invoices that you issue for your Gross Sales and written reports of your Gross Sales for each month by the tenth (10th) day of the next following month in order to enable us or the Collections Agent to collect your Gross Sales. 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) 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 the 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 all required training, you must complete the required training and pay a 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 paint repair and refinishing services (the “*Training Program*”). The Training Program will be provided by us in or about Myrtle Beach, SC or at such other location(s) as we may designate. Training for paintless dent removal services and interior repairs will be provided by approved third parties in Myrtle Beach, SC and Wilmington, NC and Kailua, Hawaii, respectively, or at such other location(s) as they may designate.

(c) **Equipment, Tools and Supplies.** Unless you are executing this Agreement to renew an existing franchise agreement and/or are obtaining the equipment, tools and supplies necessary to begin to operate the Franchised Business from a third party, we will provide you with a start-up package, which includes certain of the equipment, tools and supplies 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, van 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. You may purchase such equipment, tools, products and supplies only from 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® trademarks or trade names, unless specifically authorized by us in writing. You may purchase the Operating Unit from any source, so long as it meets our standards and specifications and will permit you to provide the Services. You may, at your option and upon our approval, upgrade the specifications of the Operating Unit. We or the Area Representative or another Area Representative that we designate must inspect each 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 for 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; (b) this provision shall not apply in the event that you fail to timely report your Gross Sales; or (c) in the event that we or the Area Representative receive any complaint from such account that we or the Area Representative determine, in our or their discretion, 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 an approved third party or are executing this Agreement to renew the franchise, you must complete, to our satisfaction, the required training 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 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, Tools and Supplies.** Unless you obtain the equipment, tools and supplies 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 or lease 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, use an approved Operating Unit 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, in consideration of the mutual promises contained herein, 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, in consideration of the mutual promises contained herein 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 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 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 the Entity's outstanding equity securities 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 the contact information for each account 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 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.

9.4 **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, if any, 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 of the franchisor and the benefit of the 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: \$

Training Fee: \$

Equipment Set-up Fee: \$

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

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):

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 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, her or its attorneys, accountants and other advisors concerning those documents.

5. Franchisee has received a disclosure document 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, her or its attorneys, accountants and other advisors concerning the disclosure document.

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, her or it at arm's length and in Franchisor's best interests.

15. Franchisor has advised the undersigned and the Franchisee to consult with his, her or its 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 document are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under applicable state law.

Signature

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 or 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 or 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 or 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 Statement we provided to you?

Yes ☐ No ☐

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

Yes ☐ No ☐

If “No”, what part(s) of the Franchise Disclosure Statement 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 Statement?
- 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 Statement?
- 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 Statement?

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 the Maryland Franchise Registration and Disclosure 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.

FRANCHISEE/APPLICANT

Date: _____

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

Table of Contents
FRANCHISE OPERATIONS MANUAL
(253 pages)

A. Welcome to the Colors on Parade Franchise System

1. Using this Manual (Page 1)
2. Benefits of your Relationship with Colors on Parade (Page 2)
3. The Franchisor/Franchisee Relationship (Page 3)
4. Following the System (Page 4)
5. Trademark Usage and Protection (Page 5 – 6)
6. Maintaining Confidentiality (Page 7 – 8)
7. Full Time Representation and Use of Time (Page 9)
8. Franchisee Training Schools (Pages 10 – 11)
9. Business Meetings (Page 12)

B. Setting Up Your New Franchise

1. Getting Started (Page 13)
2. Using the Colors on Parade Name (Page 14)
3. Type of Business Organizations You May Use (Pages 15 – 18)
4. Licenses & Tax Compliance (Pages 19 – 20)
5. Engaging Professional Advisors (Page 21)
6. Building a Banking Relationship (Pages 22 – 23)
7. Insurance Requirements (Pages 24 – 27)
8. Engaging a Payroll Services (Page 28)
9. Environmental Requirements (Page 29)
10. Setting Up Your Office (Pages 30 – 32)
11. Setting Up Your Vehicles (Pages 33 – 42)
12. Integrating Trailers Into Your Franchise (Pages 43 – 45)
13. Authorized Services (Page 46)
14. The Colors on Parade Uniform (Page 47 – 49)

C. Marketing Your Colors On Parade Franchise

1. Developing Your Sales and Marketing Plan (Page 50)
2. Principles of Marketing (Pages 51 – 53)
3. Maintaining a Marketing Database (Page 54)
4. Four Ways to Grow Your Franchise (Page 55)
5. Your Phone as a Tool (Page 56)
6. Making Presentations (Page 57)
7. Public Speaking (Page 58 – 59)
8. Making Positive Impressions (Pages 60 – 62)
9. Advertising (Pages 63 – 64)
10. Customer Retention (Page 65)
11. Rainy Day Program (Pages 66 – 67)
12. Developing Your Own Marketing Materials (Page 68)

D. Selling Colors on Parade's Services

1. Principles of Sales (Pages 69 – 71)
2. Step by Step Selling (Pages 72 – 82)
3. Selling the Services Drive (Pages 83 – 87)
4. Offering and Honoring Warranties (Pages 88 – 89)
5. Trade Association Memberships (Page 90)

E. Record Keeping and Managing Your Money

1. Filing Out a Colors on Parade Invoice (Pages 91 – 92)
2. Weekly Settlement Statements (Pages 93 – 94)
3. Filing Out a Colors on Parade Invoice (Pages 95 – 96)
4. Monthly Operating Report (Pages 97 – 99)
5. Record Retention and Audit Requirements (Page 100)
6. Internal Record Keeping (Page 101)
7. Understanding Financial Statements (Pages 102 – 105)
8. Understanding Financial Ratios (Pages 106 – 107)
9. Managing Your Business "By the Numbers" (Page 108)
10. Determining Your Break-Even Point (Pages 109 – 113)
11. Preparing Your Budget and Business Plan (Pages 114 – 115)
12. Chart of Accounts (Pages 116 – 125)

F. Computing with Colors on Parade

1. Computing with Colors on Parade (Page 126)

G. Hiring and Managing Employees

1. Defining Your Personal Needs (Pages 127 – 129)
2. Hiring Process (Pages 130 – 134)

H. Replenishing Supplies Through Colors on Parade

1. Ordering Supplies through Colors on Parade (Page 135)
2. Obtaining Approval to Use New Products (Pages 136 – 145)

I. Colors on Parade Safety and Environmental Requirements

1. Environmental Requirements (Page 146)
2. Mandatory Safety Equipment (Pages 147 – 149)
3. A Pattern for Environmental Responsibility (Pages 150 – 161)
4. Transportation and Air Compliance Study (Pages 162 – 190)
5. Hazardous Communication Document (Pages 191 – 206)
6. Respiratory Protection Program (Pages 207 – 232)

J. Franchise License Compliance Rules (Pages 233 – 235)

K. Aircraft Painting Requirements (Page 236)

L. Colors On Parade Forms

1. Confidential Technical Manual Acknowledgement Page (Page 237)
2. Monthly Operating Report (Page 238)
3. Weekly Settlement Sheet (Page 239)
4. Monthly Reconciliation Form (Pages 240 – 242)
5. Vehicle Certification Agreement (Pages 243 – 245)
6. Employee Confidentiality/Non-Compete Agreement (Pages 246 – 248)
7. Franchisee Incident Report (Page 249)
8. Obtaining State and Federal Forms (Pages 250 – 253)

Table of Contents
AREA REPRESENTATIVE OPERATIONS MANUAL
123 pages

Table of Contents (Pages 1 – 7)

Introduction (Pages 8 – 11)

1. Commitments
2. Purpose
3. Using this Manual
4. Feedback
5. Pyramid of Success

A. Development

1. Area Representative Cornerstones (Pages 12 – 13)
2. Growth Through the Addition of New Unit Franchisees (Pages 14 – 16)
3. Franchising Process (Pages 17 – 20)
4. Initial Contact (Page 21)
5. Interviewing Employment (Pages 22 – 27)
6. Employment (Pages 28 – 29)
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (Page 30)
11. TCFC Recommendations (Page 31)
12. Supporting Documents, Form, Templates, Etc.
 - a. DMA Growth Through Employees and Franchisees (Page 32)

B. Training

1. Business (Pages 33 – 37)
2. Technical (Pages 38 – 40)
3. TBD
4. TBD
5. TBD
6. TBD
7. TBD
8. TBD

9. TBD
10. TCFC Requirements (TBD)
11. TCFC Recommendations (TBD)
12. Supporting Documents, Forms, Templates, Etc. (TBD)

C. Safety & Regulatory

1. Operating Unit Inspections (Annual) (Page 41)
2. Training (Quarterly) (Page 42)
3. Testing (Page 43)
 - a. Fit Test
 - b. Medical Evaluation
4. TBD
5. TBD
6. TBD
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (Page 44)
11. TCFC Recommendations (Page 45)
12. Supporting Documents, Form, Templates, Etc.
 - a. Semi-Annual Operating Unit Inspection Checklist (Pages 46 – 49)
 - b. Fit Test & Medical Questionnaire (Pages 50 – 52)

D. Leadership & Communication

1. Communication (Page 53)
 - a. Individual Contact
 - b. Contact Content
 - c. Annual Year End Planning Meeting
 - d. How to Handle Franchisee Incidents
2. Area Representative and Franchisee Communications (Pages 54 – 55)
3. Area Representative and TCFC Communications (Pages 56 – 57)
4. Area Representative and Customer Communications (Pages 58 – 59)
5. TBD
6. TBD
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (Page 60)
11. TCFC Recommendations (Page 61)
12. Supporting Documents, Forms, Templates, Etc.
 - a. Annual Year End Planning Meeting (Pages 62 – 65)

E. Marketing Your Colors on Parade Franchise

1. Principles of Marketing (Pages 66 – 72)
 - a. Services Marketing
 - b. The Marketing Mix
 - c. The Colors on Parade Marketing Strategy

2. Advertising (Page 73)
 - a. National Advertising
 - b. Regional/Local Advertising
3. Branding (Page 74)
 - a. The Color son Parade Brand Platform
 - b. Brand Position
 - c. Brand Promise
 - d. Brand Essence
 - e. Brand Personality
 - f. Brand Language
4. Public Relations (Pages 75 – 76)
 - a. Cause-Related Event Participation
 - b. Customer Recognition
5. Pricing Strategies (Page 77)
 - a. Premium Pricing
 - b. Penetration Pricing
6. Sales/Personal Selling (Pages 78 – 81)
 - a. Face-to Face Marketing
 - b. Networking
 - c. Sales Promotions
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (TBD)
11. TCFC Recommendations (Page 82)
12. Supporting Documents, Form, Templates, Etc. (TBD)

F. Collections

1. Invoice Transfer (Pages 83 – 84)
2. Payment Procedures (Page 85)
3. Collection Issues (Pages 86 – 87)
4. Software and Hardware (Page 88)
5. TBD
6. TBD
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (Page 89)
11. TCFC Recommendations (Page 90)
12. Supporting Documents, Form, Templates, Etc. (Page 91)

G. Employment

1. Employment vs. Subcontractors (Page 92)
2. Federal Requirements (Pages 93 – 94)
3. State Requirements (Page 95)
4. Non-Competition Agreements (Page 96)
5. Personnel Files (Pages 97 – 99)
6. TBD

7. TBD
8. TBD
9. TBD
10. TCFC Requirements (Page 100)
11. TCFC Recommendations (Page 101)
12. Supporting Documents, Forms, Templates, Etc.
 - a. Employment Application (Pages 102 – 106)
 - b. Employee Non-Competition Agreement (Pages 107 – 109)
 - c. Form I-9 (Pages 110 – 113)
 - d. Form W-4 (Pages 114 – 115)

H. Monthly Reporting Requirements (Submitted to TCFC)

1. Reporting to TCFC (Page 116)
2. TBD
3. TBD
4. TBD
5. TBD
6. TBD
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (TBD)
11. TCFC Recommendations (TBD)
12. Supporting Documents, Forms, Templates, Etc.
 - a. Monthly Sales/Development/Management Report (Page 117)

I. PDC

1. Value of Purchasing through PDC (Page 118)
2. Impact of Buying through the PDC (Page 119)
3. Area Representative role in Product Distribution (Page 120)
4. PDC Ordering Options (Page 121)
5. TBD
6. TBD
7. TBD
8. TBD
9. TBD
10. TCFC Requirements (TBD)
11. TCFC Requirements (TBD)
12. Supporting Documents, Forms, Templates, Etc.
 - a. Fax Order Form (Pages 122 – 123)

EXHIBIT E

CURRENT FRANCHISEES

Contact	Address	City	State	ZIP Code	Phone
Benjamin Oliver	131 N County Rd 21	Ozark	AL	36360	(334) 796-5777
Greg Baxley	6822 Golden Acres Ln.	Cottondale	AL	35453	205-292-0743
John Spargo	206 Carrington Lane	Calera	AL	35040	205-908-1444
Kyle Pockrus	189B Alton Lynch Circle	Madison	AL	35757	256-605-3370
Paul Silvernail	111 Hidden Valley Road Lot A	Guntersville	AL	35976	(256) 673-0970
Rafael Romero	196 Jeff Road NW Apt. 2601	Huntsville	AL	35806	(256) 497-6596
Scott Silvernail	1141 Brock Rd	Boaz	AL	35957	(256) 505-1885
Tami Kent	25924 Newby Road	Madison	AL	35756	(205) 790-5708
Chance Clark	1150 E. Shepherd Lane Apt. 205	Fayetteville	AR	72703	(479) 305-0603
Jack Hinkle	4 Billingsley Lane	Bella Vista	AR	72715	573-625-3183
Jake Ray	11369 Campbell Rd.	West Fork	AR	72774	(479) 841-8045
Jon Norton	334 Eastwood Drive	Prairie Grove	AR	72753	804-937-1988
Justin Hammer	10157 Northwest Jeter Rd	Fayetteville	AR	72701	(479) 657-0503
Matthew Smith	421 E McCormick St.	Prairie Groove	AR	72753	(479) 595-2011
Nicholas Mazziotti	402 Barbet Drive	Centerton	AR	72719	520-661-5563
Simon King	216 South Ozark St.	Prairie Grove	AR	72753	(479) 249-7667
Travis Billingsley	11530 Pearce	Fayetteville	AR	72701	(479) 466-2490
Brandon Esquer	2612 Mission Ave.	Carmichael	CA	95608	916-893-8320
Chad Dunivan	7909 Carmencita Ave.	Sacramento	CA	95829	916-869-3358
Dennis Barkman	2308 Pamela Lane	Sacramento	CA	95825	916-488-8977
Donald Basile-Gregg	33620 Mapleton Avenue #1112	Murieta	CA	92563	619-942-2619
Edward Esquer	30381 Positas Rd	Winters	CA	95694	(707) 359-8170
Elton Forfar	29542 Via Valverde	Laguna Niguel	CA	92677	(949) 283-6045
Eric Sebald	3 Varda St	Cotati	CA	94928	707-974-7894
Gary Finn	13616 Los Olivos Ave	Poway	CA	92064	(858) 679-5310
Hak-Jae Lee	3168 Bridgeway Drive	Rancho Cordova	CA	95670	916-257-6897
Jason Jones	3141 Shasta Way	Sacramento	CA	95821	916-997-9828
Jeffrey Bigelow	2 Enterprise 10308	Aliso Viejo	CA	92656	(949) 545-8200
John Reddoch IV	9210 Reagan Rd.	San Diego	CA	92126	(858) 829-4591
Jose Morales	26562 Via Cuervo	Mission Viejo	CA	92691	(949) 929-7493
Keoni Noblado	450 E. 6th Ave.	Escondido	CA	92025	(619) 302-0414
Lambor Hall	34171 Olive Grove Road	Wildomar	CA	92595	(951) 796-6093
Loc Luan	7026 Baskins Ridge Avenue	San Jose	CA	95138	(408) 761-6614
Matthew Barrie	2401 Sandringham Rd	Sacramento	CA	95825	(916) 893-5960
Michael Miller	26011 Holland Rd	Menifee	CA	92574	(951) 665-2837
Mike Lackett Jr.	2620 Ethan Way	Sacramento	CA	95821	(916) 284-2710
Richard Ansell	2780 Royal Park Drive	Shingle Springs	CA	95682	916-997-9826
Scott Grant	26461 Mikanos	Mission Viejo	CA	92692	760-902-3275
Vladimir Sniguryak	2213 Burney Way	Sacramento	CA	95821	916-417-8811
Zachary Bailey	2455 Cameron Drive	Union City	CA	94587	(510) 386-4183
Mike Tafalla	2469 Acacia Ave.	Sutter	CA	95982	(530) 701-2632
Seth Jones	2395 Drayton Drive	Sacramento	CA	95825	(916) 533-2857
Dennis Guevin	3142 Garfield Ave	Carmichael	CA	95608	(916) 761-0500
Aaron Geiser	4435 Halleck Lane	Wellington	CO	80549	(970) 405-2989
CJ Arroyo III	111 Arapahoe Trail	Woodland Park	CO	80863	719-330-2910
David Payne	403 Locust Dr	Colorado Springs	CO	80907	(719) 641-8886
Dylan James	79 Prairie Ridge Road	Highlands Ranch	CO	80126	(540) 525-8600
Michael Moss	106 Ridge Lane	Bailey	CO	80421	303-261-6271
Roman Klemetsen	8641 London Lane	Conifer	CO	80433	(303) 809-2118
Troy Weingardt	8150 west stene drive	Littleton	CO	80128	303-888-1472
Maxwell Mega	16 Smith Street South	Greenwich	CT	06830	(914) 733-2860
Nate Critchlow	1200 Dorchester Drive	Newark	DE	19713	(610) 803-5019
Brian Bates	3564 Laslo Avenue	North Port	FL	34287	(941) 628-4233
Charles Permaul	5700 Priscilla Lane	Lake Worth	FL	33463	(561) 827-1616
Chris Burkett	7138 Box Elder Drive	Port Richey	FL	34668	(813) 625-2615

Chris Calhoun	11379 Sweet Cherry Lane South	Jacksonville	FL	32225	904-923-8686
Colin Reinert	6010 Wilkinson Rd	Sarasota	FL	34233	518-368-9181
Daniel Dennison	5820 SW 13th St.	Fort Lauderdale	FL	33317	865-924-0266
Daniel Leeder	P.O. Box 510	Homosassa	FL	34447	(850) 933-0914
Donn Patterson	7839 Radcliffe Circle	Port Richey	FL	34668	(727) 495-3333
Freddy Falcones	4907 Palm Brooke Circle	West Palm Beach	FL	33417	(954) 444-7233
Gabriel Falcones	3795 Redman Parkway	Boynton Beach	FL	33436	(561) 275-9987
Gerard Hagerty	306 NE 1st Ave #201	Boynton Beach	FL	33435	561-503-3066
Gordon (Chuck) Frost	244 MacArthur Dr.	Port Charlotte	FL	33954	941-661-4769
Jacques Marseille	1511 Glenview Rd.	North Port	FL	34288	(954) 642-6857
Javier Gonzalez	424 Hunter St.	West Palm Beach	FL	33405	(561) 541-6931
Jens Geroy&Marilou					
Tumanda	445 Monument Rd. Apt. 704	Jacksonville	FL	32225	904-413-2482
Jeremy Wilson	330 SE 34th Avenue	Boynton Beach	FL	33435	(561) 704-2164
Jon Honigschmidt	2530 Citrus Tower Blvd. Apt. 15304	Clermont	FL	34711	(352) 801-6339
Melanie Canuto	2158 Oleander Place	Neptune Beach	FL	32266	(904) 514-4582
Mike Maldonado	3941 Washburn Place	Wesley Chapel	FL	33543	(813) 505-2269
Pedro Falcones	10312 Fox Trail Rd. S Apt. 1008	Royal Palm Beach	FL	33411	561-504-1160
Randy De LaCruz	891 SE Degan Drive	Port St. Lucie	FL	34983	561-909-9259
Ronal Ramirez	4101 San Marino Blvd	West Palm Beach	FL	33409	(561) 313-7831
Scott Grossman	1610 Liberty St. Apt. 5	Hollywood	FL	33020	954-798-4386
Shawn Dennison	2231 Pine Terrace	Sarasota	FL	34231	(865) 766-9108
Terry Honigschmidt	4603 Lemon Street	Lady Lake	FL	32159	(352) 530-7292
Travis Garretson	933 W Glasgow Dr	Dunnellon	FL	34434	(352) 465-6277
Walter David Graham	17164 Kellog Ave	Port Charlotte	FL	33954	(941) 740-1294
William Leon	4218 Sawgrass Blvd	New Port Richey	FL	34563	(727) 858-4974
Voltaire Rafael	38 Michaela Street	St. Johns	FL	32259	(904) 207-2504
Gregory Stewart	15257 Georgia Highway 85	Waverly Hall	GA	31831	706-580-1270
Jonathan Ocello	3011 Wendmead Place	Marietta	GA	30064	813-373-3890
Kent Hilton	5875 Lakeshore Rd.	Buford	GA	30518	770-843-7003
Matthew Martz	5750 Rialto Way	Cumming	GA	30040	765-748-2354
Ricky Noverola	123 Foot Hill Drive	Dalton	GA	30720	(706) 537-7132
Jason Steele	520 Lunalino Home Road, Unit 6213	Honolulu	HI	96825	(808) 306-9806
Josh Hatori	534 Ulumawao Street	Kailua	HI	96734	808-330-7016
Robert Lichter	150 Hamakua Drive, PMB 771	Kailua	HI	96734	(808) 478-0173
Natalie Skahan	5931 Ballentine Street	Shawnee	KS	66203	(913) 802-0199
Clay Richards	1713 Giaise St	Marrero	LA	70072	(504) 616-0841
Patrick Faciane	33266 Idlewild Pines Rd	Slidell	LA	70460	(214) 868-1152
Delbert Browning	7702 Carter Road	Sykesville	MD	21784	(443) 807-3648
Mark Hackett	13171 Backbone Road	Prince Anne	MD	21853	443-994-2101
Anthony Campobasso	6132 N. Elmwood Avenue	Kansas City	MO	64119	816-769-9647
Billy Routt	164 Bobcat Lane	Oldfield	MO	65720	(417) 288-9538
Cecil Johnson	95 Hooten Dr.	Timberlake	NC	27583	919-730-7852
Darren Kopf	1535 Caraleigh Mills Ct., Apt. 113	Raleigh	NC	27603-6452	919-649-6152
Eric Lind	3525 Catlett Farm Rd	Wake Forest	NC	27587	(919) 971-2468
Freddy White	729 Cindas Lane	Greenville	NC	27834	252-714-2412
Duffy Cink	24 Towle Ave	Hampton	NH	03842	(603) 686-4358
Alex Febles-Gomez	12625 Nambe Ave. NE	Albuquerque	NM	87123	(505) 702-9613
Caleb Scheffing	2001 Glade Road	Farmington	NM	87401	505-419-3368
Dustin Friday	5772 Night Whisper Rd	Albuquerque	NM	87114	(309) 209-0103
Jeromy Montoya	101 Birch Court	Rio Rancho	NM	87124	(505) 818-8974
Miguel Munoz	5717 La Corrida Road NE	Albuquerque	NM	87110	(505) 573-1229
Bryan Moss	276 Temple Hill Rd.	New Windsor	NY	12553	(865) 235-6749

Jody Hoffman	10 Crest Drive	White Plains	NY	10607	(914) 490-7344
Jose Manuel Rico	1107 Hellberg Ave	Schenectady	NY	12306	(806) 881-3714
Kenny Ostrom	15 Calabrese Drive	Pine Bush	NY	12566	(845) 741-7549
Michael Grimaldi	120 E. Hartsdale Ave #2D	Hartsdale	NY	10530	561-818-3939
Paul Mariani	700 Scarsdale Ave.	Scarsdale	NY	10583	(914) 494-3147
Pedro Lopez	9 Nassau Road	Yonkers	NY	10710	914-557-1772
Jordan Lee	17 Wilkinson Hollow Road	Pawling	NY	12564	(914) 774-1306
Brett Clark	PO Box 1566	Purcell	OK	73080	(405) 694-7435
Ryan Clark	1128 Flaming Oak Dr.	Norman	OK	73026	(501) 762-2974
Ti Dunaway	511 Meadow Lake Drive	Noble	OK	73068	(405) 408-5079
Cameron Clark	705 Ridgecrest Ct. Apt. 1514	Norman	OK	73072	(501) 538-7180
Cory Cribbs	5005 S.195th E Place	Broken Arrow	OK	74012	(918) 894-9321
Benjamin Moister	544 Gerloff Rd	Schwenksville	PA	19473	610-212-5261
Corey Dyer	11 Waterwheel Way	Glen Mills	PA	19342-2349	(610) 500-1508
Eric Tran	932 Gravel Pike	Schwenksville	PA	19473	(484) 366-5757
Mark Renfro	4 Oak Avenue	Penndel	PA	19047	(267) 566-8802
Tim Paris	777 Arch Street	Spring City	PA	19475	(717) 808-3389
Dominic Hudson	1507 Elson Road	Brookhaven	PA	19015	(484) 485-3909
Mike McMonagle	227 N 5th Avenue	Royersford	PA	19468	(610) 618-9335
Art Blosser	148 Robin Rd	Lexington	SC	29073	803-348-5506
Chris Grissom	105 Catalina Drive	West Columbia	SC	29170	(803) 309-6506
Dale Dolbee	317 Winford Ct	Moncks Corner	SC	29461	(843) 810-7027
Daniel Hartness	926 Swygert Rd	Blythewood	SC	29016	(803) 309-3432
Denis Kerr	111 Candleberry Circle	Goose Creek	SC	29445	(843) 670-4749
Jason Stocks	3910 Hwy 50	Little River	SC	29566	843-385-2489
James Cameron	108 Paces Brook Avenue Apt. 10817	Columbia	SC	29212	(803) 351-2964
JM Chaisson	907 Cox Ferry Circle	Conway	SC	29526	(843) 997-8691
Joel Lyons	360 Camelot Dr	Goose Creek	SC	29445	(843) 952-3332
Joshua Cameron	477 Regency Park Drive	Columbia	SC	29210	803-528-3937
Michael Cameron II	211 Torrington Rd	Irmo	SC	29063	(803) 351-2965
Michael Pierce	111 Barrington Blvd	Goose Creek	SC	29445	(843) 670-9624
Nathan Garlington	112 Glenwood Rd	Chapin	SC	29063	(803) 944-0021
Robert "Bobby" Chace Jr.	205 Char Oak Drive	Columbia	SC	29212	(803) 351-8091
Russell Boatwright	1243 Riverside Dr	Conway	SC	29526	(843) 457-8899
Jack Brown	2739 Lee's Landing Circle	Conway	SC	29526	(843) 655-1803
Alphonse Rondinone	507 Pink Dogwood Lane	Maryville	TN	37803	(865) 659-3932
Ben Critchlow	906 Long John Trace	Seymour	TN	37865	(865) 603-3115
Charles Barz	34 East Herron Avenue	Jackson	TN	38301	731-431-2699
Clarence Dennison	1537 Johnathan Dr.	Louisville	TN	37777	865-254-1530
Jeff Smith	522 Woodland Hills Dr.	La Vergne	TN	37086	615-579-6672
Keith Arrington	1010 Countrywood Dr.	Hendersonville	TN	37075	(615) 822-2204
Neftali Soria Torres	2708 Woodbine Ave	Knoxville	TN	37914	(865) 206-3109
Russell Critchlow	105 Mountain Cove Dr.	Mooreburg	TN	37811-5543	423-754-4746
Cornelius Ray Harris	6574 E. Brainerd Rd. PT. 1903	Chattanooga	TN	37421	(423) 580-6988
Colby Reed	1974 County Rd 33900	Powderly	TX	75473	(903) 249-6741
Corey Davis	602 Krista Street	Longview	TX	75604	(903) 445-4641
Daniel Abrams	1118 Lark Lane	Richmond	TX	77469	281-202-5917
Don Sherwood	2112 Stehle Rd.	Rosenberg	TX	77471	281-748-3913
Glenn Davis	131 Ron Boyett St.	White Oak	TX	75693	(903) 445-5583
Joshua Copeland	2102 Gano Street	Houston	TX	77009	(832) 455-5310
Landon Rist	20619 Azalea Chace Dr.	Richmond	TX	77406	832-451-6618
Richard Joel Cruz	7826 Calladega Springs Lane	Richmond	TX	77407	832-230-7302
Rodney Copeland	20825 S. W. Freeway	Sugar Land	TX	77479	(713) 382-7918
Scott Dodson	17426 Aspen Oak Ct.	Spring	TX	77379	832-296-1959
Steven Fink	25130 Lynbriar lane	Spring	TX	77373	(713) 492-3980
Travis Fink	24130 Rocky Brook Falls	Tomball	TX	77375	(281) 797-9777

Beverley "Jim" James, Jr.	4536 Fontaine Dr. S.W.	Roanoke	VA	24018	(540) 989-1790
Brandon Morgan	50 Harmony Lane	Martinsville	VA	24112	(276) 618-4350
David Klimchuk	1072 Monolith Lane	Forest	VA	24551	540-353-8882
Eric Rickard	5083 Blarney St.	Fredericksburg	VA	22407	(540) 226-3988
James "Bryce" Mason	6344 Chimneywoods Ct.	Alexandria	VA	22306	703-357-6307
Jason Chewning	2626 Pinecrest Drive	Vinton	VA	24179	(540) 312-3153
Ken Hash	1209 Greenhurst Ave NW	Roanoke	VA	24012	(540) 588-7919
Masood Ahmadi	14720 Deming Dr.	Gainesville	VA	20155	(571) 598-2390
Michael Scott Hampton	1950 Jones Ridge Road	Axton	VA	24054	(276) 734-1501
Robert Campbell	3349 Brandywine Ave.	Roanoke	VA	24018	(540) 314-9103
Steven Hunter	1519 Millwood Dr.	Salem	VA	24153	(540) 314-9132

EXHIBIT F
FORMER FRANCHISEES

Contact	Address	City	State	ZIP Code	Phone
Ruben Hinojosa Millan	1510 Linwood Circle	Bentonville	AR	72712	(479) 715-3100
Young Lee	1388 Stock Bridge Drive	San Jose	CA	95130	408-781-1162
Alessandro Mercalli	1517 Hollyberry St	Berthoud	CO	80513	(720) 243-5798
Rashad Davis	3808 Gage Court	Douglasville	GA	30135	678-478-0977
William Raines	1707 Cliffside Drive #3	Farmington	NM	87401	(505) 258-6013
Christopher Hilton	47 Route 385	Catskill	NY	12414	(864) 593-2143
Jose Rolando Flores	285 Old Glenmont Rd	Glenmont	NY	12077	(518) 451-9865
Jeffrey Daniels	917 Comet Creek Lane	Summerville	SC	29486	(423) 948-0584
Mike Hawkins	2400 Aquaduct Dr.	Bedford	TX	76022	(469) 222-3000
Shane Wise	401 Fulton Drive	Midland City	AL	36350	334-685-1532
David Jordan	3737 Atwell St., Ste. 107	Dallas	TX	75209	972-529-6826
Benjamin Oliver	131 N County Rd 21	Ozark	AL	36360	334-796-5777
James Roesner	2340 Horsley Drive	Richmond	VA	23233	804-513-7720

EXHIBIT G
FINANCIAL STATEMENTS

Total Car Franchising Corporation

Financial Statements

Years Ended December 31, 2020, 2019 and 2018

Total Car Franchising Corporation
December 31, 2020

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheets - December 31, 2020, 2019 and 2018	3
Statements of Operations and Retained Earnings - Years Ended December 31, 2020, 2019 and 2018	4
Statements of Cash Flows - Years Ended December 31, 2020, 2019 and 2018	5
Notes to Financial Statements	6



Certified Public Accountants & Consultants

**SMITH
SAPP**

Myrtle Beach
4728 Jenn Drive
Suite 100
Myrtle Beach, SC 29577

Phone (843) 448-8334
Fax (843) 626-7363
www.sccpa.com

Conway
1109 Main Street
Suite A
Conway, SC 29526

Phone (843) 248-5284
Fax (843) 381-0027
www.sccpa.com

Pawleys Island
245 Business Center Drive
Suite 4A
Pawleys Island, SC 29585

Phone (843) 237-3453
Fax (843) 237-4809
www.sccpa.com

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

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	<u>1,177,684</u>	<u>929,505</u>	<u>1,021,661</u>
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	<u>1,805</u>	<u>1,805</u>	<u>6,094</u>
Total Assets	<u><u>\$ 2,748,991</u></u>	<u><u>\$ 2,519,683</u></u>	<u><u>\$ 2,558,900</u></u>

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	<u>861,476</u>	<u>728,545</u>	<u>714,153</u>
Notes Payable	728,684	739,700	907,789
Deferred Revenue	318,638	239,203	
Deferred Tax Liability	<u>48,099</u>	<u>81,218</u>	<u>72,437</u>
Total Liabilities	<u>1,956,897</u>	<u>1,788,666</u>	<u>1,694,379</u>
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	<u>1,060,122</u>	<u>1,068,182</u>	<u>1,270,822</u>
Total Stockholders' Equity	<u>792,094</u>	<u>731,017</u>	<u>864,521</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 2,748,991</u></u>	<u><u>\$ 2,519,683</u></u>	<u><u>\$ 2,558,900</u></u>

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
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	<u>69,038</u>	<u>175,713</u>	<u>17,597</u>
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	<u>(12,025)</u>	<u></u>	<u>6,349</u>
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	<u>(1,676)</u>	<u>(160,503)</u>	<u>(72,937)</u>
Net Increase (Decrease) in Cash and Equivalents	55,337	15,210	(48,991)
Cash and Cash Equivalents - Beginning	<u>323,606</u>	<u>308,396</u>	<u>357,387</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 378,943</u></u>	<u><u>\$ 323,606</u></u>	<u><u>\$ 308,396</u></u>

Supplemental Cash Flow Disclosures

	<u>2020</u>	<u>2019</u>	<u>2018</u>
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

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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.

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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:

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

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

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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	<u>\$ 275,120</u>	<u>\$ 255,845</u>	<u>\$ 363,926</u>

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	<u>\$ 192,157</u>	<u>\$ 63,234</u>	<u>\$ 65,251</u>

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
	<u>\$ 971,404</u>	<u>\$ 966,242</u>	<u>\$ 994,127</u>

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.

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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:

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

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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current tax			
Federal income tax provision	\$	\$ 7,946	\$ 27,503
State income tax provision	1,046	1,327	2,649
Deferred tax	<u>(96,559)</u>	<u>9,680</u>	<u>14,227</u>
	<u>(95,513)</u>	<u>18,953</u>	<u>44,379</u>
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	<u>98,193</u>	<u>73,554</u>	
	292,481	229,040	156,284
Valuation allowance	<u>(37,644)</u>	<u>(37,644)</u>	<u>(37,601)</u>
Deferred tax asset, net of valuation allowance	<u>254,837</u>	<u>191,397</u>	<u>118,683</u>
Deferred Tax Liability:			
Property and equipment	6,960	7,300	7,767
Goodwill and intangibles	<u>41,139</u>	<u>73,918</u>	<u>64,670</u>
	<u>\$ 48,099</u>	<u>\$ 81,218</u>	<u>\$ 72,437</u>

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).

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

Note 9 – Notes Payable

	<u>2020</u>	<u>2019</u>	<u>2018</u>
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.	<u>520,692</u>	<u>566,565</u>	<u>616,507</u>
	906,507	908,183	1,068,686
Current Portion	<u>(177,823)</u>	<u>(168,483)</u>	<u>(160,897)</u>
	<u>\$ 728,684</u>	<u>\$ 739,700</u>	<u>\$ 907,789</u>

Future maturities of notes payable are as follows:

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

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.

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Note payable to a stockholder, unsecured	\$ <u>235,815</u>	\$ <u>341,618</u>	\$ <u>452,179</u>

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:

	<u>Balance at December 31, 2018</u>	<u>Adjustments Due to ASC 606</u>	<u>Balance at January 1, 2019</u>
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

Total Car Franchising Corporation
Notes to Financial Statements
December 31, 2020, 2019 and 2018

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 H
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**

FRANCHISEE:

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

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

EXHIBIT I

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 UNIT 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 the goodwill, if any, that you have established in the 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, which will be deemed to have been assigned to us, 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 any Services, or have any interest in any business which is located or operates in the Territory and which is engaged in providing any 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

SPECIAL RISKS:

California requires the following risks to be highlighted:

1. 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.
2. WE (OR A COLLECTIONS AGENT THAT WE APPOINT) SEND STATEMENTS TO THE CUSTOMERS TO WHOM A UNIT 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 UNIT FRANCHISEE IS REQUIRED TO MAKE UNDER THE FRANCHISE AGREEMENT, IF APPLICABLE, ON A MONTHLY BASIS, WHICH MAY AFFECT A UNIT FRANCHISEE'S CASH FLOW.
3. EACH PRINCIPAL OWNER ENTERING INTO THE FRANCHISE AGREEMENT ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT MUST PERSONALLY GUARANTEE ALL OBLIGATIONS OF FRANCHISEE UNDER THE FRANCHISE AGREEMENT, THEREBY PLACING HIS/HER PERSONAL ASSETS AT RISK.
4. IF YOU ARE A BUSINESS ENTITY, YOUR OWNERS WILL HAVE TO PERSONALLY GUARANTEE 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.
5. CERTAIN SERVICES MAY BE PROVIDED TO YOU BY AN AREA REPRESENTATIVE, WHO WILL NOT BE A PARTY TO THE FRANCHISE AGREEMENT.

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 governs 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, arbitration may take place outside of Illinois.
3. Franchisees' 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 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. If 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. THE FRANCHISOR (OR A COLLECTIONS AGENT THAT THE FRANCHISOR APPOINTS) COLLECT PAYMENTS FROM THE CUSTOMERS TO WHOM A FRANCHISEE PROVIDES SERVICES AND DEDUCTS, 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, 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

Franchisee:

By: _____

Name: Jeff Cox

Title: President & CEO

EXHIBIT J

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

California	June 17, 2020
Illinois	May 13, 2020
Maryland	August 20, 2020
New York	August 26, 2020
Virginia	May 21, 2020

EXHIBIT K

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. New York requires you to receive this 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 1-800-7COLORS; 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:

<u>Exhibit</u>	<u>Title</u>		
A	State Administrators	F	Former Franchisees
B	Agents for Service of Process	G	Financial Statements
C	Franchise Agreement	H	General Release
D	Table of Contents of Operations Manual	I	State Specific Addenda
E	Current Franchisees	J	State Effective Dates
		K	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 requires you to receive this 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

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:

<u>Exhibit</u>	<u>Title</u>		
		F	Former Franchisees
A	State Administrators	G	Financial Statements
B	Agents for Service of Process	H	General Release
C	Franchise Agreement	I	State Specific Addenda
D	Table of Contents of Operations	J	State Effective Dates
	Manual	K	Receipts
E	Current Franchisees		

Sign individually and as an officer

(Print name of prospective franchisee)

Name: _____

Date: _____