CONCRETE CRAFT®
FRANCHISE DISCLOSURE DOCUMENT

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CONCRETE CRAFT
TRANSFORMATIONAL, INSIDE AND OUT.

The franchised business is a mobile business that offers decorative concrete products and installation services.

The total investment necessary to begin operation of a Concrete Craft® franchise ranges from $141,790 - $220,070 This includes $69,950 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 before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jonathan Thiessen, 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, (949) 404 1100, jonathan.thiessen@gohfc.com.

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

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

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

ISSUANCE DATE: MAY 1, 2020

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 C and D.
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 an 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 B 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 Concrete Craft 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 Concrete Craft franchisee?	Item 20 or Exhibits C and D list current and former franchisees. You can contact them to ask about their experiences.

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 E-1.

Your state may also 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 California. 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 California than in your own state.

2. **Spousal Guarantee**. Your spouse must sign a personal guarantee making your spouse jointly and severally liable and placing your spouse's personal assets at risk.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

SPECIAL MICHIGAN NOTICE

The Michigan Franchise Investment Act requires each franchisor to include the following notice in disclosure documents distributed in connection with Michigan franchise sales:

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

(a) 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 will 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 before the expiration of its term except for good cause. Good cause will 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 of it and a reasonable opportunity, which in no event need be more than 30 days, to cure 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 under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or 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 will 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 will include, but is not limited to:

(h) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(i) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(j) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(k) 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.

(l) 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).

(m) 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 attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

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ADDENDUM: SPECIFIC STATE DISCLOSURES

EXHIBITS:

A: Franchise Agreement and Schedules
   State Specific Addendum to Franchise Agreement
   SCHEDULES:
   1: Personal Covenant and Guarantee
   2: Description of Territory
   3: Start-up Package
   4: Schedule of Names and Addresses of Owners and Principal Officers

B: Financial Statements

C: List of Franchisees

D: List of Terminated or Transferred Franchises

E-1: State Franchise Administrators

E-2: Agents for Service of Process

F: Confidential Operating Manual Table of Contents

G: Deposit Receipt

H: Consent to Transfer and Assumption of Franchise Agreement

I: Veterans Addendum to Franchise Agreement

J: Promissory Note

K: General Security Agreement

L: Storefront Addendum

M: Master Services Agreement

N-1: Receipt (Your copy)

N-2: Receipt (Our copy)

FRANCHISE DISCLOSURE DOCUMENT OF AMERICAN DECORATIVE COATINGS, LLC

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

In this disclosure document, "we," "us", “ADC” and "our" all refer to American Decorative Coatings, LLC, the franchisor. "You" and "your" refer to the person who buys the Concrete Craft® franchise. If you are a company, "you" or "your" includes your owners.

We were incorporated in Delaware on October 17, 2014. We do business under the name “Concrete Craft”. We began offering franchises in this line of business in the second quarter of 2015. We have never offered franchises in other lines of business. Until mid-2017 we operated a business of the type you will operate under the franchise agreement. Otherwise, our only business is granting Concrete Craft® franchises and training and assisting our franchisees.

We have four affiliates, Budget Blinds, LLC (“BB”), Tailored Living, LLC (previously named “Closet Tailors, LLC”) (“TL”), AdvantaClean Systems, LLC (“ACS”) and Loss Control and Recovery, LLC (“LCR”). BB is a franchisor of window covering businesses. BB was organized as a California corporation on October 5, 1992 and converted to a California limited liability company on November 24, 2015. It began offering franchises in March 1994. TL is a California limited liability company that was formed on January 24, 2006 and began offering franchises for the design, sale and installation of organizing units and storage and organizing accessories in 2006. ACS began offering franchises for restoration and remediation services that make residential and commercial buildings clean, safe, healthy and energy efficient in 2006. Prior to January 1, 2019, ACS operated as a corporation, AdvantaClean Systems, Inc. (formerly named “LCR Advantage Systems, Inc.”). ACS offered franchises that offered and sold HVAC installation and maintenance services under the trademark “AdvantaClean Air” from April 2009 to March 2010 at which time it ceased offering and selling these franchises. LCR facilitates and administers jobs with national accounts for ACS franchisees. BB, TL and ACS have never operated a business of the type we franchise, nor have they offered franchises of the type we franchise. Although not a business of the type we franchise, TL franchises do include liquid flooring in their service offerings.

We have one predecessor, AA Decorative Concrete, Inc. (“AADC”). AADC is a Georgia corporation that was formed February 28, 2008 and began offering franchises for the type of business you will operate in September 2008. Until mid-2018 we conducted

the type of business you will operate from our company-owned location in Acworth, Georgia but no longer do so.

Our principal business address and that of BB and TL is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. ACS's and LCR's principal business address is 107 Parr Drive, Huntersville, North Carolina 28078.

We have six parents. Our immediate parent is Home Franchise Concepts, LLC ("HFC"), and our ultimate parent is JM Family Enterprises, Inc. ("JMF"). JMF controls HFC through JM Franchise Holdings, Inc., TCP HFC, Inc., Home Franchise Concepts Parent, LLC, and Home Franchise Concepts Midco, LLC. JMF is majority-owned by the James M. Moran Intervivos Trust Number Two. HFC's principal business address is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. JMF's principal business address, and the principal business address of our other parents (other than HFC), is 100 Jim Moran Boulevard, Deerfield Beach, Florida 33442.

Our agents for service of process are listed in Exhibit E-2.

Concrete Craft® franchises (Franchised Businesses) specialize in marketing, selling and installing beautiful, economical, decorative concrete surfaces. These applications are utilized both for interior and exterior surfaces. This is accomplished by using our unique concrete resurfacing, concrete staining and concrete stamping systems. Franchised Businesses may utilize sub-contractors to pour patio extensions, new concrete slabs and other concrete applications. You will use a motor vehicle identified with signage we specify to make sales calls and perform installation services.

The popularity of decorative concrete for both interior and exterior areas for residential and commercial applications is increasing each year. New concrete can be stained, stamped, stenciled, and integrally colored to produce a variety of patterns and textures. Existing concrete can be covered with our concrete resurfacing systems, stained or polished. Concrete can be made to look like other materials, such as brick, stone or slate – in many cases at reduced cost, higher degrees of durability, and a low maintenance finish.

You will generate sales in many ways, including local digital marketing such as pay-per-click, social media, reviews, digital listings, email to existing and potential customers as well as canvassing, home shows, other print media and word of mouth referrals. The market you will serve consists of residential and commercial customers within the territory assigned to you. Competitors vary in ability and size. Most of our competitors are small operations. The exact size of the decorative concrete market is difficult to determine since the industry does not yet have a governing body or trade association that tracks this type of data separately from general concrete contractors.

There are few barriers to entry into this market and there may be more competitors in the future. Additionally, in some areas of the United States, the business's outdoor work can be seasonal.

Except for states that have laws requiring licensing of contractors, to our knowledge there are no other laws or regulations that are specific to the operation of a Concrete Craft® franchise. It is your sole obligation to comply with all state regulations with respect to contractor licensing in the states that require licensing. You must also comply with laws and regulations that apply to business generally (like workers' compensation laws, OSHA, and the Americans with Disabilities Act). Federal, state, and local governmental laws, ordinances and regulations periodically change. It will be your responsibility to ascertain and comply with all federal, state and local governmental requirements. We do not assume any responsibility for advising you on these regulatory matters. Some cities or other local government agencies impose local licensing requirements. You should investigate the state and local laws that will apply to you. You should consult with your attorney about laws and regulations that may affect your Franchised Business.

ITEM 2. BUSINESS EXPERIENCE

Harold Scott Barrett – Director and Advisor

Scott Barrett has been a director of HFC since July 2019 and an advisor to us since September 2019. He also serves as advisor to BB, TL and ACS and has done so since September 2019. Prior to assuming this role, Mr. Barrett was, and continues to be, a member of the Board of Directors of JMF since 2012.

Dan Lightner – President, Concrete Craft

Dan Lightner has been our President since November 2019. Prior to assuming this position, Mr. Lightner was one of our Directors of Operations and Franchise Support since 2017 and one of our Co-Founders and Vice Presidents since December 2014.

Jonathan Thiessen - Chief Development Officer

Jonathan Thiessen has been our Chief Development Officer since February 2018 and also serves in this capacity for BB and TL since then and for ACS since January 2019. Prior to becoming our Chief Development Officer, he was Vice President of Franchise Licensing since October 2014. Mr. Thiessen joined BB as Licensing Advisor in September 2003 and became Director of Franchise Licensing for both BB and TL in June 2006. He was appointed Vice President of Franchise Licensing for both BB and TL in October 2011.

Jennie Amante – Executive Vice President and General Counsel

Jennie Amante has been our Executive Vice President since December 2015. She holds the same position for HFC, BB and TL since December 2015 and for ACS since January 2019. Ms. Amante is, and has been General Counsel for us since 2014. She has also served in this role for BB since 2004, HFC and TL since 2006 and ACS since January 2019.

Heather Nykolaychuk – Chief Marketing Officer

Heather Nykolaychuk has been our Chief Marketing Officer since October 2019. She has also held the same position with HFC, BB, TL and ACS since October 2019. Prior to assuming this role, Ms. Nykolaychuk was VP Marketing for Tillys, Inc. from December 2018 until October 2019, Chief Marketing Officer for Irvine Company Retail Properties from March 2018 until September 2018 and Senior Director, Marketing for Mattel, Inc. from July 2001 until October 2017.

Charmaine Elequin – Vice President, Finance

Charmaine Elequin has been our Vice President, Finance since November 2019. She has also held the same position with HFC, BB, TL and ACS since November 2019. Prior to assuming this role, Ms. Elequin was our Controller since September 2016 and held the same position with HFC, BB and ADC since September 2016 and ACS since January 2019. Ms Elequin was Director of Accounting with Warehouse Shoe Save from February 2013 until September 2016.

Heidi Fleshman – Vice President, Training and Education

Heidi Fleshman has been HFC's Vice President, Training and Education since January 2018. Prior to assuming this role, Ms. Fleshman was HFC's Director of Training and Curriculum since July 2016 and HFC's Curriculum Manager from April 2016. Ms. Fleshman was responsible for business support and customer relations for BB from October 2013 until April 2016.

John Kostro – Director of Operations, Concrete Craft

John Kostro has been our Director of Operations since November 2019. Prior to assuming this position, Mr. Kostro was one of our Directors of Operations and Franchise Support since 2017 and one of our Co-Founders and Vice Presidents since December 2014.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

You will pay us an Initial Franchise Fee of $19,950 when you sign the franchise agreement for your first territory. We discount the Initial Franchise Fee by 10% for new franchisees who are currently-serving or honorably discharged veterans of the United States armed forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member, you will therefore pay a discounted Initial Franchise Fee of $17,955. There is no Initial Franchise Fee payable under a subsequent franchise agreement.

If you are purchasing your franchise from us (rather than from an existing franchisee) and you are not a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, you will also pay us an Initial Territory Fee of $50,000 for the first territory you obtain under your first franchise agreement. We discount the Initial Territory Fee by 10% for new franchisees who are currently-serving or honorably discharged veterans of the United States armed forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member, you will therefore pay a discounted Initial Territory Fee of $45,000.

If you enter into a second franchise agreement for a second territory at the same time, the Additional Territory Fee will be $40,000. Otherwise, for any subsequent franchise agreement and territory, the Additional Territory Fee will be the same as the then-current Initial Territory Fee.

If you are preparing to sign your first franchise agreement and you wish to reserve an assigned Territory for a brief specified term (usually 60 days or less) before you sign the franchise agreement, you may sign a Deposit Receipt and pay a "Deposit Fee" of $10,000. The form of Deposit Receipt is attached as Exhibit G. If you pay a Deposit Fee and later enter into a franchise agreement, the Deposit Fee is fully applicable against the Territory Fee under the franchise agreement. The Deposit Fee is uniform as to all franchises currently being granted.

None of the fees described in this Item are refundable under any circumstances.

ITEM 6. OTHER FEES

TYPE OF FEE [1]	AMOUNT	DUE DATE	REMARKS
Royalty[2]	Monthly Payment: $300 - months 1- 6 $700 - months 7- 12 $1,300 - months 13 - 24 $2,000 - months 25 and later	Payable by the 5th of each month, in advance.	May be increased on April 1 annually by CPI.
National Advertising Fund Payment	Monthly Payment: $500 until we have 99 territories $700 once there are 100 territories $1,000 once there are 250 territories $1,500 once there are 400 territories	Same as payment schedule for royalties	For purposes of determining this fee, only franchise agreements within the U.S. will be counted. Once we have achieved a given tier in the national advertising fee schedule, we will not revert to a prior tier even if the number of franchises decreases. May be increased on April 1 annually by CPI.
Technology Fee	$175 per month. May increase but will not exceed $300 per month.	Same as royalty	Covers our web-based application and toll free telephone number.
Initial Training	First 2 attendees are free. We may charge up to $150 per day for additional attendees.	One week before training begins	
Additional Territory Fee	An amount equal to the then-current initial Territory Fee if you buy an additional territory in the future.	When you purchase additional territories.	Availability of additional territories is at our discretion.
Key Account Referral Fees[3]	We negotiate each program individually with the Key Account.	No more often than monthly.	We may charge you referral fees or a percentage of the job in exchange for Key Account leads. You may opt out of servicing any Key Account.
Encroachment Payment	60% of your gross sales in another franchisee's territory	When you make sales in another franchisee's territory in violation of your franchise agreement	As an alternative to termination of your franchise for operating in another franchisee's territory, we may require you to compensate the other franchisee instead
Fees on Transfer[4]	If selling to a new franchisee, $19,950 initial franchise fee with first territory plus $5,000 transfer fee for each territory. If selling to an existing franchisee, $5,000 transfer fee per territory.	Before transfer	Payable when you sell your franchise. No charge if your franchise is assigned to a corporation or similar entity that you control.
Transfer Lead Referral Fee	Our then-applicable lead referral fee, currently $15,000 or any broker fee we incur.	Upon a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you and the buyer began discussing a sale.	Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.
Renewal Fee	$5,000	When you sign a renewal franchise agreement.	
Interest on Late Payments	1.5% per month or the maximum legal rate, whichever is less.	Date when payment was due	Payable only if there are insufficient funds are in your account to cover withdrawal of amounts due
Insufficient Funds Fee	$50	Immediately upon notice of insufficient funds	Assessed if we must reprocess debit from your bank account

1. All fees are imposed and collected by and payable to us. Upon our written request, you must sign any document we require to authorize us to withdraw continuing royalties, national advertising fees and any other ongoing fees directly from your bank account. All fees are nonrefundable. All fees in our current offering are uniformly imposed.

2. If you purchase your business from an existing Concrete Craft® franchisee, you will pay the royalty paid by the former franchisee instead of the amount described in this section. Your royalty payment will thereafter increase according to the schedule in the "Amount" column. If you purchase your business from an existing AADC franchisee, your commencing royalty will be that tier that most closely aligns with the AADC franchisee's average royalty for the preceding year, rounded up, rather than the percentage royalty paid under the AADC franchise agreement. For example, if the AADC franchisee's average royalty was $1,000, you would commence paying royalty at the rate of $1,300 per month which would increase to $2,000 per month in month 25 as calculated from the commencement date of the AADC franchise agreement. No phase-in will apply upon renewal.

3. Although the amount may vary, you may be required to pay a fee or a percentage of the job for lead referrals. Lead referral fees vary from program to program.

4. If you are selling to a new franchisee, the initial franchise fee of $19,950 is for the full Start-Up Package (i.e., van wrap, samples, etc.) and initial training.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
TYPE OF EXPENDITURE[1]	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee[2]	$19,950	$19,950	Lump sum or financed	When you sign the franchise agreement	Us
Initial Territory Fee[3]	$50,000	$50,000	Lump sum	When you sign the franchise agreement	Us
Excess costs of training [4]	$250	$2,500	As incurred	During Training	Restaurants and other third parties
Work Vehicle[5]	$10,000	$48,000	Buy, lease or finance	Upon opening	Vehicle lessor or dealer
Trailer[6]	0	$3,000	Buy	Upon opening	Vendor, through us
Computer and Tablet[7]	$1,250	$2,000	Buy, lease or finance	Upon opening	Vendor
Credit Card Processing Technology	$30	$500	Lease, finance, or lump sum	Upon opening	Vendor

YOUR ESTIMATED INITIAL INVESTMENT					
TYPE OF EXPENDITURE[1]	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Telephone Equipment	$60	$120	As negotiated	Before opening	Vendor
Auto Insurance	$1,800	$3,500	Lump sum or monthly installments	Before opening and during the year	Insurance company or broker
Commercial General Liability Insurance	$1,500	$2,500	Lump sum or monthly installments	Before opening	Insurance company or broker
Storage Unit[8] (3 months rent)	$1,050	$2,000	Monthly payments	When you sign the unit lease and monthly	Unit lessor
Licenses and Bond[9]	$150	$1,500	Lump sum	As required by applicable law	Bonding or insurance company, Government agencies
Professional Fees	$750	$1,500	As incurred	As incurred	Your attorney, accountant and business advisor
Initial Marketing	$7,500	$7,500	As incurred	During first 3 months after opening	Media, agencies
Additional Tools and Supplies [10]	$22,500	$25,500	Lump sum	Before opening	Vendors, either directly or through us
Additional Funds - Before Opening and First 3 Months [11]	$25,000	$50,000	As incurred	As incurred	Various
TOTAL	$141,790	$220,070			

1. None of the fees or payments you make to us are refundable. Whether payments to others are refundable depends upon the arrangements you make with them.

2. Payable only with your first franchise agreement.

3. If you are buying your Territory from us rather than from an existing franchisee, when you sign a franchise agreement you must pay us either: (a) an Initial Territory Fee of $50,000; or (b) an Additional Territory Fee of $50,000; or (c) if you are buying your first two Territories simultaneously, an Initial Territory Fee of $50,000 and a discounted Additional Territory Fee of $40,000, for a total of $90,000. If you buy a second Territory at a later time, the Additional Territory Fee will be the same as the then-current Additional Territory Fee. The Initial Territory Fee is discounted by $5,000 if you are a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, as more particularly described in Item 5.

4. We will train you and one additional attendee for 9 days at our facilities in Irvine, California or at such other location as we determine. The mode of delivery of training is subject to change. Subject to space availability, we will allow additional people associated with you

to attend at your request. We do not charge for the initial training for you or your manager and one other attendee, but may charge a training fee of up to $150 per day for additional trainees. We will pay up to the aggregate amount of $500 for airfare for you and one other person to attend initial training. We will also pay for one hotel room (but not any charges to your room for telephone, internet and similar expenses) of our choice for you or your manager. You must pay any additional costs of transportation, lodging and meals that you and your employees incur during training as well as any wages of your employees for their time during training.

5. This is a full size truck such as a Ford F series on which the Concrete Craft® trademarks are placed. The vehicle may be bought or leased. We give you the wrap as part of the start-up package and you pay to have it installed on your vehicle by a vendor of your choosing. You should not purchase your truck for cash unless you will still have at least that same amount available as additional working capital to operate your business.

6. This is an optional item and is a 6’ x 10’ v-nose trailer 5200# axle and shelves.

7. If a laptop is selected, a minimum 14 inch screen with high resolution is recommended.

8. We recommend that you obtain a 10’ x 20’ storage unit to facilitate truck delivery of large orders.

9. This estimate includes the cost of licenses and permits necessary to open your Franchised Business. You are responsible for maintaining all required licenses and permits necessary to operate your Franchised Business. You should check with local authorities, an attorney, or a business consultant to determine what licenses and permits are necessary in your Territory.

10. As part of the Start-up package, we give you some of the items included in this category at no additional charge. For a complete description of the contents of the Start-up Package, please see Item 11. We do not provide additional samples when you sign a subsequent franchise agreement. If you want more or additional samples from other approved suppliers or samples of other products, you must obtain them from the supplier. The high column estimate includes the recommended inventory you will need for practicing your coating application skills and for fulfilling initial customer orders, however, this expenditure is not required.

11. This category includes estimated employee wages, transportation expenses, and other miscellaneous expenses incurred before opening and during the first three months of operations. You should review these figures carefully in light of local conditions and the current economic outlook, consulting a business advisor if necessary.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may offer for sale to customers only the products and services that we have approved in writing, as specified in the Manual. We have selected certain suppliers based on standards of quality and appeal to the general public. You must offer the specific product that we require in the Manual. You must purchase concrete mix and other mix

products and services from us, our affiliates or approved suppliers. None of our stockholders, affiliates or officers owns any interest in any supplier with whom you are required or recommended to do business. We may, in our sole discretion, change these specifications periodically, change the authorized products and services at our discretion, and designate specific products or services as optional or mandatory. You must offer all products that we designate as mandatory. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory.

We have the right to require that products, supplies, equipment, and services that you purchase and use in your Territory: (i) meet specifications that we establish from time to time; and (ii) be purchased solely from us. We may impose purchasing restrictions for any reason; the most likely reason would be to control the quality and consistency of the product and to facilitate volume-discount pricing arrangements. We will make a price list available to you. The prices and products contained on the price list are subject to change at any time.

We may, at any time, in our discretion, change, delete or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We estimate that 100% of your purchases and leases in establishing the Franchised Business and 100% of your total purchases and leases in operating the Franchised Business will be subject to the restrictions described above.

We approve suppliers on a case by case basis. Approved suppliers are listed in the Manual. We approve suppliers after careful review of the quality of the products they provide to us and our franchisees. In deciding whether to approve suppliers, we consider reputation, product quality, prices, consistency, reliability, financial capability of the supplier, labor and customer relations, frequency and cost of delivery, delivery network capability, standards of service, including prompt attention to complaints, and other criteria. We may also condition approval of suppliers on the willingness of the supplier to provide discounts to us and/or our franchisees, to contribute to advertising costs, or to make other financial concessions. If you would like us to consider another supplier, you or the supplier must submit to us a written request for approval and you or the supplier must provide us with samples of the supplier's products or work. We will review the supplier and notify you and the supplier whether we will approve it as an additional supplier. We expect to complete a review of a proposed new supplier within 30 days after receiving all necessary information and materials. We do not expect to charge a fee for evaluating a supplier. We will furnish our standards and specifications to you or suppliers on request, either orally or in writing, but only on a confidential basis.

If we revoke our approval of a supplier, we will do so in writing.

Additionally, you may obtain materials containing our marks only from us or from suppliers we have approved, except that stationery and business cards may be obtained from any supplier as long as these items meet our brand standards for use of our marks.

There are no inventory maintenance requirements.

You must obtain before you begin operating your Franchised Business and must maintain at all times the types of insurance and the minimum policy limits specified in the Manual. Currently we require: (i) general liability insurance in the amount of $1,000,000 per occurrence and $2,000,000 in the aggregate; (ii) umbrella liability of $1,000,000; and (iii) general casualty insurance covering the full replacement cost of your vehicle. However, you may be required to acquire additional insurance by the laws in your area. The insurance policies must protect you, us, and our respective past, present and future officers, directors, owners, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the condition, operation or use of the Franchised Business. We must be named as an additional insured under each policy that we require. Upon our request or as specified in the Manual, you must provide us with certificates of insurance or other proof of insurance in the form we request evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of the coverage upon reasonable notice.

We may retain rebates, allowances or cooperative advertising dollars (collectively, "Allowances") we receive from suppliers. We may use all Allowances received for any purpose that we and our affiliates deem appropriate. For the year ended December 31, 2019 we received Allowances of $236,461, or 10.2% of our total revenues of $2,325,138.

Required purchases by franchisees of concrete mix and other mix products and services from us totaled $211,849, which represents 9% of our total revenues of $2,325,138 in 2019. We anticipate that these required purchases will represent approximately 25% of the costs of establishing a franchise and approximately 30% of the cost of operating a franchise once it has been established. We will derive this income from the selling price of the item, including a reasonable markup.

We do not currently participate in any purchasing or distribution cooperatives. We do not provide material benefits to our franchisees based on their purchase of particular products or services or use of designated or approved sources.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	2.4, 3.2-3.3	8
b.	Pre-opening purchases/leases	8.1, 8.4	7, 8
c.	Site development and other pre-opening requirements	3.2, 7.1, 8.1, 8.4	7, 11
d.	Initial and ongoing training	Article 7	7,11
e.	Opening	8.1	11
f.	Fees	Article 4, 5.2(a)(iii), 7.2, 9.2 (b)(viii)	5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 2.1, 2.2, 3.3, Articles 6 and 8	11
h.	Trademarks and proprietary information	Article 6, 7.9	13, 14
i.	Restrictions on products/services offered	6.7, 8.1(a-c), 8.10(a-b)	16
j.	Warranty and customer service requirements	13.1	Not applicable
k.	Territorial development and sales quotas	2.1, 2.4	12
l.	Ongoing product/service purchases	8.1(c), 8.3, 8.4, 8.17	8
m.	Maintenance, appearance and remodeling	Not applicable	17
n.	Insurance	8.1(b), 8.5	6, 7
o.	Advertising	4.4, 8.1(h), 8.3, 8.4	6, 11
p.	Indemnification	13.3	13
q.	Owner's participation/management/ staffing	7.1, 8.1	11, 15
r.	Records and reports	8.6	6
s.	Inspections and audits	8.6, 8.7	6
t.	Transfer	Article 9	17
u.	Renewal	5.2	17
v.	Post-termination obligations	12.1	17
w.	Non-competition covenants	8.10	17
x.	Dispute resolution	Article 11	17
y.	Personal guaranties of agreements	Schedule 1	15, 22

ITEM 10. FINANCING

If you meet our credit standards, we will, at your request, provide financing as shown below.

To obtain financing, you must sign a Secured Promissory Note and General

Security Agreement substantially in the form of Exhibits L and M to this disclosure document. No separate personal guaranty is required to obtain financing. Payments begin with the first royalty due date. The note can be prepaid without penalty at any time during its term. The General Security Agreement grants us a security interest in substantially all of your assets to secure your payments under the Secured Promissory Note. You waive your right to notice of a collection action and to assert any defenses to collection against us.

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Key terms are as follows:

A. Purchase of Franchise from Us

Item Financed	Amount Financed	Minimum Down Payment	Term (months)	Rate of Interest Plus Finance Charge	Monthly Payment	Prepay Penalty	Liability Upon Default	Loss of Legal Right
Single Territory Purchase: Initial Franchise Fee and part of Initial Territory Fee	$40,000	$0	60	9%	$830.33	None	Lose franchise, pay unpaid balance, attorney fees, and costs	Waive notice
Two Territory Purchase: Initial Franchise Fee and part of Initial Territory Fee	$50,000	$0	60	9%	$1,037.92	None	Lose franchise, pay unpaid balance, attorney fees, and costs	Waive notice

B. Purchase of Franchise from an Existing Franchisee

Item Financed	Amount Financed	Minimum Down Payment	Term (months)	Rate of Interest Plus Finance Charge	Monthly Payment	Prepay Penalty	Liability Upon Default	Loss of Legal Right
Part of Initial Franchise Fee	$10,000	$0	36	9%	$318	None	Lose franchise, pay unpaid balance, attorney fees, and costs	Waive notice

We do not receive any direct or indirect payments or other consideration from any person for the placement of financing.

Although we have never done so, we have a right to sell your promissory note at a discount rate to a third party which may be immune under the law to any defenses to payment you may have against us. We do not guarantee any notes, leases, or obligations.

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

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

Pre-Opening Services

With the first franchise you buy from us or an existing franchisee with payment of an Initial Franchise Fee, we will provide the following services and assistance to you before you begin your Franchised Business:

Training

We will train you and one other person without charge at our location in Irvine, California (Franchise Agreement § 7.1). We may change the location or mode of delivery in our discretion.

Operations Manual and Operations Handbook

We will provide you with electronic access to the Manual and the Operations Handbook ("Handbook") and other applicable manuals and materials at initial training (Franchise Agreement §§ 7.5 and 8.2). Exhibit F to this disclosure document includes a copy of the table of contents of the Manual.

Start-Up Package

We will provide you with a Start-Up Package that includes a transportation allowance in the maximum total amount of $500 and payment for one hotel room of our choice during training, a personalized web site, vehicle wrap, door hangers, marketing materials, stationery, yard signs and supplies for training (Franchise Agreement § 7.1, Schedule 3). The Start-Up Package does not include incidental expenses that may be billed to your room, such as telephone or Internet connection charges.

Site Selection and Time to Opening

You may operate out of your own home even if you do not live in your Territory, however, unless we consent to the contrary, you must maintain a business address within the Territory. If you decide to purchase or lease separate office/warehouse space for your Franchised Business, it must be located within your Territory.

You do not have to establish a showroom site, but if you are approved to do so, it must be located within the Territory, you must ensure that the showroom complies with our written specifications and other requirements as set forth in the Manual and/or the

Handbook, you must obtain our prior written approval and you must enter into our then-current showroom addendum. We do not help you select a showroom site. We will have 14 days within which to indicate our approval or disapproval of a showroom site. We will require that the showroom be located at least one mile within the borders of your Territory.

The typical length of time between the signing of the franchise agreement and beginning operation of your Franchised Business is 60 to 90 days. Factors that may affect the time between signing the franchise agreement and beginning operation include whether you will operate out of your home or a separate office/warehouse or a showroom, the satisfactory completion of initial training and availability of Concrete Craft® materials for you to begin operating the Franchised Business. If you do not begin operating the Franchised Business on the date specified in the franchise agreement and do not obtain a written extension of time from us, you must begin paying fees even if you have not yet begun operating.

Post-Opening Services

During the operation of your Franchised Business, we will provide the following services and assistance to you:

Advertising

We will administer the national advertising fund. We will spend national advertising fees for local, regional and national advertising, and public relations programs and initiatives as we deem necessary or appropriate for the promotion or protection of the System including website development and maintenance, public relations, media costs, commissions, Internet marketing, market research, creative and production costs (Franchise Agreement § 4.6(e), (f)).

The money in the national advertising fund is used primarily for local, regional and national advertising, to enhance the Concrete Craft® image, and to develop marketing support (Franchise Agreement § 4.6). During the year ended December 31, 2019, we spent the national advertising fund as follows:

5.4% Production (content creation, new technology platforms)

91.3 Media Placement (digital advertising, email marketing, social media)

0% Administrative (although we were entitled to a 15% administrative fee, we waived that fee during the past year to maximize the impact of the national advertising fund)

3.3% Other (call center).

We will use several advertising agencies to provide us with advertising materials and assist with media planning and buying in various types of media. We will also provide in-house advertising support.

The amount of your monthly payment of national advertising fees will be based on the number of Concrete Craft® territories nationwide and will increase as we grant franchises. The monthly national advertising fee is $500 until we have 99 territories, then $700 once we have 100 territories, $1,000 once we have 250 territories and $1,500 once we have 400 territories.

Businesses owned by us or our shareholders and affiliates or franchisees who purchased under prior offerings may contribute to the national advertising fund at a different rate or not at all. We alone will determine all matters involving advertising, public relations, and promotional campaigns. On a national basis, we may impose an additional assessment on some or all of our franchisees for special advertising or promotional activities if two thirds of all affected Concrete Craft® Franchised Businesses agree in writing (Franchise Agreement § 4.6).

Some local advertising is funded by the national advertising fund. You will also place your own local advertising. You are expected to spend a minimum of 2% of your gross sales on local advertising (Franchise Agreement § 8.3(a)). You may purchase advertising materials from us or develop advertising materials for your own use, at your own cost, but we must approve the advertising materials in advance and in writing.

Aside from this, we are not, in any way, required to spend any national advertising fees in your Territory. However, all national advertising funds are spent to benefit all Concrete Craft® franchisees generally, including you.

If we do not spend all national advertising fees collected during the year, the remaining money is retained for future years. Advertising fees are not refundable or rebated to you. None of the national advertising fees are used specifically to solicit franchise sales. Our advertising may include a telephone number to call about franchising opportunities.

We will deposit national advertising fees into a separate national advertising operating account. No interest is credited for your benefit or paid to you (Franchise Agreement § 4.4). The national advertising fund is not in a trust, fiduciary relationship, or any other similar special arrangement.

Upon your request, we will provide you with a statement of annual receipts and expenditures from the national advertising fund during the prior calendar year on or before March 31 (Franchise Agreement § 4.4). The national advertising fund is not separately audited from our general funds audit.

There is no advertising council composed of franchisees that advises us on advertising policies.

You will not have to participate in a local or regional advertising cooperative.

You may not develop, create, generate, own, franchise, lease, or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols, or terms confusingly similar to any of them without our express prior written consent (Franchise Agreement § 6.7). You may not use the Marks or promote the Franchised Business via social media without our prior written consent (Franchise Agreement § 6.8).

Meetings and Conventions

We may hold regional meetings and annual conventions to discuss the decorative concrete industry, sales techniques, accounting, performance standards, and advertising programs (Franchise Agreement § 7.8).

Additional Support

Our representatives will be available on an ongoing basis during normal business for consultation and guidance with respect to the operation and management of your Franchised Business (Franchise Agreement § 7.7).

Toll-Free Number

We will operate a toll free number to be used by all our franchisees (Franchise Agreement, § 8.4).

Web Site

We have established a web site on the Internet that provides information about the CONCRETE CRAFT® System and that identifies you and our other franchisees (Franchise Agreement § 8.11).

Electronic Portal

We have an electronic portal through which we disseminate the Manual and the Handbook as well as marketing collateral, training and other digital assets (Franchise Agreement § 8.14).

Computer and Software

You must have a mobile computing device such as a laptop, iPad, Surface, etc. with a high resolution to minimize scrolling and/or zooming in, with at least 16 gigabytes of RAM to display images of your work product on sales calls. We recommend Windows 10 Professional or better. Microsoft Office 365 Standard or better, must be installed. In order to protect you and the entire system from Internet threats, your computer must have an active subscription of MacAfee, Norton or similar antivirus software. We estimate the cost of your computer system will range between $1,250 to $2,000. **If your computer system deviates from these specifications, it will be incompatible with our hardware and software and we will be unable to provide you with technical support.** Your device must have high-speed (broadband, DSL, FIOS) Internet access. Currently, we provide to all franchisees, without additional charge, access to our custom designed web-based application, Touchpoint™ ("Touchpoint"), which requires the use of supported internet browsers Chrome or Safari. Touchpoint™ provides customer relationship management, price configuration, customer quote and order management, and reporting. It is housed at a data center that is accessible nearly 24/7. Currently, your monthly Technology Fee, disclosed in Item 6, pays for upgrades and support for Touchpoint™. We can require you to use any web-based application or software that we or others develop and can require you to enter into any software license and maintenance agreements for the software that we prescribe. We also can require you to sign or assent to a "terms of use" agreement with respect to all software that we designate. You must acquire any computer hardware necessary for the software that we designate (Franchise Agreement § 8.1(d). There are no contractual limitations on the frequency or cost of required upgrades. Since computer technology is evolving rapidly, it is difficult to predict the extent of required upgrades or your estimated costs.

You must use the computer system for daily functions like tracking and entering purchase orders and receipts, updating inventory, generating sales reports, inventory management, and analysis of financial information relating to the Franchised Business.

You must give us unrestricted electronic access (including user IDs and passwords, if necessary) to your computer system for the purposes of obtaining information relating to gross revenues of the Franchised Business, inventory levels, aged inventory and cost of goods sold. You must permit us to download and transfer data via modem or other connection on a real-time basis or as frequently as possible, as we determine. There are no contractual limitations on our right to access data stored in your computer system.

Training

The training program lasts for 9 days. Our current curriculum is shown in the table below but is subject to change at any time without notice:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location*
Decorative Concrete & Product Knowledge Overview	8	0	Irvine, CA
Application Techniques: • Prep, color, seal • Concrete resurfacing • Stained concrete • Sealer education	32	0	Irvine, CA
Consultative Sales Process, Selling a Premium Brand (Advanced Sales)	12	0	Irvine, CA
Estimating Job Site Cost	4	0	Irvine, CA
Marketing, LAM, Lead Generation, Networking	6	0	Irvine, CA
Business Systems:		0	Irvine, CA
• Financial Management, Business Planning	4	0	
• Ordering	2	0	
Technology, Touchpoint, Digital Asset Management	4	0	Irvine, CA
Policies & Procedures, Business Startup, Post Training Plan	3	0	Irvine, CA
Total	75	0	Irvine, CA

*Location and method of delivery of training is subject to change.

Our training program is supervised by Heidi Fleshman, our Vice President of Training and Education. Ms. Fleshman has been our Vice President of Training and Education since January 2018. Ms. Fleshman previously held the positions with us of Director of Training and Curriculum since July 2016, and Curriculum Manager since April 2016. The training modules are presented by John Kostro and Dan Lightner, both of whom have fifteen years of experience in the field they teach and nine years of experience with our predecessor.

For your first franchise agreement with us, training for up to two people is provided without charge. The Start-up Package you receive from us covers the cost of one hotel room (single or double occupancy for training nights (including weekend nights between the first and second weeks of training) and the night immediately prior to training) at a hotel we select and transportation in the maximum total amount of $500 to attend the initial training program. We will not pay incidental expenses, such as telephone charges and Internet access, that may be charged to your room.

There is no training requirement for franchise agreements other than your first one with us.

If we have room at a training session, you may send additional people to training. We will train one additional person at the same training session as the original trainee at no additional charge. Additional people may attend either the same or later training sessions, subject to class availability, by paying a charge of $150 per person per day. You must pay all other costs associated with training, including lodging and airfare in excess of the amounts described above, meals, and wages for your employees during training.

You or your manager must complete the initial training program to our satisfaction before you begin operating the Franchised Business. At the initial training program, we give you proprietary information for use in training your staff. These materials may include recorded media. The materials we provide remain our sole property. We also may make available to you for purchase recorded, third-party materials relevant to the System and the Franchised Business. Initial training is conducted as needed, usually once per quarter.

Upon reasonable notice and at no charge to you, we may require you or your designated personnel to attend additional training courses, seminars, conferences or other programs that we consider relevant or appropriate to the successful operation of the System. You must pay all costs you and your employees incur while attending any additional training programs, including costs of travel, hotel and meals. We currently hold annual meetings, but do not require attendance. We have the right to make attendance mandatory.

Bookkeeping Service

For the first year of your franchise, we will provide you with bookkeeping services valued at approximately $2,400. This service will be provided by outside accountants whom we have retained to provide bookkeeping services to our franchisees. As a condition to receiving this service you agree that our outside accountants may share financial and other information about your business with us in the format we prescribe. (Franchise Agreement § 7.7)

ITEM 12. TERRITORY

During the term of the Franchise Agreement, we will grant you a protected territory with limited exclusivity, and we will not establish a franchised business that sells and installs decorative concrete products using our System and Marks. Your Territory will be described by United States Postal Service ZIP Codes in your franchise agreement. Each Territory will consist of approximately 100,000 households. The ZIP codes making up your territory will not change even if their boundaries are expanded or contracted by the Postal Service or if the population within them decreases or increases.

As discussed above, your territorial protection or exclusivity is limited. Therefore, you will not receive an exclusive territory. You may face competition from other franchisees (to the extent they operate outside of their territories, even if not permitted under their contracts), or from other channels of distribution or competitive brands that we control.

We may negotiate agreements with Key Accounts, such as commercial customers that have multiple sites, offices, or retail premises across two or more territories. We may charge you a reasonable percentage of the job or a fee in return for Key Account referrals. If you wish to service Key Accounts in your Territory as our subcontractor, you must sign our then-current Master Services Agreement which shall govern all work performed by you for Key Accounts. You may choose whether to service any particular Key Account on a case by case basis. If you choose to opt out with respect to any Key Account in your Territory, we may subcontract with other franchisees or third parties to service the Key Account.

We may also, in the future, arrange other referral programs, such as web site referral programs, under which you pay fees to referral sources in return for business in your Territory. We will give you information about these programs as they are developed and you may decide whether to opt out of them. If you do not expressly opt out of a referral program, you will be considered to have opted in.

You must promote, market, and engage in the Franchised Business diligently and effectively, develop to the best of your ability the potential of the Franchised Business within your Territory, and devote and focus your full time attention and efforts to its promotion and development.

You may not use the Internet to solicit business. You may not intentionally direct your advertising or marketing at customers in other franchisees' territories. You must obtain our prior written approval before selling and installing decorative concrete in unassigned "gray areas" outside your assigned Territory. Generally, we will grant permission for you to operate in gray areas. The decorative concrete products and services you sell must be installed in buildings located in your Territory, or with our consent, in gray areas.

If we give you permission to operate in gray areas, we have the right to sell or assign them or any part of them at any time, without notice to you. You will not have a right of first refusal or option to buy a territory that was formerly designated as a gray area.

Although we will not grant anyone else the right to operate in your Territory, except as permitted under a Key Account program or the joint marketing provisions contained in section 2.2(c) of the franchise agreement, we do not promise that another franchisee will not violate his or her franchise agreement and conduct business in your Territory.

We have the right to operate or establish businesses similar to your Franchised Business, using the same Marks you will use and providing service to customers anywhere outside your Territory, regardless of how close they are to your Territory.

We have the right to make sales using our principal mark within your Territory by means of the Internet, catalog sales, direct marketing or any other means that does not involve both sale and installation of decorative concrete. We may introduce e-commerce capabilities in the future. If we do so, you will be required to participate.

We have the right to establish businesses similar to the Franchised Business that operate under a different trade name and marks within your Territory without compensating you. However, we do not have any plans to do so. We and our affiliates may (a) sell decorative concrete and associated products to other retailers and wholesalers who will sell decorative concrete products and services under different trademarks, and (b) sell decorative concrete products at retail, without installation, under different trademarks.

We may respond to customer complaints in your Territory, which we may resolve in our discretion.

You will not have any options or rights of first refusal or similar rights within your Territory or adjacent Territories. You will not have the right to acquire additional Concrete Craft® franchises anywhere.

Under the franchise agreement, your territorial protection or limited exclusivity will not depend upon the volume of sales generated nor on your penetration of the potential market. Except as described in this Item, there are no circumstances under which we may modify your territorial rights during the term of the franchise agreement.

ITEM 13. TRADEMARKS

You will have the right to operate your business under the Marks described below and to use other Marks we designate, under the Concrete Craft® System.

REGISTRATION OR SERIAL NUMBER	MARK	REGISTRATION/FILING DATE
Registration No. 4,979,157	CONCRETE CRAFT	Registered June 14, 2016
Serial No. 87603935		Application filed September 11, 2017

All trademark registrations and applications have been filed on the Principal Register of the United States Patent and Trademark Office. All required affidavits have been filed.

You must follow our rules when you use our Marks. You cannot use all or any part of our name or Marks as all or part of your company's legal name. You may not use any modifying words, designs or symbols with our Marks. You may use the phrase "Concrete Craft _____" as a fictitious business name. You must obtain our approval for your fictitious business name. You may not use our Marks or name in connection with the sale of unauthorized product or service or in a manner we have not authorized in writing.

No agreements limit our rights to use or license the use of our Marks.

You must notify us immediately if you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate. We will defend you against any claim against you because of your authorized use of our Marks except a claim by a prior user of the name "Concrete Craft". We control any administrative proceedings or litigation involving a trademark we license to you.

You must modify or discontinue the use of our Marks at your own expense if we modify or discontinue them. You may not directly or indirectly contest our right to our Marks.

We do not know of any prior rights or infringing uses in your Territory or of any material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, trademark administrator of this state, or any court, or any pending infringement, opposition, or cancellation proceeding, that could materially affect your use of our Marks. We do not know of any litigation involving the Marks.

The name "Concrete Craft" may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You acknowledge that you are responsible for finding out whether the name "Concrete Craft" is already being used in the Territory. As a material part of the consideration for our grant of a franchise to you, you agree that we are not liable to you for any prior use of the name "Concrete Craft" by anyone else. We cannot prevent anyone who began using the name "Concrete Craft" before our use of it from continuing their use of that name in the area of prior use.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Although we have not filed a copyright registration application for the Manual or the Handbook, we claim a copyright in their contents. The information contained in the Manual and the Handbook is proprietary. Except for your right to use the Manual and the Handbook and our marketing materials, you do not receive the right to use any item covered by a copyright.

We do not own rights in or licenses to any patents or pending patent applications that are material to the franchise.

You must promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses recovered by a third party because of claims of infringement or misappropriation of proprietary information, patents, or copyrights based on your authorized use of this information.

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

We prefer franchisees who plan to participate actively in the direct operation and daily affairs of the Franchised Business. We do not want to grant franchises to people who are merely seeking a passive investment. If you do not operate the Franchised Business yourself, you must employ at least one manager on a full time basis. The manager does not have to have an equity interest in you. You must disclose the identity of the manager to us and, should the identity of the manager change, you must notify us in writing. The manager must complete our initial training program, devote his or her entire time during normal business hours to the management, operation, and development of the Franchised Business, maintain confidentiality of the trade secrets described in Item 14 and conform to the covenants not to compete described in Item 17.

If the franchisee is a company, anyone who has direct or indirect control of the company or a direct or indirect beneficial interest in the company must sign the Personal Covenant and Guarantee attached to the franchise agreement as Schedule 1. If the franchisee is married, his or her spouse must sign the Personal Covenant and Guarantee.

ITEM 16. RESTRICTION ON WHAT FRANCHISEE MAY SELL

You may offer and sell in the Franchised Business only goods and services that we have authorized you to sell. Unless we instruct otherwise, you do not have to sell all the products and services we authorize, but we suggest that you do so. You are not permitted to offer or sell epoxy coatings with the limited exception of the epoxy clear coat used for stained concrete for added protection.

We have the right to change the authorized goods and services. The investment you must make in equipment, supplies and initial inventory because of these changes will not exceed $5,000 per year without your prior approval.

Unless we approve otherwise in writing, you may only provide sales and services with respect to decorative concrete within your Territory. Unless we instruct otherwise, you may operate in unassigned territories known as "gray areas" adjoining your Territory. Any operations in gray areas are subject to sale of a territory that includes them or part of them to another franchisee, to initiation of "company-owned" operations in the gray area, and to our rules and regulations. Any advertising in gray areas (including in telephone directories) may include only our toll-free telephone number, and not your local telephone number.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP			
This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.			
	PROVISION	**SECTION IN AGREEMENT**	**SUMMARY**
a.	Length of the franchise term	5.1	The initial term is 10 years, beginning on the date you are scheduled to start operating.
b.	Renewal or extension of the term	5.2	If you meet conditions in 17c, you may add two additional terms of 5 years.
c.	Requirements for franchisee to renew or extend	5.2	Pay renewal fee and sign franchise agreement in our then-current form. The new franchise agreement may have materially different terms and conditions from our current franchise agreement.
d.	Termination by franchisee	None	Not applicable
e.	Termination by franchisor without cause	None	Not applicable
f.	Termination by franchisor with cause	10.1	We can terminate (i) if you commit a material default, or (ii) if a condition occurs, the non-occurrence of which was presumed.

THE FRANCHISE RELATIONSHIP			
This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.			
g.	"Cause" defined - curable defaults	10.3	You have 30 days to cure defaults not listed in Section 10.2.
h.	"Cause" defined -non-curable defaults	10.2	Non-curable grounds for termination include: adjudication as a bankrupt, assignment for the benefit of creditors, admission of insolvency, abandonment of the franchised business, mutual agreement to terminate, material misrepresentation relating to the acquisition of the Franchised Business or engaging in conduct reflecting materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks, failure to comply with any federal, state or local law applicable to the Franchised Business within 10 days of notification of noncompliance, repeated breaches whether or not corrected after notice, repeated failure to comply with the Franchise Agreement, whether or not corrected after notice, seizure of Franchised Business, final judgement against Franchisee not satisfied within 30 days, conviction of felony or misdemeanor involving moral turpitude, failure to pay fees to Franchisor within 5 days after receiving written notice, continued operation of Franchised Business would result in imminent danger to public health and safety, any other franchise agreement between Franchisor and Franchisee is terminated, misappropriation of customer deposits.
i.	Franchisee's obligations on termination/non-renewal	12.1	Obligations include removal of Concrete Craft® marks and payment of amounts due us. You must assign all telephone numbers relating to the business to us. (See r. below)
j.	Assignment of contracts by franchisor	9.1	No restriction on our right to assign
k.	"Transfer" by franchisee – definition	1.15, 9.2	Includes transfer of contract or assets or any ownership change
l.	Franchisor approval of transfer	9.2(b)	We have the right to approve all transfers but will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	9.2(b)	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, all money due and owing to us paid by you, and current agreement signed by new franchisee. (Also see r. below).
n.	Franchisor's right of first refusal to acquire franchisee's business	9.3	We can match any offer for your Franchised Business.
o.	Franchisor's option to purchase	None	Not applicable

THE FRANCHISE RELATIONSHIP			
This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.			
p.	Death or disability of franchisee	9.6	Heir or successor must complete initial training within 30 days after the date of transfer.
q.	Non-competition covenants during the term of the franchise	8.8	No involvement in competing business anywhere in U.S. or in any other country where we have applied to register our trademarks.
r.	Non-competition after the franchise is terminated or expires	8.10, 12.1	You may not engage in any competing business for 2 years within the former territory or within 25 miles of any Concrete Craft® territory. You must totally de-identify when your franchise rights have ended.
s.	Modification of the agreement	14.3	No modifications generally, but Manual and Handbook are subject to change.
t.	Integration/merger clause	14.2	Only the terms of this franchise disclosure document, the franchise agreement and Manual are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	11.1 - 11.4	Except for certain claims, and subject to state law, all disputes must be arbitrated or mediated in Orange County, California.
v.	Choice of forum	11.4, 11.6	Subject to applicable state law, claims for equitable or injunctive relief must be conducted in California.
w.	Choice of law	14.1	Federal law applies to arbitration and trademark issues. The law of your state applies to amendment of your franchise agreement, the maximum rate of interest that can be charged, and post-termination non-competition issues. California law applies to all other issues.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following is historical financial information concerning the reported annual sales and other financial measures of a subset of our existing outlets, namely, those franchisees who were open for business for all of calendar year 2019 (17 single territory franchisees and 4 multiple territory franchisee representing 54% of the system).

A. **Annual Sales Levels**

The following table shows annual sales revenues reported by our franchisees that were in business throughout calendar year 2019. Figures for franchisees that had two territories are total sales both territories – not average per territory – and if the second territory opened during 2019, the total sales do not represent a full year of sales for the second territory. All sales revenues figures are presented without regard to the size of the territory. Although we currently grant territories that include approximately 100,000 households, not all territories are that size. These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

During 2019 there were 21 franchisees who operated a territory throughout the year. These sales results are based upon the sales reported to us by the franchisees. We have not audited or verified the franchisees' sales results, and we generally depend upon the franchisees to report their sales accurately. We do not have information concerning how our franchisees maintain their records, or whether those records are kept in accordance with generally-accepted accounting principles.

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MEASURE	2019	2018	NUMBER OF OUTLETS REPRESENTED	EXPLANATION
Average Sales – One Territory	$499,170	$530,209	17 single territory franchisees	Equals total sales by all franchisees, divided by the number of franchisees.
Average Sales – Two or More Territories	$622,022	$440,403	4 two or more territory franchisees	5 or 29% of the single territory franchisees and 1 or 25% of the two territory franchisees attained or surpassed the stated average results for the year. The lowest amount reported for a single territory franchisee was $84,814 and the highest was $1,253,563. The lowest amount reported for a two territory franchisee was $310,889 and the highest was $1,250,471.
Median Sales – One Territory	$401,934	$333,438	17 single territory franchisees	Shows mid-point of annual sales by franchisees and one company owned operation.
Median Sales – Two or More Territories	$419,042	$398,927	4 two or more territory franchisees	8.5 or 50% of the single territory franchisees attained or surpassed the stated median results for the year. 2 or 50% of the two territory franchisees attained or surpassed the stated median results for the year.

75th Percentile – One Territory 75th Percentile – Two or More Territories	$659,720 $656,617	$793,627 $538,288	4.25 single territory franchisees 1 two or more territory franchisees	Reported sales by the 75th percentile of franchisees; only 25% of franchisees reported sales higher than this level.
Average Sales of Middle 50% - One Territory Average Sales of Middle 50% - Two or More Territories	$411,302 $419,042	$427,270 $398,927	8.5 single territory franchisees 2 two or more territory franchisees	Equals the mean (average) annual gross sales of those franchisees whose reported sales fell between the top 25% and the bottom 25%.
25th Percentile – One Territory 25th Percentile – Two or More Territories	$253,074 $384,447	$238,152 $301,041	4.25 single territory franchisees 1 two or more territory franchisees	Reported sales by the 25th percentile of franchisees; only 25% of franchisees reported sales lower than this level.

The following data are as reported by a subset of franchisees who responded to a survey that we conducted in February and March 2020 asking about their experiences during 2019. The survey was sent to all our franchisees, and 21 franchisees (55% of the system) returned responses. Seventeen (17) franchisees (45% of the system) did not respond to the survey for 2019. We do not have data to establish whether the experiences of the franchisees who responded are typical of all franchisees, so you must consider the possibility that these data may not be typical. The questions asked as part of the survey and the results are described below.

B. **Cost of Goods Sold**

As part of the survey, we asked our franchisees to report their experiences concerning average cost of goods sold (that is, the cost to franchisees of decorative coatings sold by the franchisees) as a percentage of the price at which the franchisees sold those decorative coatings to their customers. According to that survey, the average cost of goods sold was 47% of the gross (retail) sales price. We have not independently verified the amount reported by our franchisees, but that figure is consistent with information concerning suggested mark-ups that is discussed during franchisee training classes. Your cost of goods sold may vary from this average, depending upon the number

and nature of competitors in your area, the prices at which they sell similar decorative coatings, your abilities and efforts, and other factors.

In addition to the cost of goods sold, you will also incur other expenses that are not included in this calculation, such as monthly payments (lease or financing) for the required van, labor costs for anyone you hire, rent for office/warehouse space, telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, state and local taxes, and financing expenses if you finance any part of your investment. You may also incur other expenses, depending upon the manner in which you operate the business. You should consult with your advisors and with other business owners concerning the other types and amounts of expenses you will incur.

C. **Average Sale Amount**

As part of the survey, we also asked our franchisees to tell us their average sale amount. The average of all responses by our franchisees was $4,207.

D. **Closing Rate**

As part of the survey, we asked our franchisees to tell us the percentage of sales calls that lead to a sale. The average of all responses by our franchisees was 32%.

E. **Product Mix**

As part of the survey, we asked our franchisees about their percentage of volume for various product categories. The average of all responses from our franchisees was as follows:

PRODUCT	%
Stamped Concrete	18
Resurfaced Concrete	51
Stained Concrete	21
Other	10

F. **Employees**

As part of the survey, we asked our franchisees how many employees were employed in their Franchised Business. The responses by our franchisees were as follows:

POSITION	% RESPONDENTS
Sole owner/operator	0
Partnership including with spouse	5
One Additional Employee	45
Two Additional Employees	41
Three Additional Employees	9

G. **Number of Years In Business**

As part of the survey we asked our franchisees how long they had been in business. The responses by our franchisees were as follows:

NUMBER OF YEARS IN BUSINESS	% RESPONDENTS
1-2	61
3-4	24
5-6	5
7-9	5
10 plus	5

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

We will make written substantiation for these Financial Performance Representations available to you on your reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting

Dan Lightner at 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, telephone (949) 404-1100, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

ITEM 20. TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR YEARS ENDING DECEMBER 31, 2017, 2018, AND 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	7	23	+16
	2018	23	45	+22
	2019	45	48	+3
Company-Owned	2017	1	0	-1
	2018	0	0	0
	2019	0	0	0
Total Outlets	2017	7	23	+15
	2018	23	45	+22
	2019	45	48	+3

ITEM 20. TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS FOR YEARS ENDING DECEMBER 31, 2017, 2018, AND 2019

State	Year	Number of Transfers
Texas	2017	0
	2018	0
	2019	1
Totals	2017	0
	2018	0
	2019	1

ITEM 20. TABLE NO. 3
STATUS OF FRANCHISED OUTLETS FOR YEARS ENDING DECEMBER 31, 2017, 2018, AND 2019

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
AL	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	1	0	0	0	0
AZ	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	2	0	0	0	0	3
CA	2017	0	0	0	0	0	0	0
	2018	0	3	0	0	0	0	3
	2019	3	1	2	0	0	0	2
CO	2017	1	2	0	0	0	0	3
	2018	3	0	1	0	0	0	2
	2019	2	1	0	0	0	0	3
FL	2017	1	2	0	0	0	0	3
	2018	3	3	0	0	0	0	5[1]
	2019	5	5	1	0	0	0	9
GA	2017	0	1	0	0	0	0	1
	2018	1	4	0	0	0	0	5
	2019	5	1	0	0	0	2	4
IL	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
IN	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
	2019	0	2	0	0	0	0	2

KY	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
MA	2017	0	1	0	0	0	0	1
	2018	1	0	1	0	0	0	0
	2019	0	0	0	0	0	0	0
MD	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
MO	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
NC	2017	2	2	0	0	0	0	4
	2018	4	0	0	0	0	1	3
	2019	3	0	0	0	0	0	3
NV	2017	1	1	0	0	0	2	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
OH	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
	2019	2	0	0	0	0	0	2
SC	2017	1	1	2	0	0	0	0
	2018	0	2	0	0	0	0	2
	2019	2	0	0	0	0	0	2
TN	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
TX	2017	1	4	0	0	0	0	5
	2018	5	5	0	0	0	0	10
	2019	10	0	3	0	0	0	7

VA	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
WA	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	1	1	0	0	0	2
WI	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Totals	2017	12	16	2	0	0	3	23
	2018	23	26	2	0	0	1	45[1]
	2019	45	13	8	0	0	2	48

1. One outlet changed its start date from 11/1/17 to 3/1/18.

ITEM 20. TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS ENDING DECEMBER 31, 2017, 2018 AND 2019

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
GA	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Totals	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0

** This outlet was owned by our subsidiary.*

ITEM 20. TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2019

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	1	0
Alaska	0	0	0
Arizona	1	1	0
Arkansas	0	0	0
California	1	2	0
Colorado	1	1	0
Connecticut	0	0	0
Delaware	0	0	0
Florida	3	1	0
Georgia	0	1	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	1	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	1	0
Kentucky	0	0	0
Louisiana	0	1	0
Maine	0	0	0
Maryland	0	1	0
Massachusetts	0	0	0
Michigan	0	1	0
Minnesota	0	0	0
Mississippi	0	0	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	1	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	1	0
New Mexico	0	0	0
New York	0	2	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	1	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	1	0
Rhode Island	0	0	0
South Carolina	0	1	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	2	0
Utah	0	0	0
Vermont	0	0	0
Virginia	1	1	0
Washington	0	1	0
Washington, DC	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Wyoming	0	0	0
Totals	7	24	0

Attached to this disclosure document as Exhibit C is a list of all current franchisees as of January 22, 2020, with the address and telephone number of each of their businesses.

Attached to this disclosure document as Exhibit D is the name, last known city and state, and telephone number of each franchisee whose franchise has, during the most recently completed fiscal year, been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business or who has not communicated with us within ten weeks of the issuance date of this disclosure document. Exhibit D lists 10 terminated franchises and 1 transferred franchise.

If we grant you this franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

We have entered into agreements with some former franchisees that contain confidentiality clauses. In some instances, current and former franchisees signed provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all of those franchisees will be able to communicate with you.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit B are our audited financial statements for the years ended December 31, 2019, 2018 and 2017.

ITEM 22. CONTRACTS

The following agreements are proposed for use in this state in connection with the franchise we offer:

TITLE OF AGREEMENT	EXHIBIT/ SCHEDULE #	SIGNED BY
Franchise Agreement and State Specific Addendum	Exhibit A	You and us
Personal Covenant and Guarantee	Schedule 1 to Exhibit A	All people having direct or indirect "Control"* over the Franchisee or a direct or indirect beneficial ownership interest in Franchisee, including any spouse of Franchisee.
Deposit Receipt	Exhibit G	You and us
Consent to Transfer and Assumption of Franchise Agreement (includes release of claims)	Exhibit H	You, new franchisee and us
Veterans Addendum to Franchise Agreement	Exhibit I	You (only if you are a veteran) and us
Secured Promissory Note	Exhibit J	You (Obligor)
General Security Agreement	Exhibit K	You (Pledgor) and us
Storefront Addendum	Exhibit L	You and us
Master Services Agreement	Exhibit M	You and us

**"Control" means possession of the direct or indirect power to direct or cause the direction of your management and policies, whether through the ownership of voting securities, by contract, or otherwise.*

ITEM 23. RECEIPT

Attached as the last page of this disclosure document is a receipt. Please sign it, date it **as of the date you receive the disclosure document** and return it to us. A duplicate of the receipt is attached for your records.

ADDENDUM TO DISCLOSURE DOCUMENT: STATE SPECIFIC DISCLOSURES

California

Neither the franchisor, nor any person identified in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 (Franchise Relations Act) provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Unless the transaction is exempt under the statute, Section 31125 of the California Corporations Code requires the franchisor to give the franchise a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement requires binding arbitration. The arbitration will occur in Orange County, California, with the costs being determined according to the rules of the American Arbitration Association.

The franchise agreement contains a liquidated damages clause. Under Civil Code Section 16711 certain liquidated damages clauses are unenforceable.

The earnings claims figures 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 franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

OUR WEBSITE ADDRESS IS WWW.CONCRETECRAFT.COM. 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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Hawaii

The following language is inserted at the end of the first paragraph of Item 5 in the disclosure document: "The Initial Franchise Fee, Initial Territory Fee and, if applicable, Additional Territory Fee will not be payable until we have fulfilled all of our pre-opening obligations to you." The third paragraph in Item 5 of the disclosure document is deleted because Hawaii franchisees may not reserve Territories with a Deposit Receipt.

Illinois

The following language is inserted before the last sentence of the first paragraph in Item 5 of the disclosure document. "The Initial Franchise Fee, Territory Fee and, if applicable, Additional Territory Fee will be deferred until we have fulfilled all of our pre-opening obligations to you and you have commenced doing business." The fourth paragraph in Item 5 of the disclosure document is deleted because Illinois franchisees may not reserve Territories with a Deposit Receipt.

The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute, Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 et seq.

Item 17v (Choice of Forum) is amended to state "None for equitable/injunctive relief and California for arbitration/mediation proceedings" under the heading for "Summary."

The franchise agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Section in franchise agreement" and "not applicable" under the heading for "Summary."

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

Maryland

The following language is inserted before the last sentence of the first paragraph in Item 5 of the disclosure document. "The Initial Franchise Fee, Territory Fee and, if applicable, Additional Territory Fee will be deferred until we have fulfilled all of our pre-opening obligations to you." The fourth paragraph in Item 5 of the disclosure document is deleted because Maryland franchisees may not reserve Territories with a Deposit Receipt.

Amendments to Item 17 of the disclosure document:

Item 17v (Choice of Forum) is amended to state "None for equitable/injunctive relief and California for arbitration/mediation proceedings" under the heading for "Summary."

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

The franchise agreement says that we may require you to sign a release of claims as a condition of renewal or transfer of your franchise. The release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Under the franchise agreement, you must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland Franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after the franchise is granted.

Minnesota

The following language is inserted at the end of the first paragraph of Item 5 in the disclosure document: "The Initial Franchise Fee, Initial Territory Fee and, if applicable, Additional Territory Fee will not be payable until we have fulfilled all of our pre-opening obligations to you and you have opened for business." The third paragraph in Item 5 of the disclosure document is deleted because Minnesota franchisees may not reserve Territories with a Deposit Receipt.

Amendments to Item 17 of the disclosure document:

The franchise agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The franchise agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the franchise agreement.

The franchise agreement requires you to sign a release of claims as a condition of renewing or Transferring a franchise. Minn. Rule 2860.4400J prohibits us from requiring you to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

The Agreements provide that we are entitled to a temporary injunction or decree of specific performance without bond if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of your breach or threatened breach of any of the terms of the Agreements. The Agreements are amended to provide that we are entitled to seek a temporary injunction or decree of specific performance under these circumstances, not that we are necessarily entitled to obtain this relief.

New York

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 E 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 ANYTHINGIN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT, HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating ot 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 disclosure document: (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 and territory fees constitute 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), entitled "**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), entitled "**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), entitled "**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), entitled "**Choice of forum**", and Item 17(w), entitled "**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.

North Dakota

In North Dakota, the disclosure document is amended as follows to conform to North Dakota law:

Item 17r is amended to add the following: "To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota."

Item 17u (Dispute Resolution by Arbitration or Mediation) is amended to omit any reference to the location of mediation or arbitration.

Item 17v (Choice of Forum) is amended to state "None" under the heading for Section in Agreement and "Not Applicable" under the heading for "Summary."

The franchise agreement includes a waiver of the right to a jury trial. That requirement will not apply to North Dakota franchises and is deemed deleted in each place it appears in the disclosure document and franchise agreement.

The franchise agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchises and is deemed deleted in each place it appears in the disclosure document and franchise agreement.

Rhode Island

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the disclosure document, any litigation (but not arbitration) arising under the franchise agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by § 19-28.1-14 of the Rhode Island Franchise Investment Act, the Agreements will be governed by the laws of the State of Rhode Island.

South Dakota

The following language is inserted at the end of the first paragraph of Item 5 in the disclosure document: "The Initial Franchise Fee, Initial Territory Fee and, if applicable, Additional Territory Fee will not be payable until we have fulfilled all of our pre-opening obligations to you." The third paragraph in Item 5 of the disclosure document is deleted because South Dakota franchisees may not reserve Territories with a Deposit Receipt.

The franchise agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The franchise agreement provides for arbitration in a state other than South Dakota. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with § 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The franchise agreement designates the law of a state other than South Dakota as the governing law, except that the arbitration clause is to be construed under the Federal Arbitration Act and trademark issues are to be construed under the Lanham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement, and interpretation under the governing law specified by the franchise agreement.

Under South Dakota law, any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the disclosure document and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDCL 37-5B-21, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void.

Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from

judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

Virginia

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the franchise disclosure document for American Decorative Coatings, LLC, for use in the Commonwealth of Virginia is amended as follows:

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 ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Washington

The State of Washington has a statute, RCW 19.100.180, which 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 the franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

In Washington, provisions of the franchise agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to 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.

EXHIBIT A

FRANCHISE AGREEMENT

CONCRETE CRAFT

TRANSFORMATIONAL, INSIDE AND OUT.

FRANCHISE AGREEMENT

EXHIBIT A

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STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT
SCHEDULES:
1: Personal Covenant and Guarantee
2: Description of Territory
3: Concrete Craft® Start-up Package
4: Schedule of Names and Addresses of Owners and Principal Officers

FRANCHISE AGREEMENT

This Franchise Agreement (Agreement) is entered into as of _____ (“Effective Date”), between American Decorative Coatings, LLC, a Delaware limited liability company (“Franchisor”), and _____, a(n) _____ proposing to do business in the state of _____ as Concrete Craft _____ (“Franchisee”). Franchisee will begin operation under this Agreement on _____ (“Operating Date”) and will make the first payment of monthly "Fees" (as defined below) on _____.

RECITALS

A. Franchisor is engaged in the administration and development of programs for a mobile business (“Franchised Business”) for the sale and installation of decorative concrete using our expertise (“System”) and Concrete Craft® marks (“Service Marks”), as defined below, as well as other proprietary information owned by, and identified with, Franchisor. Franchisor is the owner of the Service Marks, the System, and all rights in respect of each of them. Franchisor's activities in general, and its franchise program in particular, are undertaken to develop, maintain, and enhance the Service Marks and Franchisor's overall reputation in retail sales and related services relating to decorative concrete.

B. Franchisee wishes to be franchised by the Franchisor to use the System, the Service Marks, and the goodwill of Franchisor to conduct a "Franchised Business" (as defined below). Franchisor is willing to grant to Franchisee a franchise for the System and the Service Marks, in accordance with the provisions of this Agreement and Franchisor's "Confidential Operating Manual," on the terms and conditions set forth below.

C. Franchisee acknowledges that, in the administration of this Agreement and in taking actions with respect to its relationship with Franchisee, Franchisor must take into account the needs of all people operating under the Service Marks, the effect upon those people as a whole, and the need to protect the Service Marks for the benefit of those people and Franchisor.

1. DEFINITIONS

1.1. Affiliate

An "Affiliate" of Franchisor or Franchisee, as the case may be, means all people in the following categories when they are conducting business activities related to Franchisor or Franchisee: (a) all people who Control, are Controlled by, or are under common Control with, Franchisor or Franchisee; (b) all direct or indirect shareholders, partners, members, or owners of Franchisor or Franchisee, regardless whether they Control Franchisor or

Franchisee; and (c) all officers, directors, employees, and agents of Franchisor or Franchisee and of Franchisor's or Franchisee's other Affiliates.

1.2. Control

"Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract, or otherwise.

1.3. Fees

“Fees” means the Continuing Royalty, Advertising Fee, Technology Fee and Telephone Fee as more particularly described in Article 4.

1.4. Franchised Business

The term "Franchised Business" means maintaining and operating a retail operation for the sale and installation of decorative concrete products to customers located in the Territory of Franchisee, in accordance with the System and using the goodwill associated with the Service Marks, all upon the terms and conditions stated in this Agreement. For purposes of this Agreement, a customer is located in the Territory if the location where the Franchised Business’s services will be performed is located in the Territory.

1.5. Handbook

The term “Handbook” means Franchisor’s Confidential Operations Handbook to be referenced by Franchisee in operating the Franchised Business. The Handbook will be made available on Franchisor’s electronic portal. The Handbook includes all amendments and supplements prescribed by Franchisor from time to time.

1.6. Key Account

The term "Key Account" means any (a) potential or existing customer that has multiple sites, offices, or retail premises across two or more franchised territories; (b) any home improvement retail or wholesale outlet, construction company, contractor, or similar business whose clientele includes potential customers for decorative concrete across two or more franchised territories, and (c) referral sources that offer to refer customers across two or more franchised territories to Franchisor for a fee.

1.7. Manager

The term "Manager" means the employee or agent of Franchisee who has been designated by Franchisee as the person responsible for the day-to-day operation of the

Franchised Business and who has successfully completed Initial Training. If Franchisee is an individual, Franchisee may be the Manager.

1.8. Manual

"Manual" is the Confidential Operations Manual consisting of the collection of policies and procedures (regardless of title) to be adhered to by Franchisee in performing under this Agreement. The Manual will be made available on Franchisor's electronic portal. The Manual includes all amendments and supplements prescribed by Franchisor from time to time.

1.9. Materials

The term "Materials" means all forms, contracts, agreements, signs, displays, stationery, and other items permitted or required by Franchisor to be used in the operation of the Franchised Business.

1.10. Marks

The term "Marks" means "CONCRETE CRAFT®" and all other proprietary marks registered or pending with the United States Patent and Trademark Office, as well as all common law trademarks and Marks, trade names, logotypes, insignias, designs, and other commercial symbols which Franchisor uses and authorizes others to use to identify the Franchised Business.

1.11. Products

The term "Products" means decorative concrete products including concrete sealers, coatings and stains.

1.12. Showroom

The term “Showroom” means a fixed retail location for the display and/or sale of decorative concrete products and services.

1.13. System

The term "System" means a comprehensive marketing and operational system, as amended from time to time, prescribed by Franchisor to be used in the conduct of the Franchised Business, as described in this Agreement, the Manual and the Handbook. The System includes, among other things, the Marks and certain advertising, marketing and sales programs and techniques, Franchisor-controlled telephone numbers, training programs and materials, artwork, graphics, and layouts, slogans, names, and titles, text, and other intellectual property that Franchisor makes available to Franchisee. Franchisor, in its sole discretion, may improve and/or change the System from time to time (including

adding to, deleting, or modifying elements of the System, establishing categories or classifications of franchisees, and amending the Manual and/or the Handbook) for the intended purpose of making the System more effective, efficient, economical, or competitive, adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions, enhancing the reputation or public acceptance of the System, and/or better serving the public.

1.14. Territory

The term "Territory" means the geographic area described in the attached Schedule 2, which is defined by U.S. Postal Service ZIP Codes (the boundaries of which are subject to adjustment by the Postal Service). On the Effective Date, the Territory consists of approximately 100,000 households, but the number of households (and the number of people per household) is subject to growth and shrinkage over the Term.

1.15. Transfer

The term "Transfer" means any direct or indirect sale, assignment, transfer, conveyance, delegation of duties, gift, declaration of trust, pledge, mortgage, hypothecation, or other encumbrance, voluntarily or involuntarily, by operation of law or otherwise, whether as a single transaction or as part of a series of transactions, of any interest in a person, this Agreement, or all or substantially all of the assets of a person.

2. THE FRANCHISED BUSINESS

2.1. Grant of Franchise

Franchisor grants to Franchisee, and Franchisee accepts, a franchise (“Franchise”) to participate in and use the System by conducting the Franchised Business solely within the Territory in strict accordance with this Agreement and the Manual, from the Operating Date until the end of the Term, unless sooner terminated. **Nothing contained in this Agreement may be interpreted as a guarantee of success.** Franchisee retains the right to conduct businesses and perform services other than the Franchised Business, but subject to the restrictions on engaging in competitive activities under Section 8.10, and subject to all other applicable provisions of this Agreement and the Manual. Franchisee may not use the Marks, all or any part of the System, or any of Franchisor's other proprietary information in connection with any other businesses or services without the express prior written permission of the President or other executive officer of Franchisor, which permission, if granted, will bring the other businesses or services within the scope of the Franchised Business.

2.2. Limited Exclusivity

(a) Except as provided in paragraphs (b), (c), (d) and (e) of this section, during the Term, Franchisor will not franchise any third party to establish or operate within the

Territory, any other business that both sells and installs decorative concrete using the System and the Service Marks.

(b) Franchisee may not contract with Key Accounts. Franchisee agrees that, from time to time, Franchisor may enter into agreements with Key Accounts that contemplate performance in multiple territories, including the Territory, of sales or installations of, or other services regarding, decorative concrete. If Franchisee wishes to service Key Accounts in the Territory as Franchisor's subcontractor, it shall sign Franchisor's then-current Master Services Agreement which shall govern all work performed by Franchisee for Key Accounts. Franchisee may choose whether to service any particular Key Account on a case by case basis. If Franchisee chooses to opt out with respect to any Key Account in the Territory, or if Franchisee fails to provide sales, installations, or other services to a particular Key Account in the Territory on any two occasions in a 12-month period, Franchisor may provide or grant others the right to provide sales, installations, or other services with respect to that particular Key Account in the Territory for the remainder of the term.

A customer in the Territory with a job that is too large for Franchisee to undertake or that Franchisee chooses not to service shall be deemed to be a Key Account for purposes of this Section 2.2(b) even if that Key Account is limited to the Territory.

(c) Franchisee acknowledges that, from time to time, opportunities may arise to participate in joint marketing efforts with other Concrete Craft® franchisees. If Franchisee is afforded the opportunity to participate in joint marketing efforts but declines to do so, the participating Concrete Craft® franchisee must offer any leads for the Territory generated as a result of the joint marketing effort to Franchisee on reasonable terms and conditions (including maximum lead fees per referral) specified from time to time in the Manual. If the participating franchisee complies with Franchisor's guidelines on the offering terms for the leads and Franchisee declines to accept the lead on the terms offered, then the participating franchisee will not be required to turn over the lead to Franchisee and the participating franchisee may instead work the lead in the Territory without compensation to Franchisee.

(d) Franchisee agrees that if, as a result of Franchisee's default of this Agreement and as an alternative to termination, Franchisor withholds customer leads generated on Franchisee's behalf by Franchisor as described in sections 8.11(e) and 10.6 of this Agreement, Franchisor may provide or grant other franchisees the right to provide sales, installations or other services with respect to those customer leads in the Territory until Franchisee cures the breach.

(e) Except to the limited extent expressly provided in paragraph (a) of this section the rights granted to Franchisee under this Agreement are non-exclusive and Franchisor expressly reserves all other rights, including the exclusive, unrestricted rights, directly and indirectly, itself and through its employees, representatives, franchisees, licensees, assigns, agents, and others: (i) to own and operate, and to franchise others to own and

operate, decorative concrete businesses using the System and the Marks at any location outside the Territory; (ii) to solicit, sell to, and service Key Accounts and the clients of those Key Accounts, wherever located (including within the Territory), subject to compliance with paragraph (b) of this Section 2.2 and Section 8.16; (iii) to acquire or be acquired by a company that operates and/or franchises decorative concrete businesses within the Territory without using the System and the Marks; (iv) to acquire or be acquired by a manufacturer of products associated with decorative concrete activities; (v) to sell decorative concrete products and services through any other means that do not involve both the System and the Marks (including within the Territory); and (vi) to advertise and promote the System and the Marks at any location within or outside the Territory.

2.3. Reserved Rights

Nothing contained in this Agreement will accord Franchisee any right, title or interest in or to the Marks, System, operational techniques, service concepts, proprietary information, or goodwill of Franchisor, except only those rights granted by this Agreement.

2.4. Area and Scope of Operation

Franchisee will only conduct its Franchised Business within the Territory and must maintain a business address within the Territory even if Franchisee operates out of its own home located outside the Territory. Unless Franchisee will operate out of its own home (in which case Franchisee must still maintain a business address within the Territory and any advertising of the Franchised Business must display the business address within the Territory and not Franchisee's home address), its office must be located within the Territory. Any warehouse or other facilities must be located within the Territory.

Except as to "gray areas," described below, Franchisee may provide sales and service only with respect to locations within the Territory. Franchisee must (i) diligently and effectively promote, market, and engage in the Franchised Business within the Territory, (ii) develop, to the best of its ability, the potential for the Franchised Business from within the Territory, and (iii) devote and focus its full-time attentions and efforts to that promotion and development.

Unless otherwise instructed by Franchisor, Franchisee may operate in unassigned territories known as "gray areas" adjoining the Territory (for this purpose, a "gray area" is an area that is not part of any other franchisee's territory, nor an area served by the Company-Owned Operation). Any operations in gray areas are subject to sale of the territory to another franchisee, to initiation of "company-owned" operations in the gray area, and to Franchisor's rules and regulations, including that any advertising in gray areas (including in telephone directories) can only include Franchisor's toll-free telephone number, and not the local telephone number of Franchisee.

Franchisee does not receive any right of first refusal or other rights of any type to a gray area by virtue of operations in that gray area. Franchisor may sell any gray area

territory at any time, without advance notice to Franchisee. Upon notice from Franchisor, Franchisee will immediately cease all marketing activities in any gray area. Franchisor may give a notice to cease marketing without regard to whether the gray area has been sold to another franchisee. After Franchisor gives notice to cease marketing, Franchisee may (for a maximum of 30 days) complete installations of decorative concrete for which orders were completed before Franchisor gave Franchisee notice to cease marketing in the area.

Franchisee's Initials:

_____

3. LOCATION OF BUSINESS

3.1. Principal Place of Business

Franchisee's principal place of business is at the following location:

_____

3.2. Storage Unit and Office/Warehouse

Franchisor recommends that Franchisee initially use a storage unit at which Franchisee may accept truck delivery of decorative concrete products before installation. At any time, Franchisee may, without further approval from Franchisor, develop an office and/or warehouse provided that the office/warehouse is located within the Territory.

3.3. Showroom

Franchisee does not have to establish a Showroom, but if it decides to do so: (i) the Showroom must be located within the Territory; (ii) Franchisee must ensure the Showroom complies with Franchisor's written specifications and other requirements for Showrooms set forth in the Manual and/or the Handbook; (iii) the Showroom requires Franchisor's prior written approval; and (iv) Franchisee must enter into Franchisor's then-current Showroom addendum. If Franchisee wishes to establish a Showroom, Franchisee will find and submit to Franchisor, for Franchisor's approval, a location for the Showroom and such information regarding the Showroom location as Franchisor may require.

Franchisor will have 14 days from receipt of all the requested information to approve or disapprove the Showroom location. Franchisor has the right to grant or withhold approval of any proposed Showroom location in its business judgment. Franchisee acknowledges and agrees that Franchisor's consent to the location, and any information regarding the location communicated to Franchisee regarding the standard site selection criteria for Showroom locations, does not constitute a representation or warranty of any

kind, express or implied, as to the suitability of the location for a Showroom or for any other purpose. Franchisor's recommendation or consent to the location indicates only that Franchisor believes that the location falls within the acceptable criteria for Showroom locations that Franchisor has established at the time of the consent to the location. Franchisee acknowledges and agrees that Franchisee's selection of the location is based on Franchisee's own independent investigation of the suitability of the location and that Franchisor's approval is not a guarantee or promise of success.

4. PAYMENTS BY FRANCHISEE

4.1. Franchise Fee

If Franchisee is not a party to another franchise agreement with Franchisor, concurrently with Franchisee's signing of this Agreement, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable.

4.2. Territory Fee

Concurrently with Franchisee's signing of this Agreement, if Franchisee is purchasing the Territory from Franchisor (rather than an existing franchisee) Franchisee also will pay Franchisor a Territory Fee of $50,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.

4.3. Continuing Royalty

Throughout the Term of this Agreement, Franchisee will pay a flat fee "Continuing Royalty" of $2,000 (subject to phase-in as described below) for each month or portion of a month. Franchisor may change the frequency of payment and reporting to weekly, and if Franchisor does so, the Continuing Royalty will be adjusted accordingly.

In spite of the uniform Continuing Royalty described above, if the Territory was not franchised by Franchisor immediately before the Effective Date (i.e., this is not a renewal term, and Franchisee did not accept a Transfer of the Territory from another Franchisee), the Continuing Royalty will be decreased during the first two years of the Term. During this phase-in period, Franchisee will pay a Continuing Royalty according to the following schedule:

Months From the Operating Date	Royalty
1st through 6th month	$300
7th through 12th month	$700
13th through 24th month	$1,300
25th and later	$2,000

After the end of the two-year phase-in period, the Continuing Royalty will be $2,000 per month for the rest of the Term of this Agreement.

If Franchisee renews this Agreement, the amount of the Continuing Royalty throughout the renewal term will be the Continuing Royalty provided for in the then-current form of Franchise Agreement being issued by Franchisor (and Franchisee will not be entitled to any phase-in offered under the renewal Franchise Agreement).

(b) Any payment of Continuing Royalty not received when due will be subject to a late fee of $100 and will bear interest at 1.5% per month or the maximum rate permitted by applicable law, whichever is less, from the date due until the date received by Franchisor. Payments not honored due to insufficient funds will be subject to a penalty of $50. Payments of Continuing Royalty are not refundable.

(c) In spite of the Continuing Royalty Rate described in paragraph (a), above, if Franchisee purchased an existing Concrete Craft® business from another franchisee, as a result of which this Agreement was issued to Franchisee, then Franchisee will continue to pay the Continuing Royalty paid by the prior franchisee. For example, if the prior franchisee was in the 20th month of the Term and was paying $1,300, Franchisee will start paying a Continuing Royalty of $1,300, which will increase to $2,000 on the 25th month after the prior franchisee's Operating Date.

4.4. National Advertising Fund

(a) Throughout the Term of this Agreement, Franchisee will pay Franchisor a monthly national advertising fee in the amount specified below. The amount of the national advertising fee is as follows:

Time Period	Monthly Advertising Fee*
Until there are 99 territories	$500
Once there are 100 territories	$700
Once there are 250 territories	$1,000
Once there are 400 territories	$1,500

**For purposes of determining this fee, only franchise agreements within the U.S. will be counted.*

(b) Any payment of national advertising fee not received when due will be subject to a late fee of $100 and will bear interest at 1.5% per month or the maximum rate permitted by applicable law, whichever is less, from the date due until the date received by Franchisor. Payments not honored due to insufficient funds will be subject to a fee of $50. Payments of national advertising fee are not refundable.

(c) Franchisor may in the future establish the Concrete Craft® National Support Services Network, under which qualified representatives will be able to respond to inquiries from customers of Concrete Craft® franchisees. The costs for these services may be reimbursed partially or wholly from the national advertising fee.

(d) On a national or regional basis, Franchisor may impose an additional assessment upon some or all of its franchisees for special designated advertising or promotional activities, if 2/3 of all affected Concrete Craft® franchisees agree to that assessment in writing.

(e) The national advertising fees will be contributed to a general national advertising fund or funds (the "Fund") for such national, regional, local and other advertising and public relations programs and initiatives as Franchisor, in its sole discretion, may deem necessary or appropriate for the promotion or protection of the System. The Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to Franchisee, or to any franchisees, with respect to the Fund. Franchisor has the absolute right to direct the creative concepts, materials, endorsements and media used in the advertising and public relations programs, as well as the placement and allocation of the programs.

(f) The Fund will be used and expended for website development and maintenance, public relations, media costs, commissions, Internet marketing, market research costs, creative costs and production costs including, without limitation, the costs of creating promotions and artwork, printing costs and other costs relating to advertising, promotional and public relations programs and initiatives undertaken by Franchisor. Franchisor reserves the right to place and develop such advertisements and promotions and to market on behalf of the System, either directly or through advertising agencies retained or formed for such purpose.

(g) The Fund will be accounted for separately from the other funds of Franchisor. The Fund may not be used to defray any of Franchisor's general operating expenses, except for any reasonable salaries that Franchisor may incur in activities reasonably related to the Fund's advertising and promotional programs (including, without limitation, conducting market research, managing programs supported by the Fund, and retaining outside agencies), and an administrative fee of 15% of the annual aggregate Advertising Fees received by Franchisor. Any sums remaining in the Fund at the end of a fiscal year must carry over in the Fund to the next fiscal year.

(h) Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of businesses for the benefit of the System as a whole, and that Franchisor undertakes no obligation in administering the Fund to ensure that any particular Franchisee benefits directly or pro-rata from the placement or conduct of such advertising and promotion.

(i) The Fund may not be used for any initiative intended solely to market the sale of franchises. Franchisee acknowledges and agrees, however, that certain activities supported by the Fund, including, without limitation, maintenance of the website, public relations activities, and community involvement activities, may include information about franchising opportunities.

(j) No interest on unexpended national advertising fees will be imputed for the benefit of or payable to Franchisee and no interest on Franchisor expenditures in excess of national advertising fees collected will be imputed for the benefit of, or payable to, Franchisor.

(k) Franchisor will determine the cost, form of media, content, format, production, timing, location (including regional or local concentration and seasonal exposure) and all other matters relating to advertising, public relations, and promotional campaigns.

(l) On or before March 31 of each year Franchisor will deliver to Franchisee a summary statement of receipts and expenditures of the Fund relating to the preceding calendar year, certified to be correct by an officer of Franchisor.

4.5. Technology Fee

Throughout the Term of this Agreement, Franchisee will pay Franchisor a monthly technology fee in the amount specified in the Manual from time to time. The technology fee includes the cost of operating the toll free telephone number (referred to in Section 8.4 below) and upgrades and support for the Concrete Craft® customer relations management software.

4.6. Means and Time of Payment

Franchisee must authorize Franchisor to withdraw continuing royalty fees, national advertising fees, technology fees, telephone fees and all other fees due under this Agreement directly from Franchisee's bank account. Funds to cover fees must be available for withdrawal from Franchisee's bank account from the first day of each month in which payment is due. Franchisee must immediately make arrangements with its bank to authorize these withdrawals. Franchisee must sign any document required by Franchisor to enable its payment to Franchisor of continuing royalties, national advertising fees and any other ongoing fees by electronic funds transfer, pre-arranged draft, sweep of its bank account or any other method of funds transfer, at Franchisor's option.

4.7. Interest on Delinquent Payments

All delinquent payments of any sums due Franchisor will bear interest at 1.5% per month or the maximum rate permitted by applicable law, whichever is less.

4.8. No Accord or Satisfaction

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due under this Agreement, the payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No statement on any payment or in any letter accompanying any payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.9. Fees for Optional Referrals

Unless Franchisee has advised Franchisor in writing of its election not to participate in a particular referral program or Key Account program, Franchisee must pay the referral fees required by the program for any customer referrals Franchisee receives from the program. All referral fees payable as a result of Franchisee's participation in a particular referral program managed by Franchisor are payable to Franchisor at the times specified for the program, but no more frequently than monthly.

4.10. Consumer Price Index

Each amount payable under this Agreement may be increased on April 1 annually by the increase, if any, in the Consumer Price Index for the Los Angeles area for the prior year ended December 31.

5. TERM

5.1. Initial Term

The initial term of this Agreement ("Term") is ten (10) years from the Operating Date, unless sooner terminated under the provisions of this Agreement.

In the event this Agreement is executed in connection with a renewal of an existing franchise agreement or with the grant of an additional term, Section 5.2 below is deemed deleted and is of no force or effect.

5.2. Additional Term

(a) Subject to the terms and conditions contained in this Section 5.2, Franchisee may extend its franchise relationship for two additional five-year terms, upon the following conditions:

(i) Franchisor will notify Franchisee of the expiration date of the Term of this Agreement and will transmit to Franchisee a copy of its then current franchise agreement and franchise disclosure document approximately 180 days before the expiration of the Term.

(ii) After receipt by Franchisee of the then current franchise agreement complete in all material respects, but not later than 30 business days after receipt by Franchisee of the notice, franchise agreement and disclosure document, Franchisee will sign and return the then-current Franchise Agreement. Upon receipt, Franchisor will sign one copy and return it to Franchisee. The new agreement will become effective concurrently upon expiration of the Term of this Agreement. If Franchisee fails or refuses to sign and return to Franchisor the new Franchise Agreement within the time frame stated in this section, all of Franchisee's rights and options to enter into an additional franchise agreement will expire.

(iii) Franchisee will pay a $5,000 renewal fee at the time the new franchise agreement is signed by Franchisee.

(iv) On the Operating Date of the new franchise agreement, Franchisee and its Affiliates may not be in default under this or any other agreement with Franchisor and its Affiliates, and Franchisee must have materially performed all of its obligations under this Agreement over the life of this Agreement.

(b) If Franchisor ceases granting Franchises in the state in which the Franchised Business is operating, Franchisor will notify Franchisee at least 180 days before the expiration of the Term of that cessation, whereupon Franchisee's right to enter into a new franchise agreement will be terminated in its entirety at the end of the Term.

(c) If Franchisor determines not to grant an additional franchise agreement by reason of a default by Franchisee which is incurable or has not been cured by Franchisee within the applicable time period or failure of Franchisee to fully perform its obligations under this Agreement, Franchisor will give Franchisee notice of its intention not to grant an additional term (i) within the minimum time required by the jurisdictional authorities, or (ii) in the absence of a specific period, within 30 days after Franchisee gives its notice of its wish to enter into a new franchise agreement but not less than 90 days before the termination date of this Agreement.

(d) After the signing by Franchisee of a subsequent franchise agreement, and before the effective date of the new franchise agreement, Franchisee will bring its Franchised Business into full compliance with the standards then applicable to new Concrete Craft® franchisees.

5.3. Notice of Expiration Required by Law

If applicable law requires that Franchisor give a longer period of notice to Franchisee than provided in this Agreement prior to the expiration of the Term, Franchisor will give the additional required notice. If Franchisor does not give the required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received the required additional notice.

6. INTELLECTUAL PROPERTY

6.1. Marks

(a) Franchisor grants to Franchisee the right during the Term to use and display the Marks in accordance with the provisions contained in this Agreement and in the Manual, solely in the operation of the Franchised Business. Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services used by Franchisee in which the Marks are used. Franchisee agrees to be responsible for and to supervise all of its employees and agents to insure the proper use of the Marks in compliance with this Agreement. Franchisee will use the Marks solely in the Franchised Business and may not use or display the Marks in the operation of any business, the performance of any other service, or the conduct of any other activity outside the scope of the Franchised Business. Franchisee agrees that all of Franchisee's use of the Marks under this Agreement inures to the benefit of Franchisor. Nothing in this Agreement will give Franchisee any right, title, or interest in or to any of the Marks, except a mere privilege and franchise during the Term to display and use the Marks strictly according to the limitations provided in this Agreement and the Manual. Franchisee agrees that all art work, graphics, layouts, slogans, names, titles, text, or similar Materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, its employees, agents and subcontractors and any other party with whom Franchisee contracts to have the Materials produced will become the sole property of Franchisor, including copyright and trademark rights, and Franchisee agrees on behalf of

itself, its employees, its agents, its subcontractors, and any other party with whom it may contract to have the materials produced, to promptly sign any and all appropriate documents in this regard. Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee will consent in writing to the cancellation and will join in any cancellation petition. The expense of any of the foregoing recording activities will be borne by Franchisor.

(b) Franchisor has advised Franchisee that the name "Concrete Craft®" may have been used by other people in the conduct of a decorative concrete business prior to Franchisor's registration of its Mark and that those prior users may have the legal right to continue to use the name "Concrete Craft®" in the geographical area in which they have used it. Franchisor has further advised Franchisee that the mechanisms for determining whether a particular trade name is being used by another person (i) vary substantially from locale to locale and Franchisor cannot assure Franchisee that the name "Concrete Craft®" is not currently being used in the Territory; (ii) may require a search of local trademark and Mark registration records, fictitious business name filings, or both, or some other records maintained by city, county, or state agencies or entities; and (iii) may be imperfect and fail to reveal some protected uses. Franchisee understands that, before signing this Agreement and accepting the Territory, Franchisee should have obtained advice from local counsel regarding the appropriate search and protection mechanisms and have conducted an appropriate search and investigation in the Territory to determine whether there is any prior user of the name "Concrete Craft®".

(c) The name "Concrete Craft®" may be in use by other businesses in the United States who are not Franchisor's franchisees or in any way affiliated with Franchisor. Franchisee acknowledges that Franchisee is responsible for finding out whether the name "Concrete Craft®" is already being used in the Territory. As a material part of the consideration for Franchisor's grant of a franchise to Franchisee, Franchisee waives any claim that Franchisor is liable to Franchisee for damages or losses resulting from any prior use of the name "Concrete Craft®" by anyone else. Nothing in the preceding sentence, however, will be considered to limit a party's respective obligations under Section 6.6 below.

6.2. Acts in Derogation of the Franchisor's Rights

(a) Franchisee agrees that the Marks are the exclusive property of Franchisor. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership by virtue of Franchisee's licensed use of the Marks or otherwise. Ownership and title of the Marks and Franchisor's manuals, bulletins, instruction sheets, forms, methods of operation, and goodwill are and will remain vested solely in Franchisor, and Franchisee's right of use is only co-extensive with the Term of this Agreement. Franchisee acknowledges that the material and information now and from now on provided

and/or revealed to Franchisee under this Agreement (including the contents of the Manual and the Handbook) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee will keep and respect the confidences so reposed, both during and after the Term of this Agreement. Franchisor expressly reserves all rights with respect to the Marks, confidential trade secrets, methods of operation, and other proprietary information, except as expressly granted to Franchisee in this Agreement or in the Manual. Franchisor will disclose its trade secrets to Franchisee by loaning to Franchisee for the Term of this Agreement the Manual and other written materials containing the trade secrets, through training and assistance provided to Franchisee, and by and through the performance of Franchisor's other obligations under this Agreement. Franchisee acknowledges that Franchisor is the sole owner of all proprietary information and trade secrets, that the information is being imparted to Franchisee only by reason of its special status as a Franchisee of the System, and that the trade secrets are not generally known to the decorative concrete industry or public at large and are not known to Franchisee except by reason of the disclosure. Franchisee further acknowledges that it will acquire no interest in the trade secrets, other than the right to use them in the development and operation of the Franchised Business during the Term of this Agreement. In addition, Franchisee acknowledges that the use or duplication of the trade secrets except as expressly permitted by this Agreement will constitute an unfair method of competition and that Franchisor will suffer irreparable injury by it. Franchisee agrees that it will not do or permit any act or in derogation of any of the rights of Franchisor in the Marks, either during or after the Term of this Agreement, and that Franchisee will use the Marks only for the uses and in the manner franchised under and as provided in this Agreement. Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that impairs the goodwill associated with the Marks.

(b) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs, and other display materials, on its letterheads, business forms, and at all authorized business sites, in all of its business dealings related to them and to the general public, it will identify the Franchised Business under a fictitious business name, approved by Franchisor, together with the words "AN INDEPENDENTLY OWNED AND OPERATED FRANCHISEE" or any other similar designation that is prescribed by Franchisor, all in the form, size, and style as prescribed in the Manual and the Handbook. In its sole discretion, Franchisor retains the right to deny the use of certain words or phrases in the fictitious business name. Franchisee will file and keep current a "Fictitious Business Name Statement" (or similar document) with respect to its fictitious business name in the county or other designated region in which Franchisee is conducting business and at any other places as may be required by law. Prior to beginning business under the Marks, Franchisee will supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious business names. Franchisor must approve in advance the total appearance of the fictitious business name (and other identifying words). Franchisee further agrees that it will not identify itself as (i) Franchisor; (ii) a subsidiary, parent, division, shareholder, partner, joint venturer, agent, or employee of Franchisor or other owner of the Marks or (iii) any of

Franchisor's other franchisees. If Franchisee is a corporation, Franchisee will not use in its corporate name either the Marks or any words confusingly similar thereto.

6.3. Use and Modification of Marks

Franchisor may add to, substitute, or modify any or all of the Marks from time to time, by directive in the Manual. Franchisee will accept, use, display, or cease using, as may be applicable, the Marks, including any modified or additional trade names, trademarks, Marks, logotypes, and commercial symbols, and will within 30 days of receiving notification, begin to implement the changes and use its best efforts to complete the changes as soon as practicable at its own expense. On the expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, sign in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and fictitious business name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

6.4. Use of Other Trademarks

Franchisee may not use or display or permit the use or display of trademarks, trade names, Marks, insignias or logotypes, other than the fictitious business name (i) in any advertisement that contains the words "Concrete Craft®" or any other Marks; (ii) in or on any place of business of Franchisee in any manner that is reasonably visible from outside the place of business; or (iii) in any computer system used at any place of business of Franchisee, or otherwise in connection with the Franchised Business, in any manner that could lead any person to believe that the other trademarks, trade names, Marks, insignias, or logotypes or the products or services with which they are associated are owned or offered by the Franchisor or its Affiliates, except as otherwise expressly permitted in this Agreement or in the Manual.

6.5. Prohibition Against Disputing Franchisor's Rights

Franchisee may not, during or after the Term of this Agreement, in any way, dispute or impugn the validity of the Marks, the rights of Franchisor to the Marks, or the right of Franchisor or other franchisees of Franchisor to use the Marks.

6.6. Mark Infringement Claims and Defense of Marks

If Franchisee receives notice or otherwise becomes aware of any claim, suit, or demand against it by any party other than Franchisor or its affiliates, on account of any alleged infringement, unfair competition, or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, Franchisee will promptly notify Franchisor of the claim, suit, or demand. Franchisee may not settle or compromise any such claim, suit, or demand by a third party without the prior written consent of Franchisor. Franchisor will defend, compromise, or settle at its discretion any such claim, suit or

demand at Franchisor's cost and expense, using attorneys selected by Franchisor, and Franchisee agrees to cooperate fully in the matter. Provided that Franchisee has fully complied with the obligations of this section, Franchisor will indemnify Franchisee against all judgments resulting from any claim, suit, or demand arising from Franchisee's use of the Marks in accordance with the terms of this Agreement. Franchisor will have the sole discretion to determine whether a similar trademark or Mark being used by a third party is confusingly similar to the Marks being used by Franchisee and whether and what subsequent action, if any, should be undertaken with respect to the similar trademark or service mark.

6.7. Use of Marks on the Internet

(a) Franchisee may not develop, create, generate, own, franchise, lease, or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols, or terms confusingly similar to any of them without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Without limiting the generality of the foregoing, Franchisee will not cause, permit or allow the Marks, or any of them, or any words, symbols or terms confusingly similar to any of them, be used or displayed in whole or part: (i) as, or as a part of, an Internet domain name; (ii) as, or as a part of, a uniform resource locator (or "URL," the unique address assigned to each page of a Web site) at any level or address; or (iii) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag (or the comparable identifier in any future technology) or other Internet-related activity, without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Franchisee may not link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) to any other Web site or authorize any third party to link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(b) Except as provided below, Franchisee may not use, nor authorize any third party to use, the Marks to advertise, promote, offer, or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (i) which are offered at or from the Franchised Business; (ii) which bear any of the Marks; or (iii) which are otherwise offered or sold under the Marks. Franchisee may, however, use the Marks to sell goods or services through the Internet in compliance with the Manual or with Franchisor's prior written consent, but then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(c) Franchisor is the owner of, and will retain all right, title, and interest in and to the domain name "Concrete Craft", the URLs: “www.americandecorativecoatings.com” and “www.concretecraft.com”, all existing and future domain names, URLs, addresses and subaddresses (including the Franchisee Page subaddresses), all computer programs and computer code (e.g., HTML, Java) used for or on Franchisor's Web site, excluding any computer programs and computer code owned by third parties (collectively, “Software”), all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data prepared for, used on or in connection with, displayed on, or collected from or through Franchisor's Web site (collectively, "Content), and all intellectual property rights in or to any of them.

6.8. Use of Marks in Social Media

(a) Franchisee may not promote the Franchised Business or use the Marks in any manner on any social media site existing now or in the future (including, without limitation, on blogs, vlogs, Facebook, LinkedIn, Twitter, Instagram, Flickr, Tumblr, Pinterest, Google+, Vine and Snap Chat) or on file-, audio- or video-sharing sites, other than in accordance with Franchisor’s written standards. Franchisor has final authority over all social media marketing, and Franchisee must comply with Franchisor’s brand standards regarding use of social media in the operation of the Franchised Business. Franchisee may not post communications about the Franchised Business or the System that would disclose the System’s confidential or proprietary information, violate any relevant laws, regulations or guidelines or violate the terms of use imposed by the social media site. Franchisee may not post communications about the Franchised Business or the System on any public-facing social media site that is not authorized by Franchisor for use by Franchisee. Franchisee must ensure that policies it adopts for its employees’ social media use are consistent with the requirements for social media advertising set forth herein.

(b)Franchisor is under no obligation to provide Franchisee with access to branded social media pages or other social media assets. Any social media pages or other social media assets that Franchisor, in its sole discretion, chooses to make available to Franchisee will be provided only on condition that Franchisee updates them regularly. Any such social media pages or other social media assets maintained by Franchisee shall be deemed “advertising” and shall be subject to all terms of this Section 6.8. Franchisor has the right, but not the obligation, to conduct social media campaigns on behalf of all, or any subset of, Franchisees via local social media.

6.9. Copyrights

Franchisee acknowledges that Franchisor owns the worldwide copyrights and other intellectual property rights to all components of the System that are original works of authorship subject to copyright, including, without limitation, the Manual, the Handbook, marketing materials, website text, artwork, photographs, musical compositions, sound recordings, audiovisual works, computer software, and architectural designs (collectively,

the “Copyrighted Materials”). Franchisee acknowledges and agrees that it may not make translations, copies, adaptations of or modifications to the Copyrighted Materials without the prior written consent of Franchisor.

Neither this Agreement or the operation of the Franchised Business in any way gives Franchisee any interest in the Copyrighted Materials other than the right to use the Copyrighted Materials solely in connection with the Franchised Business, solely in accordance with the terms and conditions of this Agreement and solely during the term of this Agreement.

Franchisee acknowledges that Franchisor will own the copyrights and all other rights to translations, modifications and adaptations of or to the Copyrighted Materials made by Franchisee from time to time. Franchisee hereby assigns to Franchisor its copyrights and economic rights and waives any moral rights and similar rights with respect to the translated, modified or adapted Copyrighted Materials, and agrees to execute any all instruments and documents, render such assistance and perform such acts and things as may, in the opinion of Franchisor, be necessary or advisable in the furtherance of such assignment and waiver. Franchisee will require the same assignment, waiver and covenant in favor of Franchisor by Franchisee’s officers and employees and by any independent contractors or other third parties who translate, modify or adapt the Copyrighted Materials.

7. INSTRUCTION AND OPERATING ASSISTANCE

7.1. Initial Training

Unless the Initial Franchise Fee was waived under Section 4.1, immediately before the Operating Date, Franchisor will provide training to Franchisee's Manager in the System (including instruction in decorative concrete design and product installation, sales and marketing techniques, advertising techniques, availability and differences of decorative concrete coatings, and Franchisor's policies and procedures (“Initial Training”). Franchisor will determine the duration of and the time(s) and place(s) at which the Initial Training will be conducted. The Manager must complete Initial Training before the Operating Date. Franchisor will provide the Initial Training to additional responsible management people as requested by Franchisee, subject to the provisions of Section 7.2. Before beginning the Initial Training, the Manager must deliver to Franchisor a signed confidentiality agreement in the form included in the Manual. At or immediately before Initial Training (unless the Initial Franchise Fee was waived under Section 4.1), Franchisor will provide Franchisee with the Concrete Craft® Start-Up Package, comprised of those items enumerated in Schedule 3 to this Agreement.

As part of the Concrete Craft® Start-Up Package, Franchisor will pay up to an aggregate $500 in transportation costs for Franchisee's Manager to attend Initial Training, and charges for one hotel room for training nights (including the weekend nights between

the first and second weeks of training) and the night immediately prior to training at a hotel of Franchisor's choice. Franchisee or its Manager is responsible for car rental, meals, and entertainment during training.

7.2. Additional Attendees

Provided there is sufficient room in an Initial Training class, Franchisor will allow additional responsible management people designated by Franchisee to attend Initial Training. People attending Initial Training must have a demonstrable relationship to the management and operation of the Franchised Business by Franchisee. Prior to beginning training, each person must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manual. Franchisor will not assess a training fee for Franchisee and Franchisee's Manager. Franchisor reserves the right to assess a reasonable charge, not to exceed $150 per day, for training additional attendees. At Franchisor's discretion, any additional trainees may not be allowed to participate in field trips or vendor visits during the Initial Training.

7.3. Staff Training

Franchisee and the Franchisee's management personnel attending initial are responsible for training Franchisee's other staff and other management personnel in connection with their respective roles/positions at the Franchised Business. Franchisee may utilize certain of Franchisor's confidential information and proprietary materials, including the Manual and the Handbook, when conducting training but only to the extent necessary to conduct such training and only pursuant to Franchisor's confidentiality terms and conditions.

7.4. Remedial Training

If Franchisor determines that Franchisee is operating the Franchised Business in a manner that is not consistent with the terms of this Agreement or the Manual or the Handbook, or if Franchisee is otherwise in material default of this Agreement, Franchisor may require that Franchisee and/or Franchisee's management personnel attend and complete up to 14 days of training at (a) Franchisor's designated training facility, (b) Franchisee's Franchised Business or (c) other location Franchisor designates, that is designed to address the default or other noncompliance issue. Franchisor reserves the right to charge Franchisee its then-current training fee for Franchisee and any other person that is required to attend such training, and Franchisee will be responsible for the costs and expenses associated with Franchisee and any other required trainees attending such training.

7.5. Start-Up Package

Franchisee will receive the Concrete Craft® Start-Up Package described in Schedule 3 to this Agreement if the initial franchise fee is paid in full.

7.6. Staff Training Courses

(a) Franchisor may make available to Franchisee, from time to time, optional staff training courses, seminars, conferences, or other programs, in a suitable location in Franchisor's discretion. Following Initial Training, Franchisor reserves the right to exclude prospective trainees from any further training courses who have not attended prior Franchisor training courses which Franchisor believes to be necessary for the trainee to have taken first.

(b) Upon reasonable notice, Franchisor may require attendance of designated personnel of Franchisee at training courses, seminars, conferences, or other programs other than Initial Training that are considered by Franchisor to be relevant or appropriate to the successful operation of the System. Franchisor will charge no fees for required training courses, seminars, conferences, or other programs.

(c) In connection with any staff training courses described in Sections 7.2 and 7.3 above, Franchisee will pay the travel, hotel and meal expenses for Franchisee's attendees.

7.7. Continuing Assistance

Representatives of Franchisor will be available on an ongoing basis during normal business hours for consultation and guidance with respect to the operation and management of the Franchised Business. In addition to the Handbook, Franchisor may from time to time provide Franchisee with additional materials and/or training relating to the Franchised Business.

Additionally, Franchisor may, at its cost, provide or facilitate bookkeeping services and/or structured coaching with respect to aspects of the Franchised Business as Franchisor determines appropriate. If Franchisor facilitates such bookkeeping services and/or structured coaching utilizing third party contractors, Franchisee consents to such contractors sharing with Franchisor all financial and other information concerning Franchisee's business derived during the course of such coaching.

7.8. Annual Convention

Franchisor may hold and require Franchisee (or at least one of Franchisee's owners if Franchisee is an entity) and Franchisee's manager to attend an annual convention or meeting of franchisees (the "**Annual Convention**"). In addition to being responsible for any travel, accommodations, wages and all other expenses for Franchisee's representatives attending the Annual Convention, Franchisee will pay Franchisor, at Franchisor's option, the fee that Franchisor designates for each attendee at the Annual Convention. The fee will generally reflect Franchisor's direct and administrative costs of organizing and providing the programs and materials for the Annual Convention. If Franchisee (or a required representative) fails to attend a mandatory Annual Convention,

in addition to any other remedies available to Franchisor pursuant to this Agreement, Franchisor reserves the right to charge Franchisee a nonattendance fee in an amount not to exceed the applicable registration fee for the Annual Convention.

7.9. Proprietary Materials

At Initial Training or other training programs (if any), Franchisor will provide to Franchisee proprietary information for use in connection with the training of Franchisee's staff. At Initial Training, Franchisor will grant Franchisee electronic access to the Manual and the Handbook for Franchisee's use during the Term of this Agreement. Franchisor may also from time to time make available to Franchisee for purchase certain materials relevant to the System and the Franchised Business. Franchisee may not, and may not allow its employees or others, to copy, reproduce, disseminate, or otherwise reveal to third parties any of the foregoing proprietary information and related materials without Franchisor's express prior written consent.

8. OPERATION OF BUSINESS

8.1. Franchisee Operational Requirements

(a) Manager. Franchisee will employ or engage the services of, on a full time basis, at least one Manager who will devote his or her entire time and attention during normal business hours, as defined in the Manual, to the management, operation, and development of the Franchised Business and will not engage in any other business activity requiring his or her active participation during normal business hours.

(b) Vehicle. At any time after the Effective Date, but before the Operating Date, Franchisee must purchase or lease at Franchisee's expense a motor vehicle meeting Franchisor's standards, as set forth in the Manual and the Handbook (a "Vehicle") for use in the Franchised Business. As part of the Concrete Craft® Start-Up Package, Franchisor provides signage displaying the Concrete Craft® logo. You must retain (at your expense) a vendor of your choosing to affix the signage to the Vehicle (placement of the signage on the Vehicle must be in accordance with the specifications of Franchisor as described in the Manual and the Handbook). Any subsequent modifications to the Mark and distinctive logo on the side of the Vehicle will be at Franchisee's expense. Franchisee will be responsible for all operating and other expenses associated with the Vehicle. Franchisee will deliver to Franchisor a copy of the bill of sale or lease for the Vehicle within ten days after Franchisee purchases or leases it. Franchisee must at all times maintain a policy of comprehensive liability insurance that meets specifications stated in the Manual with Franchisor as an additional named insured. The insurance requirements of the preceding sentence will survive so long as Franchisee uses the Vehicle in any business operating under the fictitious business names. If this Agreement is terminated, for whatever reason, Franchisee will immediately remove the name and logo of Concrete Craft® from the Vehicle and cease any further use of that name and logo.

(c) Approved Vendors. Franchisee must purchase Products only from Franchisor and approved suppliers. Any purchases by a Franchisee from any vendor other than Franchisor and approved suppliers will be considered a material breach of this Agreement and constitutes grounds for immediate termination of this Agreement upon written notice from Franchisor. If Franchisee purchases from a vendor other than Franchisor or an approved supplier, Franchisor also has the right, at its option, in lieu of termination, to redirect gray area and national account leads that would otherwise be directed to Franchisee to another compliant franchisee of Franchisor's choice. In addition, Franchisee will be required to purchase from Franchisor or approved suppliers samples, marketing materials, or other items necessary to sell decorative concrete products and services, as well as stationery and business cards containing Franchisor's proprietary Marks. In order to protect the System and its good standing with vendors, Franchisee must pay vendors on time and notify Franchisor of any amounts payable to vendors more than 90 days past due.

(d) Technology and Computer Systems. Franchisor has the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by, between, or among the Franchised Business, including without limitation: (1) back office and point of sale systems, mobile devices, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Franchised Business, between or among Franchised Businesses, and between and among Franchisee's Franchised Business and Franchisor, its designee, and/or Franchisee; (2) physical, electronic, and other security systems; (3) printers and other peripheral devices; (4) archival back-up systems; and (5) Internet access mode (e.g., form of telecommunications connection) and speed (collectively, the "Computer System"). Franchisee must purchase or lease, and thereafter maintain, the Computer System, and comply with Franchisor's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manual or the Handbook or otherwise in writing.

(i) Franchisor's Use of Data

Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Franchisor deems necessary or desirable, including, without limitation, the uses identified in Section 8.1(d) above. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it must strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and will otherwise operate its Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its

expense, that Franchisee must keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee must promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone, and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee must provide to Franchisor, upon Franchisor's request, all email lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

(ii) Required Programs

Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee ~~will~~ must install; (c) the tangible media upon which Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; (e) an electronic portal for informational assistance with may include, without limitation, the Manual, Handbook, training, other assistance materials, and management reporting solutions; and (f) answering service requirements.

(iii) Upgrades and Access

Franchisee agrees to install and use the Computer System and Required Software in the manner that Franchisor requires. Franchisor may charge a reasonable software license fee for any Required Software. Franchisee agrees to implement and periodically update and make other changes to the Computer System and Required Software as Franchisor requests in writing, which shall not be more often than one upgrade per year (collectively, "Computer Upgrades"). Franchisee will comply with Franchisor's written specifications (whether in the Manual, Handbook or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Franchisor requests. Franchisee must provide Franchisor with user identifications and passwords required to access files and other information contained on the Computer System.

Because changes to technology are dynamic and not predictable within the

Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies and data security, whether published in the Manual or Handbook or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's new standards (and with Franchised Business audits conducted by Franchisor or its designee to confirm Franchisee's compliance) as if this Section, and other technology provisions in this Agreement, were periodically revised for that purpose.

(e) Extranet/Electronic Portal. Franchisee must comply with Franchisor's requirements (as set forth in the Manual or the Handbook or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet and/or electronic portal and/or such other computer systems as Franchisor may reasonably require. The term "Extranet" means a private network based upon Internet protocols that will allow users inside and outside of Franchisor's headquarters to access certain parts of Franchisor's computer network via the Internet. Franchisor may establish an Extranet and/or electronic portal (but is not required to do so or to maintain an Extranet and/or electronic portal). Franchisee must comply with Franchisor's requirements (as set forth in the Manual or the Handbook or otherwise in writing) with respect to connecting to the Extranet and/or electronic portal, and utilizing the Extranet and/or electronic portal in connection with the operation of the Franchised Business. The Extranet and/or electronic portal may include, without limitation, the Manual, the Handbook, training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct).

Franchisee must purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet and/or electronic portal. Franchisor reserves the right to require Franchisee to contribute a reasonable amount toward the cost of the Extranet's and/or electronic portal's maintenance and further development. If Franchisee fails to comply with any policy or procedure governing the Extranet and/or electronic portal, Franchisor may temporarily suspend Franchisee's access to all or any aspect of the Extranet and/or electronic portal (such as a chat room, bulletin board, listserv or similar feature) until Franchisee fully cures the breach. Franchisee will not have any claim against Franchisor or any affiliate arising from such suspension from the Extranet and/or electronic portal pursuant to this Section 8.1(e), and Franchisee hereby waives any such claim it may at any time have and releases Franchisor and its affiliates from any liability arising therefrom.

Franchisee and Franchisor shall each be responsible for protecting their own interests in relation to electronic communications. Franchisor shall have no liability to Franchisee on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss, or omission arising from or in connection with electronic

communication of information.

(f) Customer Relations. Except as otherwise specified by Franchisor in the Manual or Handbook or otherwise, Franchisee must immediately resolve any customer complaints regarding the quality of products or service of the Franchised Business or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee must use reasonable efforts to resolve the customer complaints as soon as practical. If Franchisor determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Franchisor believes that Franchisee has failed adequately to address or resolve any customer complaints, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee must pay Franchisor immediately on demand. **It is strictly prohibited to use a deposit received from a customer for the purchase of product for any other purpose, including the placement of product orders for other customers.**

(g) Taxes. Franchisee will pay any and all personal property, income, sales, use, excise, ad valorem, and other taxes, regardless of source or nature, which may be imposed, levied, assessed, or charged on, against, or in connection with, the Franchised Business or any product or service sold or furnished by Franchisee under this Agreement or otherwise, by any federal, state, county, municipal, or other governmental agency or subdivision which may have jurisdiction over the Franchised Business or the products or services offered in connection with it.

(h) Minimum Working Capital. Franchisor strongly suggests (but does not require) that Franchisee should have a minimum working capital of not less than $60,000 after paying the Initial Franchise Fee and Territory Fee, but before beginning of operations. Depending upon the circumstances, Franchisee may need considerably greater working capital. This working capital is to be used for initial advertising, Vehicle expenses, the office equipment required by Franchisor as well as miscellaneous other office equipment, insurance, all necessary business, contractors or other licenses required by Franchisee's state to do business, initial tools and supplies, deposits, initial start-up costs, and related expenses. Those amounts (some of which may be paid to Franchisor and other amounts to outside vendors in connection with various expenses) are generally non-refundable. Whether any amounts paid to third parties are refundable depends upon the agreements with the third parties.

(i) Staffing. From time to time, Franchisee will hire the additional full-time and part-time staff that Franchisee considers necessary to operate the Franchised Business properly. Although Franchisor may make recommendations to Franchisee (in the Handbook or otherwise) concerning employees, Franchisee will be solely responsible for all hiring, firing, and discipline issues concerning its employees. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor. Franchisor has no right or obligation to direct Franchisee's employees or to operate the Franchised Business.

Franchisee will indemnify Franchisor (under Section 13.3, below) for all claims arising out of or relating to Franchisee's employees and Franchisee's hiring, firing, and discipline decisions concerning those employees.

8.2. Manual and Handbook

(a) Franchisee will operate the Franchised Business in accordance with the Manual and the Handbook. Franchisor will have the right to modify the Manual and the Handbook at any time by the addition, deletion or other modification of the provisions of the Manual and the Handbook. Franchisor agrees that although the modifications to the Manual and the Handbook may be material in that they may have an effect on the operation of the Franchised Business, they may not conflict with or materially alter the terms of this Agreement. All additions, deletions or modifications will be effective the next business day after notification is posted on Franchisor's electronic portal.

(b) All additions, deletions, or modifications to the Manual and the Handbook will be equally applicable to all similarly-situated Franchisees. The Manual and the Handbook, as modified or amended from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. References to the Manual or the Handbook made in this Agreement, or in any amendments or exhibits to this Agreement, will be considered to mean the Manual or the Handbook, as the case may be, as amended from time to time.

(c) Except as specifically permitted by Franchisor, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Manual or the Handbook or disclose the terms of either of them to any other person except employees and agents of Franchisee when required in the operation of the Franchised Business.

8.3. Local Area Marketing

(a) Franchisee must use best efforts to promote and advertise the Franchised Business and participate in any local marketing and promotional programs that Franchisor establishes from time to time. In addition to the Advertising Fee, Franchisee is required to spend a minimum of 2% of its gross sales on approved local marketing and promotion. Upon Franchisor's request, Franchisee must provide itemization and proof of local marketing and an accounting of the money it has spent on approved local marketing. If Franchisee fails to make the required expenditure, Franchisor has the right to collect the deficiency as an additional Advertising Fee.

(b) Franchisee has the right to conduct such advertising and promotions of the Franchised Business as Franchisee in its reasonable discretion desires, provided that:

(i) Franchisee must advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the products and services and the good name, goodwill and reputation thereof;

(ii) Franchisee must submit all proposed advertising and promotions to Franchisor for its approval, which approval may not be unreasonably withheld or unduly delayed. Franchisee may not use any advertising or promotions until Franchisor has given its written approval of such advertising or promotions; and

(iii) Franchisee hereby acknowledges that all rights, including, without limitation, all intellectual property rights, in all advertising and promotional material prepared by or on behalf of Franchisor are and will at all times remain the property of Franchisor.

8.4. Telephone Numbers and Advertising

(a) Franchisor will operate a toll free telephone number to be used for the conduct of the Franchised Business. All advertising relating to the Franchised Business will include this toll free number.

(b) At its expense Franchisee will obtain and maintain a landline telephone service for the Franchised Business. Franchisee may not use a cellular number for the Franchised Business but may forward calls from Franchisee's landline to a cellular number. Franchisee may insert this landline number in its directory listings, business cards, and stationery in conjunction with the Franchised Business, but may otherwise advertise this telephone number only with Franchisor's prior written consent. If Franchisee operates the Franchised Business from Franchisee's residence, the business landline must be separate from Franchisee's personal (residential) telephone number. If Franchisee is engaged in businesses other than the Franchised Business, Franchisee must maintain different telephone numbers and may make no reference to the Franchised Business in any listings in respect of the other businesses.

(c) Upon termination of this Agreement, for any reason, Franchisor will retain or change the telephone number relating to the Franchised Business in its sole discretion and Franchisee will do all things necessary or appropriate to transfer the telephone number to Franchisor, including paying any outstanding accounts with any directories and telephone service providers, and will not provide a call forwarding or telephone number referral with respect to any retained or disconnected telephone number. At any time during the Term of this Agreement, Franchisor may require Franchisee to sign a telephone supersedure form applicable to the telephone number relating to the Franchised Business. Furthermore, upon termination, Franchisee will not indicate in any manner it was previously affiliated with Franchisor.

(d) Franchisor may impose other requirements concerning telephones and telephone numbers in the Manual. Among other requirements that may be imposed in the Manual, Franchisor may require that Franchisee's telephones be answered by a live

person (either an employee of Franchisee or an answering service) during regular business hours, rather than using voice-mail or a telephone answering machine.

8.5. Insurance

Franchisee will have in effect on the Operating Date and maintain during the Term a commercial general liability insurance policy and all other insurance in the types and amounts as are specified in the Manual. All policies of insurance to be maintained by Franchisee will contain a separate endorsement naming the Franchisor, and if required, its affiliated companies, as additional insured parties. The policies of insurance will not be subject to cancellation or modification except after 30 days prior written notice to the Franchisor. Franchisee will cause certificates of insurance or other evidence of insurance coverage in the form Franchisor requests showing compliance with the above requirements to be delivered to the Franchisor annually upon renewal and at any other times that Franchisor requests. If Franchisee does not maintain the insurance coverage required in the Manual, Franchisor may purchase the policies of insurance it considers to be required and Franchisee will reimburse Franchisor for all costs of the insurance.

8.6. Reporting, Data, Records and Rights of Inspection

(a) Franchisor may, from time to time, specify in the Manual or otherwise in writing the information that Franchisee will collect and maintain on the Computer System (as defined in section 8.1(d)), and Franchisee will provide to Franchisor such reports as Franchisor may from time to time prescribed in the Manual. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including without limitation data pertaining to or otherwise concerning the Franchised Business's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from, Franchisee's Computer System) is and will be owned exclusively by Franchisor without compensation to Franchisee. Copies and originals of such data must be provided to Franchisor on Franchisor's request. Franchisor by this Agreement licenses use of such data back to Franchisee for the Term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the Franchised Business.

(b) Franchisee will maintain during the Term, and for a period of 36 months following expiration or termination of this Agreement for any reason, complete and accurate records of all revenues related to the Franchised Business, in the form and manner specified by Franchisor in the Manual. Franchisee will permit Franchisor or its representatives or agents selected in the sole discretion of Franchisor, during normal business hours, to examine, copy and/or audit or copy the books of accounts, bank statements, documents, records, papers, and federal, state and local tax return records relating to the Franchised Business or individual officers, directors, owners, partners, or affiliated or related entities or shareholders. If Franchisee's records require a substantial effort (as determined in the sole judgment of Franchisor, exercised in good faith) on behalf of Franchisor's auditors to

be placed in a condition readily conducive to audit, Franchisee will be required to immediately pay to Franchisor the entire cost of the audit, otherwise, the cost of the audit will be borne by Franchisor. Franchisee will furnish the Franchisor with a copy of any and all certified financial statements respecting Franchisee's business, without any cost or expense to Franchisor.

(c) Within two weeks of each calendar month end Franchisee will furnish Franchisor with a summary profit and loss statement in Franchisor's required form. Within 60 days after each of Franchisee's fiscal years end, Franchisee will furnish Franchisor with (i) a detailed profit and loss statement in Franchisor's required form together with a balance sheet for the Franchised Business for the previous fiscal year; (ii) a statement of gross sales for the previous fiscal year; and (iii) a list of Franchisee's business offices (including the addresses and telephone numbers of each), along with any further information Franchisor reasonably requests. All of the financial statements and information will be prepared according to the guidelines prescribed by Franchisor in the Manual, and will be certified by Franchisee, or in the case of a corporate Franchisee, by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true and correct.

(d) Franchisor may, at any time, use any financial report or statement, or any information derived from them, in aggregate form, as part of Franchisor's disclosure document or similar document.

(e) Franchisor and/or its representatives shall have the right at all times, without notice to Franchisee, to inspect the Showroom (if any) to determine whether it is in compliance with the requirements of the Manual and the Showroom addendum and examine the manner in which Franchisee is conducting its business. In the event of any such inspection, Franchisee and its personnel shall cooperate fully.

8.7. Review

Upon reasonable prior written notice, Franchisor will have the right to send representatives at reasonable intervals during normal business hours, into Franchisee's principal place of business or other offices to inspect Franchisee's operations, business methods, service, financial and other records (of which Franchisor representatives may make copies), management, and administration, to determine the quality and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Manual.

8.8. Compliance with Laws

Franchisee will (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, some of which are subject of specific policies set forth in the Manual and which policies must be strictly adhered to; (ii) comply with all applicable wage and hour and other laws and regulations

of the federal, state, or local governments; (iii) prepare and file all necessary tax returns; (iv) pay promptly all taxes imposed upon Franchisee or upon its business or property; and (v) at all times comply with the applicable licensing requirements if any, of a State Contractor's License Board (or its equivalent) and other appropriate organizations. Franchisee represents and warrants that it will obtain and maintain all necessary permits, certificates, and/or franchises necessary to conduct the Franchised Business in the Territory. Franchisee will immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification will include all relevant details concerning the proceedings, according to the procedures described in the Manual.

8.9. Pricing

Franchisee is solely responsible for determining the prices of products offered by the Franchised Business; however, Franchisee is required to comply with any maximum or minimum resale pricing restrictions Franchisor may implement so long as such pricing does not violate applicable law.

8.10. No Other Decorative Concrete Business

(a) Franchisee acknowledges that, under this Agreement, Franchisee will receive valuable specialized training, trade secrets, and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of the System. Franchisee acknowledges that this specialized training, trade secrets, and confidential information provide a competitive advantage and will be valuable to Franchisee in the development and operation of the Franchised Business, and that gaining access to this specialized training, trade secrets, and confidential information is, therefore, a primary reason why Franchisee is entering into this Agreement.

(b) In consideration for this specialized training, trade secrets, confidential information, and rights, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee will not during the Term, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any people, partnership, or corporation:

(i) Divert or attempt to divert any business or customer of the Franchised Business to any "Competitor" (as defined below), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System. For purposes of this Agreement, a "Competitor" is a business that derives revenues from the direct or indirect retail sale of decorative concrete products or services or other products or services similar to those sold by the Franchisor or any of its franchisees.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or franchises others to operate a business under the Marks or similar marks.

(c) For a continuously uninterrupted period of two years, beginning with "expiration date" specified below, Franchisee will not, directly or indirectly, for itself, or through, on behalf of, or in conjunction with any other person:

(i) Divert or attempt to divert any business or customer of the Franchised Business to any Competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor that is, or is intended to be, located within the Territory or within a 25 mile radius of any Concrete Craft® business in existence or under development as of the Operating Date of this section.

For purposes of this section, "expiration date" is the date that this Agreement expires without renewal or is terminated (regardless of the reason for termination), or that Franchisee transfers all of its interest in this Agreement.

(d) Franchisee acknowledges that each of the covenants contained in this section is a reasonable limitation as to time, geographical area, and scope of activity to be restrained, and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each of the covenants in this section will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this section. This section will not apply to the ownership of less than a 1% beneficial interest in the outstanding equity securities of any publicly held company.

(e) Franchisee understands and acknowledges that Franchisor may, in its sole discretion, reduce the scope of any covenant stated in this section in this Agreement, or any portion of this section without Franchisee's consent, effective immediately upon notice

to Franchisee. Franchisee agrees that any covenant as so modified will be fully enforceable, and Franchisee covenants that it will comply with the modified covenant.

(f) Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this section.

(g) Franchisee must require and obtain signing of covenants similar to those set forth in this section (including covenants applicable upon the termination of a person's employment with Franchisee) from its Manager. Additionally, at Franchisor's request, Franchisee will require and obtain signing of similar covenants to those identified in the preceding sentence from any personnel of Franchisee who have received or will have access to training from Franchisor. Franchisee will also require all people who Control Franchisee or who own (directly or indirectly) 10% or more of Franchisee to sign similar covenants. Any covenants required under this section will be substantially in the form of this section.

8.11. Franchisor's Web Site

(a) Franchisor has established and will maintain from time to time one or more sites on the World Wide Web portion of the Internet that may, among other things, facilitate orders, provide information about the System and the products and services that are offered at businesses operated under the Marks, and allow end-users to locate a nearby business operated under the Marks (Franchisor's Web site). Franchisor has sole discretion and control over the design and content of Franchisor's Web site. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content, and functionality of Franchisor's Web site; (ii) make operational changes to Franchisor's Web site; (iii) change or modify the URL and/or domain name of Franchisor's Web site; (iv) substitute, modify, or rearrange Franchisor's Web site, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (A) comply with applicable laws, (B) respond to changes in market conditions or technology, and (C) respond to any other circumstances; (v) limit or restrict end-user access (in whole or in part) to Franchisor's Web site; and (vi) disable or terminate Franchisor's Web site without any liability to Franchisee.

(b) Franchisor may link Franchisor's Web site to the Web sites of third parties, including electronic service providers, Franchisor's Affiliates, and other providers of goods and services. Franchisor may also permit third parties to link (including links to interior pages of Franchisor's Web site, including the Franchisee Page) and frame Franchisor's Web site (including the Franchisee Page). Franchisor may place legal notices, disclaimers, Franchisor's corporate logos and slogans, Marks, advertisements, endorsements, trademarks, and other identifying information on Franchisor's Web site, all of which may be modified, expanded, or eliminated at Franchisor's option. Further, Franchisor may establish or participate in programs whereby Franchisor refers end-users to other Web

sites, or Franchisor receives referrals from other Web sites. All consideration (monetary and non-monetary) received by Franchisor on account of the placement or sale of advertisements, endorsements, and sponsorships on Franchisor's Web site (including any Franchisee Page), and all consideration (monetary and non-monetary) received by Franchisor on account of affiliate programs, will belong only to Franchisor. Franchisor may also establish programs that encourage repeat visits to Franchisee's Web site by end-users.

(c) Franchisor's Web site may include one or more interior pages that identify Concrete Craft® franchisees operating under the Marks, including the Franchised Business, by among other things, geographic region, address, telephone numbers, and other appropriate matters. Franchisor's Web site may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.

(d) Franchisor may, from time to time, establish one or more interior pages on Franchisor's Web site dedicated in whole or in part to the Franchised Business (“Franchisee Page”). Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's signing of Franchisor's then-current participation agreement, and Franchisee's compliance with the procedures, policies, standards, and specifications that Franchisor may establish from time to time. The participation agreement may require the Franchisee to pay a reasonable fee (not to exceed $600 per year) for the privilege of having a Franchisee Page, and may include specifications and limitations for the data or information to be posted to the Franchisee Page, customization specifications, the basic template for design of the Franchisee Page, parameters and deadlines specified by Franchisor, disclaimers, and other standards and specifications and rights and obligations of the parties as Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions, or updates) to the content made by Franchisee for any purpose will be considered to be a "work made for hire" under the copyright laws, and therefore, Franchisor will own the intellectual property rights in and to the modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee assigns those modifications to Franchisor for no additional consideration and with no further action required and will sign any further assignments as Franchisor may request.

(e) Without limiting Franchisor's general unrestricted right to permit, deny, and regulate Franchisee's participation on Franchisor's Web site in Franchisor's sole discretion, if Franchisee breaches this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate the Franchisee Page and remove all references to the Franchised Business on Franchisor's Web site or redirect customer leads to other franchisees pursuant to section 2.2(d) until the breach is cured.

(f) Franchisor has no control over the stability or maintenance of the Internet generally. As a result, Franchisor is not responsible for damage or loss caused by errors of the Internet. Furthermore, Franchisor is not liable for any direct, indirect, special,

incidental, exemplary, or consequential damages arising out of the use of, or the inability to use, Franchisor's Web site or the Internet, including loss of profits, goodwill, or savings, downtime, or damage to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

8.12. E-mail, Internet, Social Media and Other Media

(a) Franchisee must comply with Franchisor's requirements and policies (as described in the Manual, Handbook or otherwise in writing) with respect to all digital media (including, but not limited to, Franchisor's web site) in connection with the Franchised Business and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, in social media or any other media, regarding the Franchised Business. Such activities include, without limitation, participation in any Internet blogs, vlogs or social media sites. Any such activities which are not expressly permitted in the Manual, the Handbook or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, will be subject to Franchisor's prior approval.

(b) Franchisee may advertise and promote the Franchised Business via social media, which must be comprised of pages, communications and content located on third party platforms using the Marks as specified by Franchisor (collectively, "Franchisee's Social Media"), provided that Franchisor is granted administrator access rights to Franchisee's Social Media. All uses of Franchisee's Social Media pages and communication channels and uses must be established in accordance, and at all times be in compliance with, the Manual and Handbook.

(c) Franchisee agrees not to transmit or cause any other party to transmit consumer advertisements or solicitations by e-mail or other digital media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

(d) Franchisee must promptly discontinue any advertising or promotion using social media, whether or not previously agreed to by Franchisor, upon notice from Franchisor that it reasonably considers that such use of social media does not conform to the System standards. Upon the expiration or termination of this Agreement, Franchisee will assign ownership (to the extent Franchisor does not already own them) of all domain names, account names, handles, and user names used by Franchisee in its business under this Agreement and Franchisee will take all such actions as Franchisor reasonably requires to disassociate Franchisee from any such names and social media pages.

8.13. Electronic Commerce

Franchisor may, at its sole option, use Franchisor's Web site or another Web site created for the purpose, to engage in "Electronic Commerce." The term "Electronic Commerce" means offering and selling merchandise and services associated with the Marks, and receiving and accepting orders and payment for that merchandise and services, directly or indirectly, through any means of electronic communication, including receiving and accepting orders over the Internet. Upon Franchisor's request, Franchisee will be required to participate in Electronic Commerce and will sign Franchisor's then-current electronic commerce participation agreement, which will, among other things: (i) state the terms on which Franchisee and Franchisor will share program revenues and expenses; (ii) authorize Franchisor, from time to time, to establish, and thereafter modify, procedures, policies, protocols, and standards and specifications that govern Electronic Commerce and use of end-user information; (iii) require specified computer (hardware and software) and communications equipment; and (iv) authorize Franchisor to disable or terminate end-users' ability to place orders or schedule appointments with Franchisee during any period that Franchisee is in breach of this Agreement or any other agreement with Franchisor or its Affiliates.

8.14. Franchisor Electronic Portal

(a) Franchisor may establish and maintain, at its option, either a series of "private" pages on Franchisor's Web site (described in Section 8.11) or electronic portal through either of which Franchisor, franchisees of Franchisor, and their respective employees may communicate with each other, and through which Franchisor may disseminate the Manual and the Handbook, updates to them, and other confidential information. Franchisor will have sole discretion and control over all aspects of the electronic portal, including the content and functionality of the electronic portal. Franchisor will have no obligation to maintain the electronic portal indefinitely, and may dismantle it at any time without liability to Franchisee.

(b) If Franchisor establishes an electronic portal, Franchisee will have the privilege to use the electronic portal, subject to Franchisee's strict compliance with the standards and specifications, protocols, and restrictions (collectively, "Franchisor Protocols") that Franchisor may establish from time to time. The Franchisor Protocols may relate to, among other things, (i) the use of abusive, slanderous, or otherwise offensive language in electronic communications, (ii) communications between or among Franchisees that endorse or encourage breach of any franchisee's franchise agreement, (iii) confidential treatment of materials that Franchisor transmits via the electronic portal, (iv) password protocols and other security precautions, (v) grounds and procedures for Franchisor's suspending or revoking a Franchisee's access to the electronic portal, and (vi) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the intranet. Franchisee acknowledges that, as administrator of the electronic portal, Franchisor can technically access and view any communication that any person posts on the electronic portal. Franchisee further acknowledges that the electronic

portal facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

(c) Franchisee will establish and continually maintain (during all times that the electronic portal is established and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Handbook) with the electronic portal that allows Franchisor to send messages to and receive messages from Franchisee, subject to the Franchisor Protocols.

(d) If Franchisee breaches this Agreement or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor will only be required to provide Franchisee a paper copy of the Manual and the Handbook and any updates to them, unless Franchisee is not otherwise entitled to the Manual or the Handbook.

8.15. Change in Status Processing

Requests for (i) change of fictitious business name, (ii) changes in designated Manager or (iii) other changes in status as may be specified from time to time by Franchisor, will be made on the form as designated by Franchisor in the Manual.

8.16. Key Accounts

Franchisee acknowledges that to competitively attract and effectively service Key Accounts, Franchisor may need to establish policies governing the manner in which Key Accounts will be serviced. Franchisee will comply with all Key Account policies.

Franchisee further acknowledges that Key Account policies to be established by Franchisor may obligate Franchisee to pay to Franchisor a lead referral fee or a percentage of the job in exchange for referral of leads from the Key Account. Franchisee acknowledges that Franchisor makes no representation or warranty that any specified amount of Key Account business will be provided within the Territory.

8.17. Vendor Allowances

Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, commissions, credits, monies, payments or benefits (collectively, “Allowances”) offered by vendors to Franchisor or its affiliates based upon Franchisee’s (and other franchisees’) purchases of products and services. Franchisee acknowledges that such Allowances are additional consideration for the rights granted by Franchisor to Franchisee under this Agreement and that Franchisor has exclusive right, title and interest in and to any and all such Allowances.

Franchisee further acknowledges that Franchisor is entitled to collect, retain and utilize any or all such Allowances without restriction (unless otherwise instructed by the vendor).

8.18. Privacy

(a) With regards to Privacy Information (defined below) Franchisee and Franchisor must comply with their obligations under applicable Privacy Law. "Privacy Information" means all information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household. Privacy Information includes but is not limited to, the following if it identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household: identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver's license or state identification card number, passport number, signature, physical characteristics or description, telephone number, insurance policy number, bank account number, credit card number, debit card number or any other financial information, medical information or health insurance information; characteristics of protected classifications under state or federal law; commercial information, including records of personal property, products or services purchased, obtained or considered, or other purchasing or consuming histories or tendencies; biometric information; Internet or other electronic network activity information including, but not limited to, browsing history, search history, and information regarding a consumer's interaction with an Internet Web site, application, or advertisement; geolocation data; audio or electronic information; professional or employment-related information; education information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (20 USC § 1232g; 34 CFR Part 99); and inferences drawn from any of the information identified in this subsection to create a profile about a consumer reflecting the consumer's preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities and aptitudes. "Personal Information" does not include publicly available information that is lawfully made available to the general public from federal, state or local government records. "Publicly available" does not mean biometric information collected by a business about a consumer without the consumer's knowledge. "Privacy Law" means any local, state or federal data privacy or data security law or regulation.

(b) Use of Privacy Information. In no circumstances shall Franchisee or Franchisor ever sell the Privacy Information. Franchisee further agrees not to access, use or process the Privacy Information, except in the furtherance of its rights and obligations under this Agreement but at all times in compliance with Privacy Law. Franchisee shall be solely liable for any and all violations of Privacy Law that may arise from its failure to comply with this provision.

(c) Privacy Information Requests. To the extent Franchisor does not have the ability to address requests made under applicable Privacy Law by individuals that are the

subject of any of the Privacy Information, Franchisee shall, upon Franchisor's request, provide reasonable assistance to Franchisor in responding to such requests.

(d) Audits. During the term of this Agreement, at Franchisor's request and subject to reasonable notice, Franchisee shall provide Franchisor with information sufficient to establish its compliance with the obligations set forth in this section 8. and the applicable Privacy Laws.

8.19. Nondisclosure and Confidentiality

Franchisee acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Marks or any matters dealt within the Manual or the Handbook. Franchisee also acknowledges that all disclosures made to Franchisee relating to the System, including, without limitation, the specifications, standards, procedures and the entire contents of the Manual and the Handbook, are communicated to Franchisee solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, Franchisee agrees to maintain the confidentiality of all such information during the term of this Agreement and at any time thereafter and may not disclose any portions of the Manual or the Handbook or any information whatsoever with respect to Franchisee's or Franchisor's business affairs or the system, other than as may be required to enable Franchisee to conduct its business. Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in advance in writing by Franchisor.

9. ASSIGNMENT

9.1. Assignment by Franchisor

Franchisor may Transfer this Agreement, or all or any part of its rights, privileges, and obligations under this Agreement, to any other person, provided that, in respect to any Transfer resulting in the subsequent performance by the assignee of the functions of the Franchisor: (i) at the time Franchisor Transfers this Agreement, Franchisor reasonably believes that the transferee is financially responsible and economically capable of performing the delegated obligations of Franchisor; and (ii) the transferee of Franchisor expressly assumes and agrees to perform the obligations. Following the Transfer by Franchisor, Franchisor will be relieved of all obligations or liabilities then existing or thereafter able to be asserted under this Agreement.

9.2. Assignment by Franchisee

This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee (if Franchisee is an individual) or

the people who directly or indirectly Control Franchisee or directly or indirectly own (in this context, an "Equity Holder") a beneficial interest in Franchisee (if Franchisee is person other than an individual), and the trust and confidence reposed by Franchisor in Franchisee and its Equity Holders. Franchisee and its Equity Holders each covenant to actively and substantially participate in the ownership and operation of the Franchised Business.

(a) Without the prior written consent of Franchisor and subject to Franchisor's right of first refusal provided for in Section 9.3, neither Franchisee nor any Equity Holder may Transfer any interest in Franchisee, this Agreement, or all or substantially all of the assets of Franchisee used in connection with the Franchised Business. As further clarification of the foregoing restrictions, Franchisee may not sub-franchise or attempt to sub-franchise this Agreement, or a portion but not all of Franchisee's rights under this Agreement, without the express prior written permission of Franchisor. Any Transfer or purported Transfer in violation of this section will be void.

(b) Franchisor may withhold its consent to a sub-licensing of all or part of Franchisee's interest in the Agreement for any reason whatsoever in Franchisor's sole discretion. If Franchisee or any of its owners proposes to make any other form of Transfer, and if Franchisor elects not to exercise its right of first refusal (or if the right of first refusal is not applicable to the proposed Transfer, as provided in this Agreement), Franchisor will not unreasonably withhold its consent to the Transfer. Franchisor may consider the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the Marks, or Franchisor, or any of Franchisor's Affiliates. Additionally, it will not be unreasonable for Franchisor to impose, among other things, the following conditions precedent to its consent to any Transfer:

(i) The proposed assignee of the interest to be subjected to the Transfer will complete Franchisor's application for a franchise agreement, and Franchisee and the proposed assignee will fully disclose in writing all of the terms and conditions of the proposed Transfer.

(ii) The proposed assignee(s) of the interest to be subjected to the Transfer demonstrate(s) that it has or they have the skills, qualifications, and economic resources necessary, in Franchisor's reasonable judgment, to conduct the business contemplated by this Agreement. Among other things, this may require the possession of certain skills and qualifications of the prospective transferee, including experience in or ability to learn the decorative concrete business, financial and operational skills and qualifications, economic resources, reputation and character of the prospective transferees, and the ability of the prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement. Without limiting the generality of the foregoing, if a contractor's license is required in the state in which the Territory is located, the proposed assignee or one or more of the principal officers, shareholders or directors

of the proposed assignee must qualify for, and obtain, or otherwise obtain for the benefit of the Franchised Business such as through an employee of Franchisee, such contractor's license prior to the effective date of the Transfer.

(iii) The proposed assignee of the interest to be subjected to the Transfer expressly assumes in writing for the benefit of Franchisor all of the obligations of Franchisee under this Agreement.

(iv) If the proposed Transfer will result in a new Franchisee under this Agreement, the new Franchisee signs the then current form of Franchise Agreement being used by Franchisor.

(v) As of the date of the proposed Transfer, Franchisee is in full compliance with all of its obligations to Franchisor, whether under this Agreement or under any other agreement, arrangement, or understanding with Franchisor.

(vi) Franchisee, assignee and each shareholder of a corporate assignee sign the then current form of Consent to Transfer and Assumption of Franchise Agreement.

(vii) Franchisee pays to Franchisor a non-refundable transfer fee equal to the amount then being charged by Franchisor. In addition, if the proposed assignee of the interest to be subjected to the Transfer was already in Franchisor's lead database at the time of first contact between Franchisee (or its Equity Holder) and the proposed assignee, then Franchisor may require Franchisee to pay the referral fee then being charged by Franchisor plus the amount of any broker fees that Franchisor must pay a third-party (not an employee of Franchisor).

(c) If Franchisee is not an individual, Franchisee will provide Franchisor at the Effective Date with a copy of Franchisee's governing documents (such as articles of incorporation, bylaws, operating agreement, or partnership agreement) and all other agreements among the Equity Holders (such as buy/sell agreements). If Franchisee is a corporation or other entity that issues capital stock, Franchisee will provide Franchisor at the Effective Date with a prototype stock certificate. As a condition to entering into the Franchise Agreement, a Franchisee that issues capital stock will be required to place the following legend on all stock certificates:

"The transfer of this stock is subject to the terms and conditions of that certain Franchise Agreement dated _____ between this corporation and American Decorative Coatings, LLC. Reference is made to that Franchise Agreement and the restrictive provisions contained in them and as may be otherwise described in the Articles of Incorporation and by-laws of this corporation."

(d) The cumulative Transfer in any 12 consecutive month period of 25% or more of the ownership interests or voting power in Franchisee will be considered to be a Transfer for purposes of this Section 9.

9.3. Right of First Refusal

Except as provided in Sections 9.4, 9.5, and 9.6, the right of Franchisee or its Equity Holders to Transfer any interest in this Franchise Agreement will be subject to Franchisor's right of first refusal with respect thereto. Franchisor may exercise the right of first refusal in the following manner:

(a) Franchisee will deliver to Franchisor a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Assignment by Franchisee; and (ii) all available information concerning the proposed assignee of the interest proposed to be subject to a Transfer.

(b) Within ten days after Franchisor's receipt of the notice (or if Franchisor requests additional information, within ten days after receipt of the additional information), Franchisor may either consent or withhold its consent to the Transfer, in accordance with Section 9.2 or, at its option, may accept the Transfer itself or on behalf of its nominee upon the terms and conditions specified in the notice.

(c) If Franchisor elects not to exercise the right of first refusal and consents to the Transfer, Franchisee will for a period of 90 days, and subject to the provisions of Section 9.2, be free to complete the proposed Transfer upon the terms and conditions specified in the notice. If, however, the terms are materially changed, or if the 90-day period expires, Franchisor will again have the right of first refusal with respect to the offer and Franchisee will again be required to comply with Section 9.3(a) above.

9.4. Transfers to Family Members

An individual Franchisee or an Equity Holder may, with Franchisor's consent, which will not be unreasonably withheld, Transfer the Franchised Business or an equity interest in Franchisee to the person's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement.

9.5. Transfers to Affiliated People

Franchisee or an Equity Holder may, without the consent of Franchisor, upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a person (other than an individual) entirely owned by natural person(s) making the Transfer in the same proportionate amount of ownership as before the Transfer, provided that adequate provision is made for the management of the

Franchised Business and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer fee will be payable in respect of a Transfer under this section.

9.6. Transfers Upon Death or Incapacity

In spite of any of the foregoing, upon the death or legal incapacity of Franchisee or an Equity Holder that is an individual, the person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with the person's will or, if the person dies intestate, in accordance with laws of intestacy governing the distribution of the person's estate, provided that adequate provision is made for the management of the Franchised Business and the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants. A Transfer under this section will be free from Franchisor's right of first refusal provided in Section 9.3, and no transfer fee will be payable in respect of a Transfer pursuant to this section. Any subsequent Transfer will be subject to all provisions of this Section 9.

If Franchisor determines, in its reasonable judgment, that the heirs, personal representatives, or conservators, as applicable, are not capable of operating the Franchised Business, Franchisor may immediately begin operating the Franchised Business on behalf of Franchisee pending a Transfer to a qualified buyer. For this management assistance, Franchisor may charge Franchisee a fee equal to 8% of the Gross Sales during Franchisor's operation of the Franchise and the wages or salary for an interim Manager.

10. DEFAULT AND TERMINATION

10.1. General

(a) Franchisor may unilaterally terminate this Agreement upon Franchisee's material breach of this Agreement or upon the occurrence of any of the conditions listed in Section 10.2. The listing in Section 10.2 of some conditions as constituting specific grounds for termination does not imply that other material breaches of this Agreement are not also good cause for termination, even though some of the conditions listed in Section 10.2 parallel obligations of Franchisee described elsewhere in this Agreement. Franchisor will exercise its right to terminate this Agreement in the manner described in this Section 10.

(b) In spite of anything contained in this Agreement to the contrary, in those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion, offer to Franchisee an alternative remedy to termination of this Agreement. If Franchisee declines Franchisor's alternative offer, Franchisor may proceed to terminate this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, in those circumstances under which Franchisor may terminate this Agreement for Franchisee's default, Franchisor may exercise all remedies available to it at law or in equity, including seeking specific performance and damages (including direct, indirect, special, incidental, or consequential damages). All rights and remedies provided in this Agreement are in addition to and not in substitution of the rights and remedies available to a party at law or in equity.

10.2. Termination Without Opportunity to Cure

The obligations of Franchisor under this Agreement are contingent upon the non-occurrence of each of the conditions described below. Franchisor may terminate this Agreement immediately upon notice to Franchisee, without prior opportunity to cure, upon the occurrence of any of the following conditions, each of which constitutes grounds for immediate termination of this Agreement without notice or opportunity to cure (except as specifically stated in these conditions):

(a) To the extent permitted by law, if Franchisee or the Franchised Business is declared bankrupt or judicially determined to be insolvent, or if all or a substantial part of the assets used by Franchisee in connection with the Franchised Business are assigned to or for the benefit of any creditor, or if Franchisee admits Franchisee's inability to pay its debts as they come due.

(b) If Franchisee Abandons the Franchised Business. The term "Abandon" means failure to operate the Franchised Business for a period of seven consecutive days (without Franchisor's prior written consent) during a time that Franchisee is required to operate the Franchised Business under the terms of this Agreement, or any shorter period under which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business. A repeated pattern of failure to operate the Franchised Business for periods of less than seven consecutive days may result in the Franchise being considered Abandoned if in the judgment of Franchisor the closure adversely impacts the Franchised Business. The Franchised Business will not be considered Abandoned if the failure to operate is due to acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money), provided that Franchisee gives notice of any cessation of operations to Franchisor promptly after the initial occurrence of the event resulting in the cessation of operations (and in any event within ten days) and Franchisor acknowledges in writing that the cessation of operations is due to one of the foregoing causes and provided further that Franchisee re-establishes the Franchised Business and is fully operational within 120 days after the initial occurrence of the event resulting in the cessation of operations or any longer period that Franchisor permits.

(c) If Franchisor and Franchisee agree in writing to terminate this Agreement.

(d) If Franchisor discovers that Franchisee made any material misrepresentations relating to the acquisition of the Franchised Business, or if Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks.

(e) If Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business.

(f) If Franchisee, after curing any breach in accordance with Section 10.3 commits the same breach, whether or not the breach is corrected after notice.

(g) If Franchisee repeatedly fails to comply with one or more requirements of this Agreement, whether or not corrected after notice.

(h) If the Franchised Business or business premises of the Franchisee are seized, taken over, or foreclosed by a government official in the exercise of the official's duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, if a final judgment against Franchisee for more than $1,000 remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed), or if a levy of signing has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days after the date of the levy.

(i) If Franchisee is convicted of a felony, of a misdemeanor involving moral turpitude, or of other criminal misconduct which is relevant to the operation of the Franchised Business.

(j) If Franchisee fails to pay any Continuing Royalty or other amounts due to Franchisor within five days after receiving written notice that the fees are overdue.

(k) If Franchisor makes a reasonable determination that continued operation of the Franchised Business by Franchisee will result in an imminent danger to public health or safety.

(l) If any other franchise agreement between Franchisor and Franchisee is terminated by Franchisor because of breach or default by Franchisee or failure of a condition to continued effect of the franchise agreement.

(m) If Franchisee applies a deposit from a customer intended to be used to purchase product for that customer’s order for any other purpose.

10.3. Termination Subject to Opportunity to Cure

Except for failure of the conditions listed in Section 10.2, above, or as otherwise expressly provided in this Agreement, Franchisee will have 30 days after Franchisor's

written notice within which to cure any breach of this Agreement, and to provide evidence of the cure to Franchisor. If any default is not cured within that time period, or any longer time period that applicable law requires or that Franchisor specifies in the written notice, this Agreement and all rights granted by it will thereupon automatically terminate without further notice or opportunity to cure.

10.4. Description of Default

The description of any breach, default, or failure of a condition in any notice served by Franchisor upon Franchisee will in no way preclude Franchisor from specifying additional or supplemental breaches, defaults, or failures of conditions (including matters discovered after the termination is effective) in any action, arbitration, mediation, hearing, or suit relating to this Agreement or the termination of this Agreement.

10.5. Statutory Limitations

In spite of anything to the contrary in this Section 10, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties limits Franchisor's right to terminate this Agreement or requires longer notice periods than those stated in this Agreement, and if the parties are prohibited by law from agreeing to the shorter periods stated in this Agreement, then Franchisor will conform to the requirements of those laws and regulations, but only to the extent necessary to bring Franchisor's actions within the requirements of the law or regulation.

10.6. Alternative Remedies

In those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion: (a) redirect customer leads generated by Franchisor on Franchisee's behalf to other franchisees as contemplated in section 2.2(d); and/or (b) grant to Franchisee, in lieu of immediate termination of this Agreement, (i) an extended period of time (not to exceed six months from the last day of the cure period otherwise applicable to the breach) to cure the breach which gave rise to Franchisor's right to terminate, (ii) an option to reimburse Franchisor up to $1,000 for investigating the breach of this Agreement, or (iii) if the breach consists of the sale of decorative concrete products or services in the territory assigned to another franchisee of Franchisor, require Franchisee to pay, as liquidated damages, and not a penalty, an amount equal to 60% of the total gross sales generated by sales in the other franchisee's territory (which may exceed the out-of-pocket losses suffered by the other franchisee, but is intended to reimburse the other franchisee for the full value of the business diverted, including lost goodwill). Franchisee acknowledges that Franchisor's election to grant an extended cure period or to permit a reimbursement will not operate as a waiver of any of Franchisor's other rights under this Agreement.

11. DISPUTE RESOLUTION

11.1. Alternate Dispute Resolution

Except for the disputes described in Section 11.2 of this Agreement and except as otherwise specifically modified by this Section 11, any dispute between Franchisor and any of its Affiliates, on the one hand, and Franchisee and any of its Affiliates, on the other, arising out of, relating to or referencing this Agreement or its breach in any way, including any claim sounding in tort arising out of the relationship created by this Agreement, and any claim that this Agreement or any other of its parts is invalid, illegal, or otherwise voidable or void, is subject to the dispute resolution provisions described in Section 11 of this Agreement.

11.2. Disputes Not Subject To Alternate Dispute Resolution

Franchisee acknowledges that it is important that Franchisor be able to use reasonable efforts to protect the Marks, the System, and the integrity of the Marks and the System. To that end, Franchisor may, at its option, seek injunctive or other equitable relief to enforce the provisions of Section 6 (Marks), Section 7.5 (Proprietary Materials), Section 8.8 (No Other Decorative Concrete Business), or Section 12.1 (Franchisee's Obligations Following Termination or Expiration) of this Agreement, or the provisions of any separate confidentiality or non-disclosure agreement between Franchisor or its Affiliates (on the one hand) and Franchisee or its Affiliates (on the other hand) in the Court specified by Section 11.6.

11.3. Option to Mediate Dispute

(a) In the event of a dispute between the parties, either party may initiate a mediation procedure in accordance with this Section 11.3 by making a written request for mediation with the Judicial Arbitration and Mediation Service (JAMS), the National Franchise Mediation Program administered by the CPR Center for Dispute Resolution of New York, or any other mediation service mutually agreed to by the parties. Any mediation will be conducted according to the procedures of the selected mediation service.

(b) The object of any mediation subject to this Section 11.3 is to assist the parties in reaching a mutually acceptable resolution of the dispute. The mediation will, in all circumstances, be consistent with the rights and obligations created by this Agreement and will not be premised on the derogation or diminution of those rights or disregard of those rights. The mediation process will begin promptly and be concluded expeditiously, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings, or other statements by the mediator and/or the parties made in connection with the mediation will be privileged and confidential and will not be admissible into evidence in any litigation or arbitration.

(c) All mediation proceedings will take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the mediator will be borne equally by Franchisor and Franchisee, and all other expenses relating to the mediation will be borne by the party incurring them.

11.4. Arbitration

(a) Except disputes not subject to alternative dispute resolution as described in Section 11.2 above, any dispute between Franchisor or any of its Affiliates (on the one hand) and Franchisee or any of its Affiliates (on the other hand) arising out of or relating to this Agreement or its breach, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 11.3 above, will be resolved by submission to arbitration conducted by a single impartial arbitrator appointed by JAMS according to its Comprehensive Arbitration Rules and Procedures, or any other single impartial arbitrator mutually agreed to by the parties.

(b) All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Section 11 will be governed by the Federal Arbitration Act (9 U.S.C. 1 et seq.) and the federal common law of arbitration. All hearings and other proceedings will take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.

(c) This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise in spite of the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final, and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are waived.

11.5. Business Judgment

The parties recognize, and any arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) action in the exercise of its business judgment, based on its assessment of the overall best interests of all people operating under the Marks. Where that discretion has been exercised, and is supported by the business judgment of Franchisor, neither an arbitrator nor a judge may substitute his or her judgment for the judgment exercised by Franchisor unless the arbitrator or judge finds that Franchisor has exercised its judgment or discretion without any reasonable business basis for it.

11.6. Venue, Submission to Court, Limitation of Damages

In view of the fact that the books, records and business personnel of Franchisor are located in Orange County, California, and in order to minimize disruption or interference with operation of (and Franchisor's support to) all persons operating under the Marks, Franchisee and Franchisor agree as follows:

(a) All court proceedings arising out of or relating to this Agreement (including matters described in Section 11.2 above) will be brought in, and only in, the United States District Court for the Central District of California. No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in, and only in, a state court of competent jurisdiction in and for Orange County, California. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

(b) The parties agree that all disputes submitted to the court under Section 11.2 will be tried to the court sitting without a jury, in spite of any state or federal constitutional or statutory rights or provisions.

(c) No punitive or exemplary damages will be awarded against either Franchisor or Franchisee, or any affiliates of either of them, in any proceeding arising under Section 11.2, and all claims to punitive or exemplary damages are waived by both parties.

11.7. Independence of Provisions

The provisions of this Section 11 are independent of any other covenant or provision of this Agreement. If any part of this Section 11 is held to be indefinite, invalid, unconscionable, or otherwise unenforceable by a court of competent jurisdiction, the indefinite, invalid, unconscionable, or unenforceable provision will be considered deleted, and the remaining parts of this Section 11 will continue in full force and effect. If the court determines that deletion of portions of this Section 11 would lead to an unintelligible provision, the parties request the court to modify or interpret the provisions to the minimum extent necessary to have them comply with the law while retaining the essence of the parties' agreement.

12. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION

12.1. Franchisee's Obligations following Termination or Expiration

(a) In the event of termination or expiration of this Agreement, whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to

any other obligations provided for in this Agreement, Franchisee will immediately discontinue the use and/or display in any manner of the Marks and all Materials containing or bearing the Marks. Franchisee will not thereafter operate or do business under the Marks or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor. In that event, Franchisee also will comply with Section 12.1(b)(vii) respecting the return to Franchisor of certain materials and will not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements to any of them; or (ii) any forms, advertising matter, Marks, devices, insignias, slogans, or designs used from time to time in connection with the Franchised Business.

(b) Among the steps that Franchisee must take as a result of termination or expiration of this Agreement as described in Section 12.1(a) above, Franchisee will promptly take the following steps:

(i) Franchisee will remove at Franchisee's expense identifying Marks on the Vehicle and all other signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor.

(ii) Franchisee will erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor.

(iii) Franchisee will permanently discontinue all advertising to the effect that Franchisee is associated or affiliated with Franchisor.

(iv) Franchisee will refrain from doing anything that might indicate that Franchisee is or ever was an authorized franchisee of the Marks or the System, including indicating, directly or indirectly, that Franchisee was licensed to use the Marks or any other distinctive System features or that Franchisee at any time operated under any name, word, or mark associated or affiliated with Franchisor.

(v) If Franchisee engages in any business thereafter, Franchisee will use trade names, Marks, or trademarks (if any) which are significantly different from the Marks and use sign formats (if any) which are significantly different in color and type face and take all necessary steps to ensure that its Affiliates observe the foregoing obligations.

(vi) Assign to Franchisor all interest and right to use all telephone numbers and all listings applicable to the Franchised Business in use at the time of the termination and take all action necessary to change all telephone numbers immediately and change all listings as soon as possible including payment of any outstanding

invoices payable to telephone service providers.

(vii) At the option of Franchisor, Franchisee will assign to Franchisor all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business. Furthermore, Franchisee will sign any forms or documents that Franchisor considers necessary to appoint Franchisor as Franchisee's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to Franchisor.

(c) If Franchisee fails to make or cause to be made any removal or change described in Section 12.1(b) above, then Franchisor may, after 15 days written notice, enter upon Franchisee's premises upon which the Franchised Business was being conducted without being considered guilty of trespass or any other tort, and make or cause to be made the required changes at the expense of Franchisee, which expense Franchisee agrees to pay Franchisor promptly upon demand. Franchisee irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the purpose of terminating any and all of Franchisee's rights in the fictitious business name and any of the Marks.

12.2. Rights of Franchisor

The expiration or termination of this Agreement will be without prejudice to any rights of Franchisor against Franchisee and the expiration or termination will not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee which, by their nature, survive the expiration or termination of this Agreement.

12.3. Franchisor's Right to Cure Defaults by Franchisee

In addition to all other remedies granted by this Agreement, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to Franchisee, cure the default for the account of and on behalf of Franchisee, and all costs or expenses (including attorney fees) incurred by Franchisor on account of curing the default will be due and payable by Franchisee to Franchisor on demand.

12.4. Waiver and Delay

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal, or neglect of Franchisor either to exercise any right, power, or option given to it under this Agreement or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Manual and the Handbook, will constitute a waiver of the provisions of this Agreement or

the Manual and the Handbook with respect to any subsequent breach of the same or any other provision of this Agreement or the Manual and the Handbook, or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions of this Agreement or the Manual and the Handbook.

12.5. Attorney Fees and Expenses

In the event of any arbitration (including any petition for confirmation, modification, or vacation of the award) or litigation (including appeals) arising out of or relating to this Agreement, the breach or alleged breach of this Agreement, or the relationship of the parties, then the prevailing party will be reimbursed by the losing party for all costs and expenses incurred in connection with them, including reasonable attorney fees for the services rendered to the prevailing party.

13. GENERAL CONDITIONS AND PROVISIONS

13.1. Relationship of Franchisee to Franchisor

The parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner, fiduciary, or co-venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner, or co-venturer of Franchisor. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be considered employees or agents of Franchisor, nor subject to Franchisor's control, and in particular, Franchisor will have no authority to exercise control over the hiring or termination of employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or the day-to-day activities of those people, except to the extent necessary to protect the Marks. Franchisee agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Each of the parties agrees to file its own tax, regulatory, and payroll reports with respect to its respective employees or agents and operations, and to indemnify the other party against any liability by virtue of the tax, regulatory, and payroll reports filed by the party.

13.2. No Liability

Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage suffered by any person or property directly or indirectly arising out of Franchisee’s operation of the Franchised Business. Franchisor will have no liability for Franchisee’s

obligations to pay third parties, including any landlords and product vendors.

13.3. Indemnity

Except as otherwise expressly provided in Section 6.6, Franchisee agrees to defend, and indemnify Franchisor and its Affiliates and designees against all costs and expenses actually incurred by them or for which they are liable, including attorney fees, court costs, losses, liabilities, damages, claims and demands of every nature, and including those incurred under a settlement entered into in good faith, arising out of or in connection with the Franchised Business, including any claim or controversy arising out of (i) any Transfer by Franchisee referred to in Section 9.2, (ii) acts or omissions of Franchisee which are not in strict compliance with this Agreement and the Manual, (iii) acts or omissions of Franchisee which tend to create an impression that the relationship between the parties is other than one of Franchisor and Franchisee, or (iv) any acts or omissions of Franchisee's employees. In spite of the foregoing, Franchisee will have no obligation to indemnify Franchisor, or its Affiliates or designees against costs or expenses arising from the conduct of Franchisor found to be willful, malicious or grossly negligent.

13.4. Survival of Covenants

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable in spite of the expiration or other termination of this Agreement.

13.5. Successors and Assigns

This Agreement will be binding upon and benefit the successors and assigns of Franchisor and Franchisee and their respective heirs, executors, administrators, successors, and assigns, subject to the restrictions on Assignment by Franchisee contained in this Agreement.

13.6. Joint and Several Liability

If Franchisee consists of more than one person, the obligation and liabilities to Franchisor of each person are joint and several.

13.7. Counterparts

This Agreement may be signed in any number of copies, each of which will be considered to be an original, and all of which together will be considered to be one and the same instrument.

13.8. Notices

(a) All notices which the parties may be required or may desire to give under or in connection with this Agreement will be in writing and will be sent either by certified mail, return receipt requested, postage prepaid, or by reliable overnight delivery service, addressed as follows:

(i) If to Franchisor, to:

AMERICAN DECORATIVE COATINGS, LLC
19000 MacArthur Boulevard, Suite 100
Irvine, CA 92612

With a copy to: General Counsel at the same address

(ii) If to Franchisee, to the attention of the Manager at the address indicated in Section 16.2(c).

(b) Notices sent in accordance with this Section 13.8 will be considered given three business days after deposit with the United States Postal Service or the next business day after deposit with a reliable overnight delivery service.

(c) The addresses given in this Agreement for notices may be changed at any time by either party by written notice given to the other party as provided in this Agreement. If the address to which notices are otherwise required to be given under this Section 13.8is known or believed by the person giving notice no longer to be valid, notices will also be sent to the last known valid address of the party receiving the notice.

13.9. Franchisor's Business Judgment

Franchisee understands and agrees that Franchisor may operate and change the System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including without limitation Franchisor's judgment of what is in the best interests of the franchise network, at the time Franchisor's decision is made or its right or discretion is exercised.

14. CONSTRUCTION OF AGREEMENT

14.1. Governing Law

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non-competition provisions. Except as otherwise provided in Section 10 and this section, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of California. Franchisee waives, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state in which the Territory is located.

14.2. Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related Agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document.

14.3. Modification

This Agreement cannot be modified or changed except by (i) written instrument signed by all of the parties, or (ii) by Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent and which will be effective immediately upon notice.

14.4. Titles for Convenience Only

Section titles used in this Agreement are for convenience only and will not be considered to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

14.5. Gender

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section may require.

14.6. Severability

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Manual or the Handbook and any present or future statute, law, ordinance, regulation, or judicial decision, contrary to which the parties have no legal right to contract, the statute, law, ordinance, regulation, or judicial decision will prevail, but in that event the provision of this Agreement or the Manual or the Handbook thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, Section, sentence, or clause of this Agreement or the Manual or the Handbook is held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be considered deleted, and the remaining parts will continue in full force and effect, unless the provision pertains to the payment of fees under Section 4, in which case this Agreement will terminate.

14.7. No Third Party Beneficiaries

This Agreement is not intended to benefit any other person except the named parties. No other person may claim any rights under this Agreement by virtue of so-called "third party beneficiary rights" or otherwise.

14.8. Examples Not Exclusive

The verb "to include" (in all its tenses and variations, such as "including) is always used in a non-exclusive sense (as if followed by one of the phrases "without limitation" or "but not limited to). The failure to list a particular example after a variation of the word "including" is not to be construed as an indication that the example is excluded.

14.9. "Person" Inclusive

The term "person" means all forms of juridical persons, including individuals, partnerships, corporations, trusts, unincorporated associations, and governmental entities.

15. SUBMISSION OF AGREEMENT

The submission of this Agreement to Franchisee does not constitute an offer, and this Agreement will become effective only upon the signing of this Agreement by both Franchisor and Franchisee. This Agreement will not be binding on Franchisor unless and until it has been accepted and signed by the President or other executive officer of Franchisor. This Agreement may not become effective until and unless Franchisee has been furnished by Franchisor with any disclosure, in written form, required under or according to applicable law.

16. ACKNOWLEDGMENTS AND REPRESENTATIONS OF FRANCHISEE

16.1. Certain Acknowledgments and Representations of Franchisee

(a) If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

(b) Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manual and the Handbook, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manual. Franchisee represents that it has the capabilities, professionally, financially, and otherwise, to comply with the standards of Franchisor.

(c) If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

(d) The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(e) Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

(f) Franchisee has (or if Franchisee is not an individual, Franchisee's principals have) carefully read this Agreement and all other related documents to be signed by Franchisee concurrently or in conjunction with the signing of this Agreement. Franchisee has had the opportunity to obtain the advice of legal counsel in connection with the signing and delivery of this Agreement, understands the nature of this Agreement, and intends to comply with this Agreement and to be bound by this Agreement.

(g) The formation of this Agreement and the disclosures made in connection with the relationship described in this Agreement are governed in part by the franchise relations acts, the franchise investment laws, the franchise disclosure laws and the regulations promulgated under those laws and regulations in the states in which Franchisor and its franchisees do or intend to do business. Those laws, regulations, and disclosure requirements have been implemented for the protection and benefit of franchisees and prospective franchisees. Franchisee acknowledges that it has been advised to obtain legal advice and counsel to evaluate the opportunity of becoming a franchisee of Franchisor and the benefits and duties of this Agreement. Franchisee acknowledges that it has chosen to enter into this Agreement solely based upon its independent judgment as to its needs at a time when other franchise and franchise opportunities were available. No

promises or assurances have been made by Franchisor other than as explicitly stated in this Agreement.

16.2. Additional Information Respecting Franchisee

(a) Attached as Schedule 4 is a schedule containing complete information respecting the owners, partners, members, officers, and directors, as the case may be, of Franchisee.

(b) Unless otherwise disclosed to Franchisor in writing, Franchisee's financial and other records will be maintained at Franchisee's principal place of business indicated in Section 3.1.

(c) The name and business address of Franchisee's Manager is:

_____

Franchisee will deliver, under Section 1387, written notice of any change in this information after the Effective Date.

(d) Franchisee has delivered to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including (as appropriate) all partnership agreements, certificates of partnership, Articles or certificates of incorporation, by-laws, shareholder agreements, and operating agreements, as well as all amendments, side letters, and other items modifying any of those documents.

(e) The Term (as described in Section 5.1) of this Agreement expires on _____.

IN WITNESS TO WHICH, the parties to this Agreement have caused this Agreement to be signed on or as of the dates indicated below:

FRANCHISOR
AMERICAN DECORATIVE COATINGS, LLC

Date: _____ By: _____
Jennie Amante, Executive Vice President

19000 MacArthur Boulevard, Suite 100
Irvine, CA 92612

Sign here if Franchisee is an individual:

FRANCHISEE

Date: _____ _____
Print Name: _____
Print Address: _____
_____

Sign here if Franchisee is a company:

FRANCHISEE
Print Company Name: _____

Date: _____ By: _____
Print Name: _____
Print Title: _____
Print Address: _____
_____

STATE SPECIFIC ADDENDUM TO CONCRETE CRAFT® FRANCHISE AGREEMENT

1. INTRODUCTION

This Addendum (Addendum) is effective on the same date as the Franchise Agreement (Agreement) to which it is attached. The parties to the Addendum are the parties to the Agreement. The purpose of this Addendum is to modify certain clauses of the standard Agreement to meet the requirements of regulatory agencies in the States of Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island and Washington.

2. AGREEMENT

The parties agree as follows:

2.1 Hawaii

The following provisions apply to you if you live in Hawaii or your business will be located in Hawaii:

2.1.1. Franchise Fee

The first two sentences in Section 4.1 (Initial Fee) of the Agreement are amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America. The Initial Franchise Fee is not refundable.

2.1.2. Territory Fee

The first sentence of Section 4.2 (Territory Fee) is amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor a Territory Fee of $50,000. The Territory Fee is

payable in a lump sum, all in lawful money of the United States of America. The Territory Fee is not refundable.

2.2 Illinois

The following provisions apply to you if your State is Illinois:

2.2.1. Franchise Fee

The first two sentences in Section 4.1 (Initial Fee) of the Agreement are amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee and Franchisee has commenced doing business, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America. The Initial Franchise Fee is not refundable.

2.2.2. Territory Fee

The first sentence of Section 4.2 (Territory Fee) is amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee and Franchisee has commenced doing business, Franchisee will pay to Franchisor a Territory Fee of $50,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America. The Territory Fee is not refundable.

2.2.3 Governing Law and Venue

Illinois law governs the franchise agreement(s).

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 the

state of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

2.2.4 Termination and Non-Renewal

Franchisees' rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

2.2.5 No Waiver of Illinois Law

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 the Illinois Franchise Disclosure Act or any other law of Illinois is void.

2.3 Maryland

The following provisions apply to you if you live in Maryland or your business will be located in Maryland:

2.3.1. Financial Assurance

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

2.3.2. Franchise Fee

The first two sentences in Section 4.1 (Initial Fee) of the Agreement are amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee

is payable in a lump sum in lawful money of the United States of America. The Initial Franchise Fee is not refundable.

2.3.3. Territory Fee

The first sentence of Section 4.2 (Territory Fee) is amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor a Territory Fee of $50,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America. The Territory Fee is not refundable.

2.3.4. Release of Claims

Section 9.2 (Assignment by Franchisee) of the Agreement says that we may require you to sign a release of claims as a condition of renewal or transfer of your franchise. However, this release will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law.

2.3.5. Disputes Not Subject To Alternate Dispute Resolution

Section 11.2 (Disputes Not Subject To Alternate Dispute Resolution) of the Agreement is amended to read as follows:

Except for claims subject to arbitration, a franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2.3.6. Venue

Section 11.6(a) (Venue, Submission to Court, Limitation of Damages) of the Agreement is revised to read as follows:

No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in a state court of competent jurisdiction. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

2.3.7. Disclaimers

Under the franchise agreement, you must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland Franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

2.3.8. Time Period for Bringing Claims

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. Any limitation on the period of time arbitration and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law.

2.4. Minnesota

The following provisions apply to you if you live in Minnesota or your business will be located in Minnesota:

2.4.1. Franchise Fee

The first two sentences in Section 4.1 (Initial Fee) of the Agreement are amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee and Franchisee has opened for business, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America. The Initial Franchise Fee is not refundable.

2.4.2. Territory Fee

The first sentence of Section 4.2 (Territory Fee) is amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor a Territory Fee of $50,000. The Territory Fee is

payable in a lump sum, all in lawful money of the United States of America. The Territory Fee is not refundable.

2.4.3. Release of Claims

Section 9.2 (Assignment by Franchisee) of the Agreement says that we may require you to sign a special release of claims as a condition of renewal or transfer of your franchise. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

2.4.4. Arbitration Venue

Section 11.4 (Arbitration) of the Agreement requires binding arbitration of most disputes. The arbitration will occur in a state other than Minnesota, with costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

2.4.5. Venue

Section 11.6(a) (Venue, Submission to Court, Limitation of Damages) of the Agreement is amended to read as follows:

No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in a state court of competent jurisdiction. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

2.5. New York

The following provision applies to you if your State is New York:

2.5.1. Governing Law

Section 14.1 (Governing Law) of the Agreement is amended to read as follows:

The United States Arbitration Act (9 U.S.C. §1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this

Agreement. The Lanham Act (15 U.S.C. §1051 et seq.) will govern any issue involving the Marks. To the extent applicable, all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, or (iii) post-termination non-competition provisions will be governed by the laws of the state where Franchisee is domiciled. Except as otherwise provided in Article 10 of this Agreement and this Section, this Agreement and the legal relations among the parties to this agreement will be governed by and construed according to the laws of the State of California. The foregoing choice of law should not be considered to be a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.

2.6. North Dakota

The following provisions apply to you if your State is North Dakota:

2.6.1. Franchise Fee

The first two sentences in Section 4.1 (Initial Fee) of the Agreement are amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America. The Initial Franchise Fee is not refundable.

2.6.2. Territory Fee

The first sentence of Section 4.2 (Territory Fee) is amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor a Territory Fee of $50,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America. The Territory Fee is not refundable.

2.6.3. Mediation and Arbitration Venue

Article 11 (Dispute Resolution) of the Agreement requires mediation and arbitration to take place in California. The North Dakota Securities Commissioner has held that franchise agreements providing that the parties must agree to the mediation or arbitration

of disputes at a location that is remote from the site of the franchisee's business is "unfair, unjust, or inequitable to North Dakota franchisees."

2.6.4. Venue

Section 11.6(a) (Venue, Submission to Court, Limitation of Damages) of the Agreement is revised to read as follows:

No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in a state court of competent jurisdiction. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

2.6.5. Submission to Court and Limitation of Damages

Section 11.6(b) (Submission to Court) and 11.6(c) (Limitation of Damages) of the Agreement are deleted.

2.6.6. Bankruptcy

A provision in the Franchise Agreement that terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

2.6.7. Governing Law

Section 14.1 of the Agreement (Governing Law) is revised to read as follows:

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non-competition provisions. Otherwise, except as to matters within the purview of the North Dakota franchise law, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of California.

2.7. Rhode Island

The following provisions apply to you if your State is Rhode Island:

2.7.1. Governing Law

Section 14.1 of the Agreement (Governing Law) is revised to read as follows:

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non-competition provisions. Otherwise, except as to matters within the purview of the Rhode Island Franchise Investment Act, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of California.

2.8 South Dakota

The following provisions apply to you if you live in South Dakota or your business will be located in South Dakota:

2.8.1 Franchise Fee

The first two sentences in Section 4.1 (Initial Fee) of the Agreement are amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $19,950. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America. The Initial Franchise Fee is not refundable.

2.8.2 Territory Fee

The first sentence of Section 4.2 (Territory Fee) is amended to read as follows:

Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay to Franchisor a Territory Fee of $50,000. The Territory Fee is

payable in a lump sum, all in lawful money of the United States of America. The Territory Fee is not refundable.

2.9. Virginia

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2.10. Washington

The following provisions apply to you if your State is Washington:

The state of Washington has a statute, RCW 19.100.180 which 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 proceeding involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

The franchisor utilizes an escrow impound for initial fees. Fees are not released from escrow until the franchisor has satisfied its preopening obligations to you.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this addendum.

3. INCORPORATION OF FRANCHISE AGREEMENT

The terms and conditions of the Agreement are incorporated into this Addendum by reference except to the extent that they conflict with the terms and conditions of this Addendum. If there is a conflict, the terms and conditions of this Addendum will govern.

IN WITNESS TO THE FOREGOING, the parties to this Addendum sign and deliver it.

FRANCHISOR
AMERICAN DECORATIVE COATINGS, LLC

Date: _____ By:_____
Jennie Amante, Executive Vice President
19000 MacArthur Boulevard, Suite 100
Irvine, CA 92612

Sign here if Franchisee is an individual:

FRANCHISEE

Date: _____ _____

Print Name: _____

Sign here if Franchisee is a company:

FRANCHISEE

Print Company Name: _____

Date: _____ By: _____

Print Name: _____

Print Title: _____

PERSONAL COVENANT AND GUARANTEE

(To be signed by franchisee's spouse, if any, and by all owners, if franchisee is a company.)

In return for the signing by Franchisor of this Franchise Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned covenant and agree as follows:

A. The undersigned represent to Franchisor that the undersigned are all of the people having direct or indirect "Control" (as defined in the Franchise Agreement) or a direct or indirect beneficial ownership interest in Franchisee.

B. The undersigned, individually and jointly, will (i) comply with and be bound by all provisions of the Franchise Agreement and any other agreement between Franchisor and Franchisee to the same extent as if each of them were the Franchisee, and (ii) not engage in any activities not permitted to the Franchisee under the Franchise Agreement (whether in their own behalf or in any capacity on behalf of any entity).

C. Any controversy or claim arising out of this Personal Covenant and Guarantee, or any breach of it, will be submitted to mediation and arbitration in accordance with Section 11 of the Franchise Agreement.

D. If any other people obtain direct or indirect Control of Franchisee or a direct or indirect beneficial interest in Franchisee, the undersigned will cause those people to sign and deliver to Franchisor a counterpart of this Personal Covenant and Guarantee.

E. This Personal Covenant and Guarantee will be governed in accordance with the laws of the same state whose laws govern the Franchise Agreement.

_____	_____
Signature	*Signature*
*Name:*_____	*Name:*_____
Address:_____	*Address*:_____
_____	_____

SCHEDULE 1

DESCRIPTION OF TERRITORY

The Territory franchised to Franchisee consists of the following ZIP Codes (as defined by the United States Postal Service):

The Territory is commonly identified as "Concrete Craft _____."

SCHEDULE 2

CONCRETE CRAFT® START-UP PACKAGE

The Start-Up Package consists of the following:

1. Transportation allowance of $500
2. Hotel charges for one standard room (single or double occupancy) for training nights and the night immediately prior to training for the manager and/or other person attending initial training.
3. Stationery (500 letterhead, envelopes, business cards)
4. 250 work order forms and estimate forms
5. Sample boards
6. 25 yard signs
7. Vehicle wrap (Franchisee to pay for installation)
8. Briefcase
9. Apparel (10 T-shirts, 3 short sleeve polo shirts)
10. 2,500 door hangers
11. 250 home show flyers
12. Marketing materials (100 folders, stamped concrete, concrete overlay, stained concrete, color restore system technique cards; Thank You cards)
13. Personalized web site

SCHEDULE OF NAMES AND ADDRESSES OF OWNERS AND PRINCIPAL OFFICERS

1. If the prospective franchisee is an individual (sole proprietor), list below the name and residence address of the Franchisee:

   _____

   _____

2. If the prospective franchisee is not an individual, list below the names, residence addresses, and respective percentage ownership interests of each person who owns a direct or indirect beneficial interest in the Franchisee (if more space is required, attached additional sheets):

a._____		c._____	
_____		_____	
_____		_____	
_____	____%	_____	_____%
b._____		d._____	
_____		_____	
_____		_____	
_____	____%	_____	_____%

3. If the prospective franchisee is not an individual, list the names, residence addresses, and respective titles of each individual who has or will have management authority with respect to Franchisee, including officers, directors, managers, and partners (if necessary, list other individuals on additional sheets attached):

a.
Title:_____

_____

_____

_____

b.
Title:_____

_____

_____

_____

c.
Title:_____

_____

_____

_____

d.
Title:_____

_____

_____

_____

EXHIBIT B

FINANCIAL STATEMENTS

Tel: 714-957-3200
Fax: 714-957-1080
www.bdo.com

600 Anton Boulevard, Suite 500
Costa Mesa, CA 92626

American Decorative Coatings, LLC dba Concrete Craft
Irvine, California

BDO USA, LLP consents to the use in the Franchise Disclosure Document issued by American Decorative Coatings, LLC dba Concrete Craft (the "Franchisor") of our report dated March 31, 2020, relating to our audits of the financial statements of the Franchisor as of December 31, 2019 and 2018, and for the years then ended. We also consent to the use of our report dated March 20, 2019, related to our audits of the financial statements of the Franchisor as of December 31, 2018 and 2017, and for the years then ended.

BDO USA, LLP

May 1, 2020

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

American Decorative Coatings, LLC dba Concrete Craft

Financial Statements

As of and for the Years Ended
December 31, 2019 and 2018

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

American Decorative Coatings, LLC
dba Concrete Craft

Financial Statements

As of and for the Years Ended December 31, 2019 and 2018

American Decorative Coatings, LLC
dba Concrete Craft

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Independent Auditor's Report

To the Member of
American Decorative Coatings, LLC dba Concrete Craft
Irvine, California

We have audited the accompanying financial statements of American Decorative Coatings, LLC, dba Concrete Craft (a California Limited Liability Company and a wholly owned subsidiary of Home Franchise Concepts, LLC), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of earnings, deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity' s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Decorative Coatings, LLC dba Concrete Craft as of December 31, 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.

Emphasis of Matter Regarding Change in Accounting Policy

As discussed in Note 2 to financial statements, the Company has changed its method of accounting for revenue recognition and related disclosures in 2019 due to the modified retrospective adoption of Accounting Standards Codification Topic 606: *Revenue from Contracts with Customers*. Our opinion is not modified with respect to to this matter.

BDO USA, LLP

March 31, 2020

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Financial Statements

American Decorative Coatings, LLC
dba Concrete Craft

Balance Sheets

December 31,	**2019**	2018
Assets		
Current assets		
Cash ($5,510 and $34,296 restricted in 2019 and 2018, respectively)	**$ 33,855**	$ 58,517
Accounts receivable, net of allowance for doubtful accounts of $73,124 and $11,723 for 2019 and 2018, respectively	**117,733**	207,901
Rebate receivable	**23,450**	8,331
Notes receivable, net of allowance for doubtful accounts of $10,849 and $7,211 for 2019 and 2018, respectively	**22,599**	19,697
Prepaid expenses	**202,385**	72,003
Deferred expenses	**59,134**	-
Total current assets	**459,156**	366,449
Notes receivable, net of current maturities and allowance for doubtful accounts of $28,082 and $24,689 for 2019 and 2018, respectively	**109,013**	113,357
Property and equipment, net	**-**	5,100
Goodwill, net	**54,885**	64,161
Straight-line royalty asset, net of current maturities	**838,963**	-
Deferred expenses, net of current maturities	**974,866**	-
Total assets	**$ 2,436,883**	$ 549,067
Liabilities and Deficit		
Current liabilities		
Current maturities of long-term debt	**$ -**	$ 1,076
Advertising advances and deposits	**13,685**	37,351
Due to related party, net	**-**	101,391
Accounts payable	**15,655**	35,978
Accrued liabilities	**204,630**	200,851
Deferred revenue	**398,103**	75,530
Total current liabilities	**632,073**	452,177
Revolving credit facility due to Parent (Note 11)	**-**	211,000
Long-term debt, net of current maturities	**-**	2,813
Deferred revenue, net of current maturities	**2,023,688**	-
Total liabilities	**2,655,761**	665,990
Commitments and Contingencies (Note 9)		
Members' Deficit	**(218,878)**	(116,923)
Total liabilities and members' deficit	**$ 2,436,883**	$ 549,067

The accompanying notes are an integral part of these financial statements.

American Decorative Coatings, LLC
dba Concrete Craft

Statements of Earnings

For the years ended December 31,	**2019**	2018
Revenue		
Product sales	**$ 211,849**	$ 1,103,481
Royalty income	**1,026,610**	442,915
Initial franchise fees	**567,525**	1,436,450
Other sales	**519,154**	96,361
Total revenue	**2,325,138**	3,079,207
Operating expenses		
Cost of sales	**-**	782,351
Selling and advertising	**780,961**	836,214
Operating and administrative	**1,240,147**	1,081,684
Total operating expenses	**2,021,108**	2,700,249
Earnings from operations	**304,030**	378,958
Other income		
Interest income (expense), net	**8,317**	(19,869)
Net earnings	**$ 312,347**	$ 359,089

The accompanying notes are an integral part of these financial statements.

American Decorative Coatings, LLC
dba Concrete Craft

Statements of Deficit

	Members' Equity (Deficit)	Due (from) to Parent	Total Deficit
Balance at January 1, 2018	$ (327,541)	$ 570,390	$ 242,849
Net earnings	359,089	-	359,089
Distributions	(18,133)	-	(18,133)
Advances to Parent	-	(700,728)	(700,728)
Balance at December 31, 2018	13,415	(130,338)	(116,923)
Cumulative effect of change in accounting policy (see Note 2)	(747,462)	-	(747,462)
Net earnings	312,347	-	312,347
Distributions	(166,253)	-	(166,253)
Advances from Parent	-	499,413	499,413
Balance at December 31, 2019	$ (587,953)	369,075	$ (218,878)

The accompanying notes are an integral part of these financial statements.

American Decorative Coatings, LLC
dba Concrete Craft

Statements of Cash Flows

For the years ended December 31,	**2019**	2018
Cash flows from operating activities		
Net earnings	**$ 312,347**	$ 359,089
Adjustments to reconcile net earnings to net cash and restricted cash (used in) provided by operating activities:		
Amortization	**9,276**	9,276
Depreciation	**5,100**	5,100
Provision for bad debts	**71,338**	51,333
Decrease (increase) in:		
Accounts receivable	**547**	203,524
Notes receivable	**4,605**	(164,977)
Inventory	**-**	4,155
Prepaid expenses	**(130,381)**	(36,926)
Straight-line royalty assets	**(247,098)**	-
Deferred assets	**191,599**	-
Increase (decrease) in:		
Advertising advances and deposit	**(23,666)**	22,924
Accrued liabilities	**3,779**	84,251
Accounts payable	**(20,323)**	33,590
Deferred revenue	**(218,665)**	(203,365)
Net cash and restricted cash (used in) provided by operating activities	**(41,542)**	367,974
Cash flows from financing activities		
Due to related party	**(101,391)**	75,758
Advances from (to) Parent	**499,413**	(700,728)
Payment on revolving credit facility due to parent	**(211,000)**	3
Principal payments on long-term debt	**(3,889)**	(4,526)
Distributions	**(166,253)**	(18,133)
Net cash and restricted cash provided by (used in) financing activities	**16,880**	(647,626)
Decrease in cash and restricted cash	**(24,662)**	(279,652)
Cash and restricted cash - beginning of year	**58,517**	338,169
Cash and restricted cash - end of year	**$ 33,855**	$ 58,517
Supplemental disclosure of cash flow information:		
Cash (paid)/earned during the year for interest	**$ (8,317)**	$ 19,869

The accompanying notes are an integral part of these financial statements.

1. The Company

American Decorative Coatings, LLC ("ADC" or the "Company") dba Concrete Craft is a Delaware Limited Liability Company that was formed in October 2014 for the purpose of selling franchises for the operation of independently owned and operated businesses for the marketing, selling and installing beautiful, economical, decorative concrete surfaces. The Company is a wholly-owned subsidiary of Home Franchise Concepts, LLC ("HFC, LLC" or "Parent"). Effective July 8, 2019 all of the Parent's equity interests were acquired by JM Franchise Holdings, Inc., a wholly owned subsidiary of JM Family Enterprises, Inc. ("Ultimate Parent").

As of December 31, 2019, ADC has 50 total franchises, which are located throughout the United States.

The financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and cash flows for the year then ended may have differed had the Company not been affiliated with its Parent (Note 11).

2. Summary of Significant Accounting Policies

Accounting Estimates

The preparation of a financial statement in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Company estimates considered significant include the estimate of allowance for doubtful accounts for accounts receivable and notes receivable, allocation of Parent's expenses to the Company (Note 11), and any impairment of goodwill.

The significant accounting policies and practices followed by the Company are set forth below:

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the consolidated financial position or results of operations of the Company.

Fair value measurements

The Company follows accounting guidance that defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Management believes the carrying amounts of financial instruments approximates their fair value. The carrying amounts of cash, restricted cash, due to/from related party, accounts receivable, accounts payable, accrued liabilities, advertising advances and deposits, and due to/from Parent approximates their estimated fair value due to the short-term nature of these instruments. The carrying value of the Company's debt instruments approximates their fair value as the interest is tied to or approximates market rates.

Cash

The Company considers cash on hand and deposits in banks as cash. The Company maintains some of its cash in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation up to a maximum of $250,000 per depositor. As of December 31, 2019, the Company had no uninsured deposits in its deposit accounts with a U.S. bank. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Restricted Cash

Restricted cash includes advertising advances and deposits from franchisees for the purpose of national and regional advertising ("NAF"). The use of these funds is restricted for advertising costs to benefit the franchisees. The funds cannot be utilized for the Company's advertising expenses in connection with the sale of franchises.

Accounts, Notes and Rebates Receivable

Accounts and rebates receivable consist of a) amounts due from franchise owners for continuing fees that are collected monthly b) receivables for vendor rebates c) receivables for advertising reimbursements from franchise owners and miscellaneous receivables and are stated at the amount management expects to collect from outstanding balances. Notes receivable consist of company loans made to franchise owners for a purchase of initial or additional franchises (Note 3). Management provides for probable uncollectible amounts through a charge to earnings and an increase in the allowance for doubtful account based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through the allowance account.

The Company has accounts receivable from one franchisee (2019) and three franchisees (2018) totaling approximately $48,955 and $154,900, as of December 31, 2019 and 2018, respectively.

The Company has recognized $99,234 or 42% of gross sales rebates revenue from one product supplier for the year ended December 31, 2019. The Company has recognized $18,293 or 50% of gross sales rebates revenue from one product supplier for the year ended December 31, 2018. The Company has approximately $11,496, or 49% of rebates receivable from one supplier as of December 31, 2019. The Company has approximately $3,881, or 47% of rebates receivable from one supplier as of December 31, 2018.

In addition, the Company has $7,970, or 34% of rebates receivable from two additional suppliers as of December 31, 2019.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of fixtures and equipment is computed using the straight-line method over their estimated useful lives of 3 to 7 years. Certain costs incurred in connection with developing or obtaining internal-use software are recorded at cost and are included in Property and equipment on the accompanying balance sheets. Amortization begins once the software is available for its intended use over its estimated useful life, generally 3 to 5 years. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful lives or the remaining term under the lease. Expenditures that materially

increase the asset life are capitalized, while ordinary maintenance and repairs are charged to operations as incurred.

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is based on the estimated useful life and is calculated as follows:

Computer Software:	3 years
Computer Hardware:	5 years
Fixture and Equipment:	5 years
Vehicles:	5 years
Leasehold Improvements:	7 years

Goodwill and Long-Lived Assets

The Company records as goodwill the excess of the fair value of consideration transferred in a business combination over the identifiable net assets acquired and liabilities assumed. The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-02, *Accounting for Goodwill, A Consensus of the Private Company Council*, under which the Company has elected to amortize goodwill over a period of 10 years and to test goodwill for impairment only when a triggering event occurs that indicates that the fair value of the Company may be below its carrying amount. During the years ended December 31, 2019 and 2018, no indications of possible impairment were identified.

The Company evaluates the recoverability of long-lived assets with finite lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. There was no such impairment identified as of December 31, 2019 and 2018.

Equity

The Company engages in various intercompany transactions with its Parent. Accordingly, management has elected to present net advances to/from Parent as a component of equity in the accompanying balance sheets.

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place. At December 31, 2019 and 2018, there were no advertising costs reported as a prepaid asset. The Company incurs both consumer and franchise advertising costs, which totaled $153,588 and $118,674, respectively, for the years ended December 31, 2019 and 2018, and are included selling and advertising expenses on the accompanying statements of earnings.

Income Taxes

The Company is considered a disregarded entity for federal income tax purposes and is included in the federal income tax return and certain state income tax returns filed prior to the acquisition by the Parent and after the acquisition by the Ultimate Parent. The Company does not record a provision for federal or state income taxes for financial reporting purposes.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" with an effective date deferred by ASU 2015-14. On January 1, 2019, the Company adopted ASU 2014-09 using the modified retrospective method applied to those contracts, which were not fully satisfied as of January 1, 2019. Results for reporting period beginning after January 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 605. The Company has recognized an adjustment of $747,462 to members' equity, related to the cumulative effect of adopting ASU 2014-09 at the date of adoption. For additional information and discussion of the impact of the adoption of Topic 606 on revenue recognition, see "Changes in Accounting Policies" below and "Note 12 Revenue from Contracts with Customers".

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". The core principle of ASU 2016-02 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The standard was originally scheduled to be effective for nonpublic entities for fiscal years beginning after December 15, 2019. In November 2019 the FASB issued ASU 2019-10, "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)" which delay the effective date by one year to December 2020. The Company is currently evaluating the standard and the impact on its financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)". The updated standard addresses eight specific cash flow issues with the objective of reducing diversity in practice. ASU 2016-15 is effective for non-public business entities for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods. The Company adopted this guidance effective January 1, 2019 using the retrospective transition approach for all periods presented. The adoption of ASU 2016-15 did not have a material impact on the Company's financial statements.

On November 17, 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", providing specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents (collectively "CASH"). Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-

period and end-of-period total amounts shown on the statement of cash flows. The amendments in ASU 2016-18 are effective for private business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company adopted this guidance effective January 1, 2019, using the retrospective transition approach for all periods presented. As a result of the adoption of ASU 2016-18 the Company has shown the changes in the total of cash, cash equivalents, and restricted cash in the Statements of Cash Flows. The following table shows the changes on the Statements of Cash Flows:

Statement of cash flows for the year ended December 31, 2018	As Previously Reported	Impact of ASU 2016-18	As Currently Reported
Net cash provided by operating activities	$ 345,050	$ 22,924	$ 367,974
Decrease in cash and restricted cash	(302,576)	22,924	(279,652)
Cash and restricted cash - beginning of year	326,167	12,002	338,169
Cash and restricted cash - end of year	23,591	34,926	58,517

Changes in Accounting Policies

The Company adopted Topic 606, with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services, and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company applied Topic 606 using the modified retrospective method by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. The details of the significant changes and quantitative impact of the changes are set out below and in "Note 11. Revenue from Contracts with Customers."

Initial Franchise Fees

Initial franchise fees consist of initial fees paid by franchisees at the start of the agreement, area development fees, and renewal fees. The fixed non-refundable fee, as determined by the signed development and/or franchise agreement, is due at the time the development agreement is entered into, and/or when the franchise agreement is signed, and does not include a finance component. Initial franchise fees are made up of performance obligations for training, access to plans, access to vendors and Company specific pricing, area exclusivity, and the right to use the Company’s intellectual property over the term of the agreement. The Company's previous accounting policy was to recognize initial franchise fees, development fees, and franchise agreement renewals when all material obligations had been performed and conditions had been satisfied, typically when training

had been completed. In accordance with ASC 606, the initial franchise services or exclusivity of the development agreements, are not distinct from the continuing rights or services offered during the term of the franchise agreement and are therefore treated as a single performance obligation. As such, initial franchise and development fees received, and subsequent renewal fees, are recognized over the term of the franchise agreement or renewal, which is typically ten years. The Company offers a discounted renewal to incentivize future renewals after the end of the initial franchise term. As this is considered a separate performance obligation, the Company allocates a portion of the initial franchise fee to this discounted renewal, on a pro-rata basis, assuming a 10-year renewal. This performance obligation is satisfied over the renewal term, which is typically 10 years, while payment is fixed and due at the time the renewal is signed.

Royalty Income

Franchise royalty income consists of fixed fees paid by franchisees, as determined by the signed franchise agreement which are billed and due monthly. Additionally, the franchise agreements contain fixed royalty escalation clauses whereby the royalty amounts are increased during the first several years of the franchise agreement. Royalty income is made up of performance obligations for the continuing right to use the Company's intellectual property, access to vendors and Company specific pricing, and area exclusivity. The Company's previous accounting policy was to recognize royalty fees when all conditions had been satisfied, typically based on their date when it was due. In accordance with ASC 606, the franchise royalties are not distinct from the continuing rights or services offered during the term of the franchise agreement and are therefore treated as a single performance obligation. As such, franchise royalty income is recognized over-time using a time-based method which is a straight-line basis over the franchise and renewal term, which is typically twenty years, as this best depicts the transfer of control of the performance obligation. The difference between the actual royalty income amounts paid and royalty income recognized on a straight-line basis results in a straight-line royalty asset. If a customer is terminated, the contract asset will be depleted and will result in a reduction of royalty revenue. For any outstanding receivables that are deemed uncollectible, they will be recorded to bad debt expense. For certain franchisees, royalty income consists of sales-based variable fees paid by franchisees and are billed and due monthly. Sales-based fees qualify under the royalty constraint exception, and do not require an estimate of future transaction price.

Continuing Franchise Fees

Continuing franchise fees consist of fixed fees paid by franchisees, as determined by the signed franchise agreement which are billed and due monthly. The performance obligations for these fees are for monthly access to services related to IT, help desk, and telephone. These fees are fixed in nature, do not have pre-determined escalation amounts and are billed and due monthly. The Company's previous accounting policy was to recognize continuing franchise fees when all conditions had been satisfied, typically based on their date when it was due. In accordance with ASC 606, these fees are recognized over time on a monthly basis as the franchise utilizes the right to access the aforementioned services.

The Company also receives advertising funds from the franchisees to provide national and regional advertisements for the benefit of the franchisees (NAF). These advances and deposits are based on a fixed amount for each franchisee and are restricted and segregated. In 2018, the Company accounted for the receipt of advertising funds as a liability and the advertising costs incurred were charged against the liability account. The Company's previous accounting policy was to recognize advertising funded by franchisees on a net basis in the statements of earnings, and as a liability within the balance

sheets. Under the new guidance, the Company presents advertising contributions received from franchisees as franchise advertising fee revenue and records all expenses of the advertising fund within franchise expenses, resulting in an increase in revenues and expenses on the statements of earnings, with no change to the balance sheets unless the advertising was underspent. When underspent (revenue exceeds expenses), the advertising fund will accrue the difference from collections received and amount owed. In addition, the franchise agreements allow the Company to retain a percentage of the advertising deposits as compensation for its administration over the accounts.

Gross Sales Rebates

The Company receives vendor rebates primarily from outdoor improvements and concrete related products. These rebates are generally covered by binding agreements, which are signed agreements between various vendors and the Company. The Company previously recorded revenue from rebates when earned and reasonably estimated based on the terms defined in the agreements, or, in the absence of such agreements, when cash is received. Under ASC 606, the Company's performance obligation for vendor rebates is satisfied upon the sale of a vendor's product through the Company's franchisees. As such, revenue is estimated and recorded upon receipt of franchisee sales information from the vendor.

Product Sales

Franchisees purchase inventory from certain vendors by placing the order through the Company which is fulfilled by the vendor. The inventory is shipped directly from the supplier to the franchisees and the Company does not bear the inventory risk and is not responsible for fulfilling the orders. The Company previously recorded revenue when earned and reasonably estimated based on the terms defined in the agreement with revenue and cost recorded gross in the statements of earnings. Under ASC 606, the Company's performance obligation for product sales is satisfied upon the sale of a vendor's product through the Company's franchisees. As such, revenue is estimated and recorded upon receipt of the franchisee sales information from the vendor. The criteria for the Company acting as a principal in these transactions are not met. Therefore, the Company determined that it acts as an agent in these transactions recording revenue net of costs as the Company is the agent facilitating the transaction between the franchisee and the vendor.

Other Fees

Other fees consist primarily of fees to attend the Company's annual convention. These fees are from both vendors and franchisees and are paid in advance of the annual convention. The performance obligation for the convention fees is to plan and hold the Company's annual convention. Convention fees are therefore recognized in the month the convention is held.

Cost to Obtain Contracts

The Company incurs costs that are directly attributable to obtaining a contract, for example broker fees, referral fees, and training fees. The Company's previous accounting policy was to recognize these costs when all material obligations had been performed and conditions had been satisfied, typically when training had been completed. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheets. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance

obligation, and is typically twenty years. If a customer is terminated, the remaining deferred expense will be recognized to expenses.

		Impact of change in accounting policy		
December 31, 2019	As reported	Adjustments	Balances without adoption of Topic 606
Assets			
Current assets			
Prepaid expenses	$ 202,385	$ (40,262)	$ 162,123
Deferred expenses	59,134	(59,134)	-
Total current assets	459,156	(99,396)	359,760
Straight-line royalty assets, net of current	838,963	(838,963)	-
Deferred expenses, net of current	974,866	(974,866)	-
Total assets	$ 2,436,883	$ (1,913,225)	$ 523,658
Liabilities and members' equity (deficit)			
Current liabilities			
Deferred revenue	$ 398,103	$ (195,408)	$ 202,695
Total current liabilities	632,073	(195,408)	436,665
Deferred revenue, net of current	2,023,688	(2,023,688)	-
Total liabilities	2,655,761	(2,219,096)	436,665
Members' deficit	(218,878)	305,871	86,993
Total liabilities and members' equity (deficit)	$ 2,436,883	$ (1,913,225)	$ 523,658

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Year ended December 31, 2019	Impact of change in accounting policy: As reported	Adjustments	Balances without adoption of Topic 606
Revenue			
Royalties	$ 1,026,610	$ (279,147)	$ 747,463
Initial franchise fees	567,525	(370,175)	197,350
Other sales	519,154	(151,127)	368,027
Total revenue	2,325,138	(800,449)	1,524,689
Expense			
Selling and advertising	780,961	(358,858)	422,103
Total expenses	2,021,108	(358,858)	1,662,250
Earnings from operations	304,030	(441,591)	(137,561)
Net earnings	$ 312,347	$ (441,591)	$ (129,244)

3. Notes Receivable

Notes receivable relates to the Company financing a portion of the initial franchise fees from the sale of franchises. The notes are collateralized by the franchise territory. The notes generally bear interest at rates ranging from 5% to 10% with maturities generally ranging from three to five years. Interest income is included in interest expense, net on the accompanying statements of earnings. A summary of notes receivable principal maturities follows:

Years ending December 31,	
2020	$ 33,447
2021	40,576
2022	42,176
2023	36,162
2024	14,950
Thereafter	3,232
Notes receivable	170,543
Less: allowance for doubtful accounts	(38,931)
Notes receivable, net of allowances for doubtful accounts	131,612
Less: current maturities, net of allowances for doubtful accounts	(22,599)
Notes receivable, net of current maturities and allowances for doubtful accounts	$ 109,013

4. Prepaid Expenses

Prepaid expenses consist of the following as of December 31:

	2019	2018
Prepaid training costs	$ 7,851	$ 286
Prepaid expenses	75,428	4,410
Prepaid convention	18,647	62,257
Prepaid commissions	99,650	3,300
Prepaid marketing supplies	809	1,750
Prepaid expenses	$ 202,385	$ 72,003

5. Property and Equipment

Property and equipment consist of the following as of December 31:

	2019	2018
Vehicles	$ 20,825	$ 20,825
Less: accumulated depreciation	(20,825)	(15,725)
Property and equipment, net	$ -	$ 5,100

Depreciation expense charged to operations for the years ended December 31, 2019 and 2018 is $5,100 and $5,100, respectively, and is included in operating and administrative expenses on the accompanying statements of earnings.

6. Goodwill

Goodwill consists of the following as of December 31:

	2019	2018
Goodwill	$ 92,763	$ 92,763
Less: accumulated depreciation	(37,878)	(28,602)
Goodwill, net	$ 54,885	$ 64,161

Amortization expense charged to operations for the year ended December 31, 2019 and 2018 is $9,276 and $9,276, respectively.

7. Accrued Liabilities

Accrued liabilities consist of the following at December 31:

	2019	2018
Accrued compensation	$ 147,571	$ 133,328
Accrued training costs	-	27,844
Accrued other	57,059	39,679
Accrued liabilities	$ 204,630	$ 200,851

8. Long-Term Debt

Long-term debt consists of the following at December 31:

	2019	2018
Notes payable to finance companies; interest rates ranging from 2.1% to 3.9%; secured by vehicles; notes are fully matured in 2019.	$ -	$ 3,889
Less current maturities	-	(1,076)
Long-term debt, less current maturities	$ -	$ 2,813

9. Commitments and Contingencies

Operating Lease

The Parent leases the Company's headquarters and allocates a portion of its rent expense to the Company. The total rent expense incurred by the Parent for this property was $940,507 and $591,300 for the years ended December 31, 2019 and 2018, respectively, of which $18,810 and $11,826 for the years ended December 31, 2019 and 2018, respectively, was allocated to the Company and is included in operating and administrative expenses on the accompanying statements of earnings. The Parent also signed a lease for a warehouse in Anaheim, CA commencing July 15, 2018. This space is used for training and shared with a related party. The total rent expense to the Company was $9,124 for 2019. In addition, the Company signed a 2018 sublease in Atlanta, Georgia as an office space. The total rent expense to the Company was $9,000 for 2019.

The annual minimum lease payments under all noncancelable leases are as follows:

Years Ending December 31,	
2020	9,000
2021	3,750
Lease payments	$ 12,750

Employment Agreements

The Company has entered into employment agreements (the "Agreements") with certain employees beginning December 22, 2014 through December 21, 2019. The Company has the right to terminate the Agreements at any time with cause. Upon termination of the Agreements without cause, the Company is required to pay the Employee's base salary for the remainder of the Term payable over a period equal to the number of months remaining in the Term commencing the day after the date of the termination of the Employee's employment in equal semi-monthly installments consistent with the Company's customary policies and pay schedule. Total compensation expense charged to operations for these employees for the years ended December 31, 2019 and 2018 was $256,000 and $160,000, respectively, and is included in operating and administrative expenses on the accompanying statements of earnings.

Litigation

The Company is involved in various litigation arising in the ordinary course of business. Management believes the disposition of all pending litigation will not have a material effect on the Company's financial statements.

10. Retirement Plan

The Company is a participate in its Parent's defined contribution 401(k) plan as part of a Controlled Group that covers eligible management and office employees. Contributions to the Plan by the Company are based on employees' contributions subject to certain limitations. The Company contributed $28,755 and $18,126 during the years ended December 31, 2019 and 2018, which is included in operating and administrative expenses on the accompanying statements of earnings.

11. Related Party Transactions

At December 31, 2019 and 2018, the Company has a net balance due to Parent totaling $369,074 and $80,662, respectively, consisting of a revolving credit facility of $0 and $211,000 at December 31, 2019 and 2018 respectively, and advances from and (to) of $369,074 and $(130,338), respectively, resulting from various intercompany transactions. In March 2019, Parent purchased the remaining equity interest of the minority members in the Company and the Company is now 100% wholly owned subsidiary of Parent. At December 31, 2019 and 2018, the Company had a balance due to another related party, which is a subsidiary of Parent, in the amount of $0 and $101,391, respectively.

Certain operating expenses are incurred by the Parent company and are allocated to the Company. During the years ended December 31, 2019 and 2018, the Company's Parent allocated $321,658 and $247,446, respectively, in expenses to the Company which was charged to the Company's operations, with most of the expenses included in operating and administrative expenses on the accompanying statements of earnings.

12. Revenue from Contracts with Customers

Adoption of Topic 606, "Revenue from Contracts with Customers"

On January 1, 2019, the Company adopted Topic 606 using the modified retrospective method applied to those contracts, which were not fully satisfied as of January 1, 2019. Results for reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

The cumulative catch-up adjustment recorded to equity was approximately $750,000 related to contract assets, contract liabilities, and deferred expenses.

Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the year ended December 31:

	2019
Revenue recognized over time	$ 1,709,305
Revenue recognized at a point in time	615,833
Total Revenue	$ 2,325,138

Contract Balances

The difference between the actual royalty income amounts paid and royalty income recognized on a straight-line basis results in a straight-line royalty asset. As of December 31, 2019, and January 1, 2019, the balance of straight-line royalty asset was $838,963 and $591,865, respectively.

The following table provides information about the change in the franchise deferred expenses balances during the year ended December 31:

	2019
January 1, 2019 – beginning balance	$ 1,225,599
Expenses recognized – beginning balance	(443,224)
Additional deferred expenses	284,808
Expense recognized – additional deferred expenses	(33,183)
Deferred expenses	1,034,000
Less: current maturities	(59,134)
Deferred expenses, net of current maturities	$ 974,866

The following table provides information about the change in the franchise contract liability balances during the year ended December 31, 2019. Franchise contract liability is included in deferred revenue on the consolidated balance sheets.

	2019
January 1, 2019 – beginning balance	$ 2,564,926
Revenue recognized – beginning balance	(542,261)
Additional deferred revenue	424,390
Revenue recognized – additional deferred revenue	(25,264)
Deferred revenue	2,421,791
Less: current maturities	(398,103)
Deferred revenue, net of current	$ 2,023,688

13. Subsequent Events (Unaudited)

Subsequent events have been evaluated by management through March 31, 2020, the date these financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and franchisees. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The Company's revenue streams are dependent on its franchisees delivering their services. Developments such as social distancing and shelter-in-place directives will impact the franchisees ability to deploy their services effectively. While expected to be temporary, prolonged disruptions may negatively impact sales in fiscal year 2020 and the Company's overall liquidity.

As a result of COVID-19, the Company has provided franchisees the opportunity to defer fees from March to May and postponed new franchisees with start dates of March to May to begin June 2020.

In response to the outbreak, on March 27, 2020, the United States of America's federal government passed a $2 trillion emergency spending bill into law. The stimulus package includes relief to small businesses to borrow funding that the government will pay off providing these businesses do not lay off workers. Management continues to research this stimulus package and will modify assessments on the Company's financial condition and liquidity as deemed reasonable and appropriate.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

American Decorative Coatings, LLC dba Concrete Craft

Financial Statements

As of and for the Years Ended
December 31, 2018 and 2017

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

American Decorative Coatings, LLC
dba Concrete Craft

Financial Statements

As of and for the Years Ended December 31, 2018 and 2017

American Decorative Coatings, LLC
dba Concrete Craft

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Independent Auditor's Report

To the Members
of American Decorative Coatings, LLC dba Concrete Craft
Irvine, California

We have audited the accompanying financial statements of American Decorative Coatings, LLC, dba Concrete Craft (a majority-owned subsidiary of Home Franchise Concepts, LLC), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of earnings, (deficit) equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity' s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Decorative Coatings, LLC dba Concrete Craft as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

BDO USA, LLP

March 20, 2019

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Financial Statements

American Decorative Coatings, LLC
dba Concrete Craft

Balance Sheets

December 31,	**2018**	2017
Assets		
Current assets		
Cash	**$ 23,591**	$ 326,167
Restricted cash	**34,926**	12,002
Accounts receivable, net of allowance for doubtful accounts of $11,723 and $8,619 for 2018 and 2017, respectively	**207,901**	439,166
Rebate receivable	**8,331**	-
Notes receivable, net of allowance for doubtful accounts of $7,211 for 2018	**19,697**	-
Inventory	**-**	4,155
Prepaid expenses	**72,003**	35,077
Total current assets	**366,449**	816,567
Notes receivable, net of current maturities and allowance for doubtful accounts of $24,689 for 2018	**113,357**	-
Property and equipment, net	**5,100**	10,200
Goodwill, net	**64,161**	73,437
Total assets	**$ 549,067**	$ 900,204
Liabilities and (Deficit) Equity		
Current liabilities		
Current maturities of long-term debt	**$ 1,076**	$ 3,460
Advertising advances and deposits	**37,351**	-
Due to related party, net	**101,391**	25,634
Accounts payable	**35,978**	20,514
Accrued liabilities	**200,851**	112,901
Deferred revenue	**75,530**	278,895
Total current liabilities	**452,177**	441,404
Revolving credit facility due to Parent (Note 11)	**211,000**	210,997
Long-term debt, less current maturities	**2,813**	4,954
Total liabilities	**665,990**	657,355
Commitments and Contingencies (Note 9)		
(Deficit) equity	**(116,923)**	242,849
Total liabilities and (deficit) equity	**$ 549,067**	$ 900,204

The accompanying notes are an integral part of these financial statements.

American Decorative Coatings, LLC
dba Concrete Craft

Statements of Earnings

For the years ended December 31,	**2018**	2017
Revenue		
Product sales	**$ 1,103,481**	$ 966,597
Royalty income	**442,915**	279,787
Initial franchise fees	**1,436,450**	879,750
Other sales	**96,361**	23,349
Total revenue	**3,079,207**	2,149,483
Operating expenses		
Cost of sales	**782,351**	667,783
Selling and advertising	**836,214**	612,342
Operating and administrative	**1,081,684**	739,300
Total operating expenses	**2,700,249**	2,019,425
Earnings from operations	**378,958**	130,058
Other income		
Interest expense, net (Note 11)	**(19,869)**	(23,933)
Net earnings	**$ 359,089**	$ 106,125

The accompanying notes are an integral part of these financial statements.

American Decorative Coatings, LLC
dba Concrete Craft

Statements of (Deficit) Equity

	Members' (Deficit)	Due (from) to Parent	Total (Deficit) Equity)
Balance at January 1, 2017	$ (433,666)	$ 605,093	$ 171,427
Net earnings	106,125	-	106,125
Advances to Parent	-	(34,703)	(34,703)
Balance at December 31, 2017	(327,541)	570,390	242,849
Net earnings	359,089	-	359,089
Distributions	(18,133)	-	(18,133)
Advances to Parent	-	(700,728)	(700,728)
Balance at December 31, 2018	$ 13,415	$ (130,338)	$ (116,923)

The accompanying notes are an integral part of these financial statements.

American Decorative Coatings, LLC
dba Concrete Craft

Statements of Cash Flows

For the years ended December 31,	**2018**	2017
Cash flows from operating activities		
Net earnings	**$ 359,089**	$ 106,125
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization	**9,276**	9,276
Depreciation	**5,100**	7,473
Provision for bad debts	**51,333**	43,100
Gain on sale of asset	**-**	(901)
Decrease (increase) in:		
Restricted cash	**(22,924)**	(1,502)
Accounts receivable	**203,524**	(314,629)
Notes receivable	**(164,977)**	-
Inventory	**4,155**	6,516
Prepaid expenses	**(36,926)**	(9,580)
Increase (decrease) in:		
Advertising advances and deposit	**22,924**	1,502
Accrued liabilities	**84,251**	35,111
Accounts payable	**33,590**	7,546
Deferred revenue	**(203,365)**	90,041
Net cash provided by (used in) operating activities	**345,050**	(19,922)
Cash flows from investing activities		
Proceeds from sale of equipment	**-**	20,840
Net cash provided by investing activities	**-**	20,840
Cash flows from financing activities		
Due to related party, net	**75,758**	55,233
Advances to Parent	**(700,728)**	(34,703)
Borrowings on revolving credit facility due to parent	**3**	1,103
Principal payments on long-term debt	**(4,526)**	(17,992)
Distributions	**(18,133)**	-
Net cash (used in) provided by financing activities	**(647,626)**	3,641
(Decrease) increase in cash	**(302,576)**	4,559
Cash - beginning of year	**326,167**	321,608
Cash - end of year	**$ 23,591**	$ 326,167
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	**$ 19,869**	$ 23,933

The accompanying notes are an integral part of these financial statements.

1. The Company

American Decorative Coatings, LLC ("ADC" or the "Company") dba Concrete Craft is a Delaware Limited Liability Company that was formed in October 2014 for the purpose of selling franchises for the operation of independently owned and operated businesses for the marketing, selling and installing beautiful, economical, decorative concrete surfaces. ADC was formed to purchase certain assets and liabilities of AA Decorative Concrete, Inc. ("AADC") and KL Enterprises of Georgia, Inc. ("KL") by ADC and began operations on December 22, 2014. As a result of that transaction, ADC is a majority-owned subsidiary of Home Franchise Concepts, LLC ("Parent"), and its corporate office and accounting records are located in Irvine, CA. Effective November 30, 2015 ("Parent Acquisition Date"), the Company's Parent was involved in a series of transactions associated with an acquisition of the Parent. The Company is a disregarded entity for federal tax purposes and its operations will be included in its Parent's tax return.

As of December 31, 2018, ADC has 45 total franchises, which are located throughout the United States.

The financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and cash flows for the year then ended may have differed had the Company not been affiliated with its Parent (Note 11).

2. Summary of Significant Accounting Policies

Accounting Estimates

The preparation of a financial statement in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Company estimates considered significant include the estimate of allowance for doubtful accounts for accounts receivable and notes receivable, allocation of Parent's expenses to the Company (Note 11), and any impairment of goodwill.

The significant accounting policies and practices followed by the Company are set forth below:

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the consolidated financial position or results of operations of the Company.

Fair value measurements

The Company follows accounting guidance that defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Management believes the carrying amount of financial instruments approximates their fair value. The carrying amounts of cash, restricted cash, due to/from related party, accounts receivable, accounts payable, accrued liabilities, advertising advances and deposits, and due to/from Parent approximates their estimated fair value due to the short-term nature of these instruments. The carrying value of the Company's debt instruments approximates their fair value as the interest is tied to or approximates market rates.

Cash

The Company considers cash on hand and deposits in banks as cash. The Company maintains some of its cash in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation up to a maximum of $250,000 per depositor. As of December 31, 2018, the Company had no uninsured deposits in its deposit accounts with a U.S. bank. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Restricted Cash

Restricted cash includes advertising advances and deposits from franchisees for the purpose of national and regional advertising ("NAF"). The use of these funds is restricted for advertising costs to benefit the franchisees. The funds cannot be utilized for the Company's advertising expenses in connection with the sale of franchises. NAF restricted cash totaled $34,926 and $12,002 at December 31, 2018 and 2017, respectively.

Accounts, Notes and Rebates Receivable

Accounts and rebates receivable consist of a) amounts due from franchise owners for continuing fees that are collected monthly b) receivables for vendor rebates c) receivables for advertising reimbursements from franchise owners and miscellaneous receivables and are stated at the amount management expects to collect from outstanding balances. Notes receivable consist of company loans made to franchise owners for a purchase of initial or additional franchises (Note 3). Management provides for probable uncollectible amounts through a charge to earnings and an increase in the allowance for doubtful account based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through the allowance account.

The Company has accounts receivable from three franchisees (2018) and five franchisees (2017) totaling approximately $154,900 and $230,775, as of December 31, 2018 and 2017, respectively.

The Company has recognized $18,293 or 50% of gross sales rebates revenue from one product supplier for the year ended December 31, 2018. The Company has approximately $3,881, or 47% of rebates receivable from this supplier as of December 31, 2018.

In addition, the Company has $2,368, or 28% of rebates receivable from two additional suppliers as of December 31, 2018, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of fixtures and equipment is computed using the straight-line method over their estimated useful lives of 3 to 7 years. Certain costs incurred in connection with developing or obtaining internal-use software are recorded at cost, and are included in Property and equipment on the accompanying balance sheets. Amortization begins once the software is available for its intended use over its estimated useful life, generally 3 to 5 years. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful lives or the remaining term under the lease. Expenditures that materially increase the asset life are capitalized, while ordinary maintenance and repairs are charged to operations as incurred.

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is based on the estimated useful life and is calculated as follows:

Computer Software:	5 years
Fixture and Equipment:	5 years
Vehicles:	3 years
Leasehold Improvements:	7 years

Expenditures that materially increase the asset life are capitalized, while ordinary maintenance and repairs are charged to operations as incurred.

Goodwill and Long-Lived Assets

The Company records as goodwill the excess of the fair value of consideration transferred in a business combination over the identifiable net assets acquired and liabilities assumed. The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-02, *Accounting for Goodwill, A Consensus of the Private Company Council*, under which the Company has elected to amortize goodwill over a period of 10 years and to test goodwill for impairment only when a triggering event occurs that indicates that the fair value of the Company may be below its carrying amount. During the years ended December 31, 2018 and 2017, no indications of possible impairment were identified.

The Company evaluates the recoverability of long-lived assets with finite lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. There was no such impairment identified as of December 31, 2018 and 2017.

Deferred Revenue and Revenue Recognition

The Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

For initial franchise fees, revenue is recognized upon substantial performance of material contractual obligations as set forth in the franchise agreement. Initial franchise fees collected before they are earned are recorded as deferred revenue.

The Company recognizes the fixed portion of royalty income during the month it is earned, with any variable portion of royalty income during the following month. The Company's methodology of recognizing certain royalty revenue in the month following when it was earned does not result in a material difference should the Company recognize such royalty revenue in the month it was actually earned.

The Company receives advertising funds from the franchisees to provide national and regional advertisements for the benefit of the franchisees ("NAF"). These advances and deposits are based on a fixed amount for each franchisee. These funds are restricted and segregated. The Company accounts for the receipt of advertising funds as a liability and the advertising costs incurred are charged against the liability account. The franchise agreements allow the Company to retain a percentage of the advertising deposits as compensation for its administration over the accounts. During the years ended December 31, 2018 and 2017, the Company did not receive any compensation for its administration over the accounts.

Equity

The Company engages in various intercompany transactions with its Parent. Accordingly, management has elected to present net advances to/from Parent as a component of equity in the accompanying balance sheets.

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place. At December 31, 2018 and 2017, there were no advertising costs reported as a prepaid asset. The Company incurs both consumer and franchise advertising costs, which totaled $118,674 and $63,180, respectively, for the years ended December 31, 2018 and 2017, and are included selling and advertising expenses on the accompanying statements of earnings.

Income Taxes

ADC was formed as a limited liability company ("LLC") subject to Subchapter K of the Internal Revenue Code. Their income (distributed or undistributed) will be taxed for federal and state income tax purposes to its member. Accordingly, no provision for federal and state income tax is required. The state of California recognizes subchapter K status for companies so filed for federal purposes.

The Company's federal and state income tax returns for tax years 2017 and forward, remain subject to examination by respective government agencies. There were no interest and penalties recognized during the years ended December 31, 2018 and 2017.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" with an effective date deferred by ASU 2015-14. Nonpublic entities will apply the new standard for annual periods beginning after December 15, 2018, including interim periods therein. As such, the Company will be implementing Accounting Standards Codification ("ASC") ASC 606 beginning January 1, 2019. The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services, and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company has determined to take a modified retrospective approach of transition and will recognize an adjustment to equity, related to the cumulative effect of adopting ASU 2014-09 at the date of adoption. The implementation of ASC 606 applies to all franchise agreements

entered into after the Parent Acquisition Date. The Company's current accounting policy is to recognize initial franchise fees when all material obligations have been performed and conditions have been satisfied, typically when training is complete. In accordance with the new guidance, the Company expects that the initial franchise services will not be considered distinct from the continuing rights or services offered during the term of the franchise agreement, and will therefore be treated as a single performance obligation. As such, initial franchise fees and subsequent renewal fees, are expected to be recognized over the franchise term plus one renewal term. Additionally, the Company's current accounting policy is to recognize royalty revenue in the month it is earned. Under the new guidance, the Company expects that it will need to recognize the royalty revenue on a straight-line basis over the franchise term plus one renewal term. The revenue recognition for product sales and other sales revenue is not expected to be impacted. Lastly, the Company also collects a monthly advertising contribution from the franchisees that is used by the Company to provide national and regional advertising for the benefit of the franchisees. These amounts are based on a fixed amount for each franchisee. The Company currently accounts for the receipt of advertising funds as a liability with the advertising costs incurred being charged against such liability with no amounts recognized in the statement of earnings. Under ASC 606, the Company expects to recognize the advertising funds collected as revenue, and the related advertising costs as an expense in the period incurred. The Company is currently evaluating the standard and expects that the adoption of this standard will have a material impact on its financial statements and footnote disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". The core principle of ASU 2016-02 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. Early application of the amendment is permitted. The Company is currently evaluating the standard and the impact on its financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)". The updated standard addresses eight specific cash flow issues with the objective of reducing diversity in practice. ASU 2016-15 is effective for non-public business entities for annual reporting periods beginning after December 15, 2018, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is assessing the impact of the adoption of ASU 2016-15 on its financial statements.

On November 17, 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", providing specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents (collectively "CASH"). Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in ASU 2016-18 are effective for private business entities for fiscal years beginning after December 15,

2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company expects the primary impact of ASU 2016-18 to the statement of cash flows to be the inclusion of amounts described as restricted cash in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the cash flows.

3. Notes Receivable

Notes receivable relates to the Company financing a portion of the initial franchise fees from the sale of franchises. The notes are collateralized by the franchise territory. The notes generally bear interest at rates ranging from 5% to 10% with maturities generally ranging from three to five years. Interest income is included in interest expense, net on the accompanying statements of earnings. A summary of notes receivable principal maturities follows:

Years ending December 31,	
2019	$ 26,036
2020	31,713
2021	35,798
2022	37,694
2023	21,444
Thereafter	12,269
Notes receivable	164,954
Less: allowance for doubtful accounts	(31,900)
Notes receivable, net of allowances for doubtful accounts	133,054
Less: current maturities, net of allowances for doubtful accounts	(19,697)
Notes receivable, net of current maturities and allowances for doubtful accounts	$ 113,357

4. Prepaid Expenses

Prepaid expenses consist of the following as of December 31:

	2018	2017
Prepaid training costs	**$ 286**	$ 490
Prepaid expenses	**4,410**	27,095
Prepaid convention	**62,257**	292
Prepaid commissions	**3,300**	7,200
Prepaid marketing supplies	**1,750**	-
Prepaid expenses	**$ 72,003**	$ 35,077

5. Property and Equipment

Property and equipment consists of the following as of December 31:

	2018	2017
Vehicles	**$ 20,825**	$ 20,825
Less: accumulated depreciation	**(15,725)**	(10,625)
Property and equipment, net	**$ 5,100**	$ 10,200

Depreciation expense charged to operations for the years ended December 31, 2018 and 2017 is $5,100 and $7,473, respectively, and is included in operating and administrative expenses on the accompanying statements of earnings.

6. Goodwill

Goodwill consists of the following as of December 31:

	2018	2017
Goodwill	**$ 92,763**	$ 92,763
Less: accumulated depreciation	**(28,602)**	(19,326)
Goodwill, net	**$ 64,161**	$ 73,437

Amortization expense charged to operations for the year ended December 31, 2018 and 2017 is $9,276 and $9,276, respectively. The remaining weighted-average useful life is 6.9 years with an annual amortization of $9,277 and is included in operating and administrative expenses on the accompanying statements of earnings.

7. Accrued Liabilities

Accrued liabilities consist of the following at December 31:

	2018	2017
Accrued compensation	**$ 133,328**	$ 72,149
Accrued training costs	**27,844**	16,806
Accrued other	**39,679**	23,946
Accrued liabilities	**$ 200,851**	$ 112,901

8. Long-Term Debt

Long-term debt consists of the following at December 31:

	2018	2017
Notes payable to finance companies; interest rates ranging from 2.1% to 3.9%; secured by vehicles; requiring monthly payments totaling $375, including interest; notes mature at various dates beginning June 2017 through April 2020.	**$ 3,889**	$ 8,414
Less current maturities	**(1,076)**	(3,460)
Long-term debt, less current maturities	**$ 2,813**	$ 4,954

9. Commitments and Contingencies

Operating Lease

The Parent leases the Company's headquarters and allocates a portion of its rent expense to the Company. The total rent expense incurred by the Parent for this property was $591,300 and $279,996 for the years ended December 31, 2018 and 2017, respectively, of which $11,826 and $1,400 for the years ended December 31, 2018 and 2017, respectively, was allocated to the Company and is included in operating and administrative expenses on the accompanying statements of earnings. The Parent also signed a lease for a warehouse in Anaheim, CA commencing July 15, 2018. This space is used for training and shared with a related party. The Parent also signed a sublease in Atlanta, GA used as an office space.

The annual minimum lease payments under all noncancelable leases are as follows:

Years Ending December 31,	
2019	$ 18,816
2020	18,816
2021	8,658
Lease payments	$ 46,290

Employment Agreements

The Company has entered into employment agreements (the "Agreements") with certain employees beginning December 22, 2014 through December 21, 2019. The Company has the right to terminate the Agreements at any time with cause. Upon termination of the Agreements without cause, the Company is required to pay the Employee's base salary for the remainder of the Term payable over a period equal to the number of months remaining in the Term commencing the day after the date of the termination of the Employee's employment in equal semi-monthly installments consistent with the Company's customary policies and pay schedule. Total compensation expense charged to operations for these employees for the years ended December 31, 2018 and 2017 was $160,000.

Litigation

The Company is involved in various litigation arising in the ordinary course of business. Management believes the disposition of all pending litigation will not have a material effect on the Company's financial statements.

10. Retirement Plan

The Company is a participate in its Parent's defined contribution 401(k) plan as part of a Controlled Group that covers eligible management and office employees. Contributions to the Plan by the Company are based on employees' contributions subject to certain limitations. The Company contributed $18,126 and $6,265 during the years ended December 31, 2018 and 2017, which is included in operating and administrative expenses on the accompanying statements of earnings.

11. Related Party Transactions

At December 31, 2018 and 2017, the Company has a net balance due to Parent totaling $80,662 and $781,387, respectively, consisting of a revolving credit facility of $211,000 and $210,997 at December 31, 2018 and 2017, respectively, and advances (to) and from of $(130,338) and $570,390, respectively, resulting from various intercompany transactions. At December 31, 2018 and 2017, the Company has a revolving credit facility (the "Facility") with its Parent which provides for borrowings not to exceed $800,000. Loans under the Facility ($211,000 and $210,997 at December 31, 2018 and 2017, respectively) bear interest at 5% and are secured by substantially all assets of the Company. The stated maturity date of the Facility is January 21, 2021. Interest expense recorded was $23,953 and $24,351 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the Company had a balance due to another related party, which is a subsidiary of Parent, in the amount of $101,391 and $25,634 respectively.

Certain operating expenses are incurred by the Parent company and are allocated to the Company. During the years ended December 31, 2018 and 2017, the Company's Parent allocated $247,446 and $54,019, respectively, in expenses to the Company which was charged to the Company's operations, with most of the expenses included in operating and administrative expenses on the accompanying statements of earnings.

12. Subsequent Events (Unaudited)

Subsequent events have been evaluated by management through March 20, 2019, the date these financial statements were available to be issued. In March 2019, Parent purchased the remaining equity interest of the minority members in the Company and the Company is now 100% wholly owned subsidiary of Parent. No additional material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the current period financial statements.

EXHIBIT C

LIST OF CURRENT FRANCHISEES

Current Franchise Roster

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Tailored Living 753AZ334	1/1/2019	M and D Stewart LLC	1667 E. Linda Lane	Gilbert	AZ	85234	(480)419-1010
	Tailored Living 753AZ305	7/1/2019	M and D Stewart LLC	1667 E. Linda Lane	Gilbert	AZ	85234	(480)419-1010
3	Tailored Living 753AZ303	10/1/2018	Tim and Gayla Lacey	9560 E. Rancho Vista Dr.	Prescott Valley	AZ	86314	(602)529-1295
	Tailored Living 803CA302	12/1/2018	Ali Sharbaf Shoar & Shokufeh Shoar	106 Quiet Place	Irvine	CA	92602	(949)450-0990
2	Tailored Living 803CA301	6/1/2019	Ali Sharbaf Shoar & Shokufeh Shoar	106 Quiet Place	Irvine	CA	92602	(949)450-0990
	Tailored Living 752CO302	5/1/2017	Sisco's Customized Creations, Inc.	2771 Rigel Drive	Colorado Springs	CO	80906	(719)722-2423
	Tailored Living 751CO313	3/1/2019	Ken Fries	3200 Azalea Dr. unit R3	Fort Collins	CO	80526	(720)204-2606
3	Tailored Living 751CO303	5/1/2017	Graylynn, Inc.	859 E. 20th Street Drive	Greeley	CO	80631	(720)778-0880
	Tailored Living 528FL311	12/1/2018	Mosaic FFH LLC	1121 Crandon Boulevard, Apartment E1104	Key Biscayne	FL	33149	(305)762-9114
	Tailored Living 539FL312	5/1/2017	Andrew Eiler & Gina Maiorino- Eiler	8374 Market Street #108	Lakewood Ranch	FL	34202	(941)217-7474
	Tailored Living 548FL303	9/1/2019	Sandbar Consulting Group L.L.C.	700 Cinnamon Road	North Palm Beach	FL	33408	(561)229-0489
	Tailored Living 561FL301	9/1/2019	David Weithman	8629 Ranchwood Ln	St Augustine	FL	32092	(904)344-3436
	Tailored Living 539FL307	3/1/2018	Concrete Smiths, LLC	1717 Busch Blvd. Unit 110	Tampa	FL	33612	(813)563-6966
	Tailored Living 539FL306	7/1/2018	Oquendo and Sons Inc.	27707 Arlington Rd	Wesley Chapel	FL	33544	(813)392-3662
	Tailored Living 539FL303	1/1/2019	Oquendo and Sons Inc.	27707 Arlington Rd	Wesley Chapel	FL	33544	(813)392-3662
	Tailored Living 534FL305	3/1/2019	Roy Alessi	2625 Crescent Lake Ct.	Windermere	FL	34786	(407)459-8005
9	Tailored Living 534FL306	9/1/2019	Roy Alessi	2625 Crescent Lake Ct.	Windermere	FL	34786	(407)459-8005

	Tailored Living 520GA301	3/1/2019	RLHinzman, LLC	2103 Boulder Springs Dr.	Bishop	GA	30621	(706)534-2434
	Tailored Living 524GA315	7/1/2017	Georgia Exterior Design, Inc.	2860 Gainesway Ct.	Cumming	GA	30041	(770)779-0070
	Tailored Living 524GA308	1/1/2018	Georgia Exterior Design, Inc.	2860 Gainesway Ct.	Cumming	GA	30041	(770)779-0070
4	Tailored Living 524GA301	3/1/2018	Matthew & Daniela MacDonald	57 Brightling Lane	Newnan	GA	30265	(770)450-0933
1	Tailored Living 602IL303	1/1/2014	T.R. Concrete	2943 Crabtree Ave.	Woodridge	IL	60517	(331)472-2062
	Tailored Living 527IN309	3/1/2019	Dave & Lesly Lytle	12380 Creekwood Lane	Carmel	IN	46032	(317)207-4427
2	Tailored Living 527IN301	9/1/2019	Dave & Lesly Lytle	12380 Creekwood Lane	Carmel	IN	46032	(317)207-4427
	Tailored Living 541KY302	10/1/2015	Charles & Diane Combs	280 Gentry Road	Lexington	KY	40509	(859)554-2527
2	Tailored Living 529KY302	10/1/2018	Christopher (Byron) & Heidi Johnston	9803 Flowering Grove Place	Louisville	KY	40241	(502)632-9694
1	Tailored Living 511MD305	7/1/2018	DMV Designs, LLC	2711 Dorr Ave, Suite Q	Fairfax	MD	22031	(571)388-3341
	Tailored Living 518NC303	12/31/2016	Jason W. & Lori A. Berry	1309 Forsyth Rd	Kernersville	NC	27284	(336)310-1615
	Tailored Living 560NC301	11/1/2017	Pimar Enterprises, LLC	3621 Waleback W	Raleigh	NC	27610	(919)377-9433
3	Tailored Living 517NC304	1/1/2016	Badger Holding Corporation	8132 Acacia Ct.	Waxhaw	NC	28173	(704)941-1417
	Tailored Living 510OH303	7/1/2018	DCD Management LLC	2359 Crockett Circle	Stow	OH	44224	(234)517-7772
2	Tailored Living 515OH304	6/1/2018	The Erikel Group, LLC	7359 Coachford Drive	West Chester	OH	45069	(513)453-4762
	Tailored Living 567SC301	4/1/2018	Sohel & Lindsey Gilani	3012 Semmes Lane	Indian Trail	SC	28079	(864)466-9921
2	Tailored Living 546SC303	3/1/2018	Farore Holdings LLC	14 Riesling Court	Lugoff	SC	29078	(803)832-0499

	Tailored Living 557TN301	11/1/2016	Chuck & Vanessa Yates	621 Montgomery Lane	Maryville	TN	37803	(865)240-2929
2	Tailored Living 659TN303	5/1/2018	Mecham Decorative Coatings, LLC	4905 Maywood Drive	Nashville	TN	37211	(615)970-7090
	Tailored Living 618TX309	10/1/2017	Josue & Nancy Mata	9050 Tumblewood Drive	Beach City	TX	77523	(281)990-3035
	Tailored Living 623TX301	2/1/2012	Home West Concepts, Inc.	401 Atkerson Ln.	Ealess	TX	76040	(817)233-0082
	Tailored Living 618TX305	11/1/2017	VEX Enterprises, LLC	13711 Westheimer Rd. Suite B-2	Houston	TX	77077	(832)777-7569
	Tailored Living 618TX307	5/1/2018	VEX Enterprises, LLC	13711 Westheimer Rd. Suite B-2	Houston	TX	77077	(832)777-7569
	Tailored Living 618TX312	1/1/2018	Hyden Works, Inc.	5702 Misty Island Ct.	Katy	TX	77494	(281)374-4404
	Tailored Living 618TX308	7/1/2018	Hyden Works, Inc.	5702 Misty Island Ct.	Katy	TX	77494	(281)374-4404
7	Tailored Living 618TX311	8/1/2019	CDJC Consulting LLC	7 Satinleaf Place	Tomball	TX	77375	(832)791-1009
	Tailored Living 511VA307	7/1/2017	DMV Designs, LLC	2711 Dorr Ave, Suite Q	Fairfax	VA	22031	(571)388-3341
2	Tailored Living 511VA304	1/1/2018	DMV Designs, LLC	2711 Dorr Ave, Suite Q	Fairfax	VA	22031	(571)388-3341
	Tailored Living 881WA301	3/1/2019	MK Unlimited, LLC	598 Hanks Butte Rd	Ione	WA	99139	(509)242-7844
2	Tailored Living 819WA310	11/1/2017	Robert & Lisa Cordier	3508 234th Ave SE	Sammamish	WA	98075	(425)615-6512
1	Tailored Living 669WI304	5/1/2018	Timothy Woollen	4437 Robertson Road	Madison	WI	53714	(608)416-2230

48 Total

Not Yet Operational on 12/31/2019

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Arizona							
1	Tailored Living 753AZ314	1/1/2020	JBSCC, LLC	61580 Range Place	Bend	AZ	97702	(480)419-1010
	California							
1	Tailored Living 825CA302	4/1/2020	Uzun Investments Inc.	33895 Alcazar Dr.	Dana Point	CA	92629	(949)202-9432
	Colorado							
1	Tailored Living 751CO309	3/1/2020	Ken Fries	3200 Azalea Dr. unit R3	Fort Collins	CO	80526	(720)204-2606
	Florida							
	Tailored Living 548FL304	3/1/2020	Sandbar Consulting Group L.L.C.	700 Cinnamon Road	North Palm Beach	FL	33408	(561)229-0489
	Tailored Living 548FL305	9/1/2020	Sandbar Consulting Group L.L.C.	700 Cinnamon Road	North Palm Beach	FL	33408	(561)229-0489
3	Tailored Living 534FL304	4/1/2020	Concrete Sculpting LLC	1873 Hidden Creek Place	Sanford	FL	32773	(407)314-1450
	Virginia							
1	Tailored Living 556VA305	1/1/2020	Bagby Holdings, Inc.	13908 Dunkeld Terrace	Midlothian	VA	23113	(804)601-3111

7 Total

EXHIBIT D

LIST OF TERMINATED OR TRANSFERRED FRANCHISES

If we grant you this franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

Terminated Franchises

Total	Status	Company	End Date	Owner	City	St	Zip	Phone
	Alabama							
1	H - Mutual Release	Concrete Craft 630AL302-01	8/19/2019	Judy Tate & Joshua Hudspeth	Birmingham	AL	35242	(205)994-8454
	California							
	H - Mutual Release	Concrete Craft 807CA313-01	7/1/2019	Michael Ghilotti	San Rafael	CA	94901	(415)801-2729
2	H - Mutual Release	Concrete Craft 807CA314-01	7/1/2019	Michael Ghilotti	San Rafael	CA	94901	(415)801-2729
	Florida							
1	H - Mutual Release	AADC of Naples	11/30/2019	Wayne & Donna Merrill	Naples	FL	34113	(239)331-7851
	Georgia							
	J - Abandonment	Concrete Craft 524GA306-01	4/16/2019	Hayes Purcell	Atlanta	GA	30319	(404)994-4700
2	J - Abandonment	Concrete Craft 524GA316-01	4/16/2019	Hayes Purcell	Atlanta	GA	30319	(404)994-4700
	Texas							
	H - Mutual Release	Concrete Craft 623TX305-01	8/19/2019	Jeff & Christina Harvick	Allen	TX	75013	(469)304-9090
	H - Mutual Release	Concrete Craft 635TX302-01	11/1/2019	Matt Haney	Austin	TX	78756	(512)677-6100
3	H - Mutual Release	Concrete Craft 618TX301-01	9/10/2019	Josue & Nancy Mata	Beach City	TX	77523	(281)990-3035

	Washington							
1	H - Mutual Release	Concrete Craft 819WA304-01	9/30/2019	Robert & Lisa Cordier	Sammamish	WA	98075	(425)615-6512

10 Total

Transferred Franchises

Total	Status	Company	End Date	Owner	City	St	Zip	Phone
	Texas							
1	G - Transfer 1. Owne	Concrete Craft 618TX311-01	8/1/2019	Donald & Sung McNelly	Cypress	TX	77429	(832)791-1009

EXHIBIT E

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE FRANCHISE ADMINISTRATORS

Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677 Toll free

Commissioner of Securities
of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Chief
Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

Franchise Section
Indiana Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

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

Franchise Administrator
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Dept. of Attorney General
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

Commissioner of Commerce
Minnesota Department of Commerce
85 Seventh Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Floor
New York, NY 10005
(212) 416-8236

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Director of the Rhode Island
Department of Business Regulation
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02920
(401) 462-9587

Franchise Administrator
Department of Labor & Regulation
Division of Securities
124 Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

Administrator
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507
(360) 902-8760

Franchise Administrator
Securities and Franchise Registration
Wisconsin Securities Commission
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

Commissioner of Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814

Commissioner of Securities
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois Attorney General Office
500 South Second Street
Springfield, Illinois 62706

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Maryland Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Commissioner of Commerce
State of Minnesota
Department of Commerce
Registration Division
85 Seventh Place East
St. Paul, Minnesota 55101

New York Secretary of State
99 Washington Avenue
Albany, New York 11231
518-473-2492

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510

Director of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, Rhode Island 02910

Director of the Division of Securities
Department of Labor & Regulation
124 Euclid, Suite 104
Pierre, South Dakota 57501

Clerk
State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Department of Financial Institutions
150 Israel Road SW
Tumwater, WA 98501

Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

EXHIBIT F

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CONCRETE CRAFT®

TRANSFORMATIONAL, INSIDE AND OUT.

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EXHIBIT G

DEPOSIT RECEIPT

DEPOSIT RECEIPT

American Decorative Coatings, LLC (Company) acknowledges that it has received from _____ (Applicant) the sum of $10,000.00 in the form of (___) cash, (___) personal check, or (___) _____ as a non-refundable deposit (Deposit).

In exchange for the Deposit, Company will reserve the territory described below for a maximum of 60 days while Applicant applies to become a Concrete Craft® franchisee on the terms and conditions contained in the form of Franchise Agreement furnished to Applicant with Company's franchise disclosure document. The geographic area reserved for Applicant (which, upon signing of the Franchise Agreement(s), will become the Territory) is described as follows:

_____
_____
_____
_____
_____

1. Company will not issue a Franchise Agreement for the Territory to anyone other than Applicant before the earlier of: (a) 60 days following signing of this Deposit Receipt, or (b) the date on which Applicant notifies Company, in writing, that Applicant no longer desires to become a Concrete Craft® franchisee.

2. The Deposit is intended in part to demonstrate Applicant's desire to become a franchisee of Company, and in part to compensate Company for the lost opportunity costs of reserving the Territory for Applicant.

3. If Company grants a Franchise Agreement to Applicant, the Deposit will be applied toward the Initial Franchise Fee payable under the Franchise Agreement.

4. The Deposit is not refundable. If this Deposit Receipt is terminated (by Applicant or Company) or expires by the passage of time (unless Company agrees to extend the time period), then Company may retain the Deposit as compensation for (among other things) the opportunity costs of reserving the Territory. Upon termination or expiration in accordance with this provision, neither Company (including its officers and employees) nor Applicant will have any further obligations to the other.

Initials: _____

5. This document is neither an offer by Company nor a contract for the purchase or sale of a franchise, license, or similar rights.

6. Any dispute between Company and Applicant arising out of or relating to this Deposit Receipt or its breach, including any claim that this Deposit Receipt or any of its parts, is invalid, illegal or otherwise voidable or void, will be resolved by submission to arbitration conducted by a single impartial arbitrator appointed by the American Arbitration Association according to its Commercial Arbitration Rules, or any other single impartial arbitrator mutually agreed to by the parties. Any arbitration will take place in Orange County, California.

7. The United States Arbitration Act (9 U.S.C. 1 et seq.) shall govern jurisdictional issues respecting arbitration of disputes under this Agreement. Otherwise this Deposit Receipt and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

8. This Deposit Receipt contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Deposit Receipt. Applicant agrees that it has signed this Deposit Receipt without reliance upon any such unauthorized representation or promise. This Deposit Receipt cannot be modified or changed except by written instrument signed by all of the parties hereto.

9. Should any party hereto commence any action or proceeding for the purpose of enforcing or preventing the breach of any provision hereof, whether by judicial or quasi-judicial action, arbitration, or otherwise or any appeal therefrom or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorney's fees for the services rendered to such prevailing party.

10. If Applicant consists of more than one person or entity, or a combination thereof, the obligation and liabilities to Company of each such person or entity are joint and several.

11. This Deposit Receipt may be signed in any number of copies, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

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12. Capitalized terms used in this Deposit Receipt will, unless expressly otherwise provided, have the meaning given those terms in the Franchise Agreement.

AMERICAN DECORATIVE COATINGS, LLC

By:_____
Jennie Amante, Executive Vice President

The undersigned "Applicant" acknowledges understanding of and agreement to the terms and conditions set forth above and receipt of a copy of this Deposit Receipt.

_____
Signature

_____
Printed Name

Applicant's Address:

_____
_____

Applicant's Phone Numbers:
Home:_____
Business:_____

EXHIBIT H

CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT

CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT

This Consent to Transfer and Assumption of Franchise Agreement (Consent and Assumption) is entered into by and among American Decorative Coatings, LLC, a Delaware limited liability company, the franchisor (Franchisor), _____ (Existing Franchisee), and _____ (New Franchisee).

WHEREAS, Franchisor and Existing Franchisee presently are parties to that certain Franchise Agreement, dated _____ (Franchise Agreement), pursuant to which Franchisor franchised Existing Franchisee the right to operate a business (Franchised Business) including the service marks of Franchisor (Franchise) in the territory known as _____ (Territory).

WHEREAS, with Franchisor's consent, Existing Franchisee is transferring the Franchise to New Franchisee and New Franchisee is accepting the Franchise in accordance with the obligations set forth in the Franchise Agreement, including, but not limited to, the obligations regarding assignment set forth in paragraph 9.2 of the Franchise Agreement, which are hereby expressly incorporated and made a part of this Consent and Assumption.

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

1. Existing Franchisee shall transfer the Franchise to New Franchisee on or about _____ (Transfer Date) subject to the provisions of paragraph 3, below, and paragraph 9.2 of the Franchise Agreement.

2. Existing Franchisee will transfer physical possession of the Confidential Operating Manual (Manual) to Franchisor and to New Franchisee of all items required by the Franchise Agreement, including, without limitation, (i) all books, manuals, financial records, receipts, invoices, and documents relating to the Franchised Business; and (ii) all other documents, property and other objects containing Franchisor's service marks. New Franchisee has reviewed the Manual and agrees that the Confidential Operating Manual shall apply fully to its operation of the Franchised Business. New Franchisee agrees to abide by all other manuals and guidelines, present and future, of Franchisor, including, but not limited to, those pertaining to advertising.

3. If the state where the Franchised Business will be conducted requires New Franchisee to have a contractor's license to conduct the Franchised Business, New Franchisee shall obtain such contractor's license (or at all times have an employee who has a contractor's license) prior to the Transfer Date.

4. If New Franchisee has not already done so to the satisfaction of Franchisor, New Franchisee shall comply with the training requirements set forth in the Franchise Agreement by attending the next available training program offered by Franchisor for new franchisees.

5. Concurrently upon the Transfer Date New Franchisee shall become a franchisee of Franchisor under the Franchise Agreement and Existing Franchisee shall immediately cease operating under the Franchise Agreement. Existing Franchisee shall thereupon comply with all provisions in the Franchise Agreement concerning termination set forth in Article 12 thereof, including, but not limited to, ceasing all use of the service marks of Franchisor.

6. As between Existing Franchisee and Franchisor, and with the exception of the rights and obligations set forth in Article 12 of the Franchise Agreement (which is incorporated herein by reference), the franchise relationship created by the Franchise Agreement is hereby terminated and superseded by this Consent and Assumption and in all respects having been assumed by New Franchisee as of the Transfer Date. Existing Franchisee hereby waives all rights to relief from forfeiture under §1179 of the California Code of Civil Procedure and acknowledges that there is no subsisting franchise agreement between Franchisor and existing Franchisee.

7. Existing Franchisee shall sign all documentation deemed necessary by Franchisor to transfer the Franchise to New Franchisee.

8. New Franchisee shall sign Franchisor's current form of franchise agreement for a new ten (10) year term. Upon signing of the current form of franchise agreement by New Franchisee, the Franchise Agreement shall be terminated and superseded by the franchise agreement signed pursuant to this Section 7.

9. (a) As consideration for Franchisor and New Franchisee to enter into this Consent and Assumption, Existing Franchisee shall refrain from, either directly or indirectly, for [itself or himself or herself or themselves] or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or other entity, within the Territory, and from the date of this Agreement through _____:

(i) Diverting or attempting to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or doing or performing, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's service marks and the System (as that term is defined in the Franchise Agreement);

(ii) Employing or seeking to employ any person who is at that time employed by Franchisor, affiliates of Franchisor, or by any other franchisee or licensee of Franchisor, including but not limited to New Franchisee, or otherwise directly or indirectly inducing or seeking to induce such person to leave his or her employment thereat; or

(iii) Within the Territory and within a twenty five (25) mile radius of any business licensed or operated by Franchisor in existence or under development as at the Transfer Date owning, maintaining, engaging in, or having any interest in any business (including any business operated by Existing Franchisee prior to entry into this Agreement) specializing, in whole or in part, in the retail and/ or installation of decorative concrete, or providing the same or similar goods or services provided, sold, or offered through the System.

(b) The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Consent and Assumption. If all or any portion of a covenant in Paragraph 8(a) is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Existing Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph.

(c) The parties understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraph 8(a) or any portion thereof effective immediately upon receipt by Existing Franchisee of written notice thereof from Franchisor, and Existing Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

(d) Paragraph 8(a) shall not apply to ownership by Existing Franchisee of less than a one percent (1%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

10. New Franchisee shall resolve any problems or complaints raised by customers of Existing Franchisee with the same high standards of customer service, and in the same fashion, as New Franchisee responds to problems or complaints raised by customers of New Franchisee and shall not resolve such problems or complaints in a manner that is less advantageous to the customers of Existing Franchisee than the manner in which New Franchisee resolves problems or complaints from New Franchisee's own customers.

11. New Franchisee acknowledges that it has received the Confidential Operating Manual and other books and records of Existing Franchisee and has undertaken an independent investigation of the Franchised Business.

12. Existing Franchisee releases, indemnifies and agrees to hold harmless Franchisor in respect of any liabilities which may arise as a result of this transfer.

13. Failure to comply with any of the provisions of this Consent and Assumption shall constitute a material breach hereof and shall entitle Franchisor to any of the

remedies provided in this Consent and Assumption or the Franchise Agreement, or as may be available at law or in equity.

14. Except as previously provided herein, as among the undersigned parties, each shall bear their respective costs and attorneys' fees incurred in connection with this Consent and Assumption, and events preceding its negotiation and signing.

15. In granting its consent to this Consent and Assumption, Franchisor has elected not to exercise its right of first refusal as provided in paragraph 9.2 of the Franchise Agreement. Notwithstanding the foregoing, however, the Existing Franchisee shall have a period of 90 days after the date of signing of this Consent and Assumption to complete the transfer of the Franchise and the Existing Franchisee shall again be required to comply with Article 9 of the Franchise Agreement before the transfer can be effected.

16. Subject to applicable state law and with the express exception of any liability under the Maryland Franchise Registration and Disclosure Law, in consideration for this Consent and Assumption, Existing Franchisee, for itself, its successors, assigns, and anyone claiming through or under it, hereby remises, releases, acquits and forever discharges Franchisor, and its predecessors, successors, assigns, heirs, executors and administrators (as the case may be), and its past, present and future associates, owners, stockholders, agents, directors, officers, partners, employees, attorneys, accountants and representatives of and from any and all manner of action or actions, cause or causes of action, in law or in equity, arbitrations, suits, debts, agreements, promises, liabilities, claims, demands, damages, loss, cost or expense, known or unknown, fixed or contingent, which Existing Franchisee has or may hereafter have against Franchisor by reason of any matter, cause or thing whatsoever, from the beginning of time to the date hereof, including all matters, causes or things whatsoever, that were or have been or could have in any way been alleged in any pleading filed in any arbitration proceeding or suit, which are related to the Franchise Agreement, except for those matters expressly excepted herein.

17. Existing Franchisee and New Franchisee have had adequate opportunity to obtain the advice of legal counsel prior to signing this Consent and Assumption. Existing Franchisee executes this Consent and Assumption voluntarily, with full knowledge of its significance, and with the express intention of effecting the legal consequences provided by Section1541 of the California Civil Code, i.e., the extinguishment of all obligations, except as expressly excepted herein.

18. Except as expressly stated to the contrary herein, any dispute arising out of this Consent and Assumption shall be resolved pursuant to the provisions contained in Article 11 of the Franchise Agreement.

19. Although the Franchise Agreement provides that no interest in the Franchise Agreement can be transferred without the prior written consent of Franchisor, New Franchisee acknowledges that Franchisor does not represent or warrant that Existing Franchisee has not made any unauthorized prior transfers or otherwise has any interest

free and clear to anything being transferred now. Franchisor advises New Franchisee to conduct its own investigation to confirm that Existing Franchisee has the right to transfer the Franchise, and that Existing Franchisee has not made any transfer without consent from Franchisor.

20. Franchisor will be provided with a copy of the written sales agreement made by and between the Existing Franchisee and New Franchisee.

21. This Consent and Assumption may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute a single document. Each of the signatories below expressly covenants that he, she or it has the authority to enter into this Consent and Assumption.

IN WITNESS WHEREOF, the parties hereto have duly signed this Consent and Assumption on the dates set forth below, it being effective upon the latest of those dates.

CAUTION. THIS CONSENT AND ASSUMPTION CONTAINS IMPORTANT TERMS. READ BEFORE SIGNING.

[SIGNATURE PAGE FOLLOWS]

Dated:_____

AMERICAN DECORATIVE COATINGS, LLC

By:_____
Jennie Amante, Executive Vice President

Dated:_____

EXISTING FRANCHISEE

By: _____
*Name:*_____
Title: _____

By: _____
*Name:*_____
Title: _____

Dated:_____

NEW FRANCHISEE(S)

By: _____
*Name:*_____
Title: _____

By: _____
*Name:*_____
Title: _____

EXHIBIT I

VETERANS ADDENDUM

VETERANS ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement (this "***Addendum***") is entered into as of _____, 201__ ("***Effective Date***"), between American Decorative Coatings, LLC, a Delaware limited liability company ("***Franchisor***"), and _____, a(n) _____ ("***Franchisee***"), to amend a Franchise Agreement intended to bear the same date as this Addendum (the "***Franchise Agreement***"), for a Territory in the state of _____ known as Concrete Craft _____ ("***Territory***").

This Addendum amends some of the provisions of the Franchise Agreement to reflect the agreement between the parties as to fees payable under the Franchise Agreement. Any capitalized terms that are defined in the Franchise Agreement are used in this Addendum as defined in the Franchise Agreements.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

1. **Initial Franchise Fee**. Section 4.1 of the Franchise Agreement is amended as follows:

   "Concurrently with Franchisee's signing of this Agreement, Franchisee will pay to Franchisor an "Initial Franchise Fee" of $17,955. Franchisee will receive the Concrete Craft® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable."

2. **Territory Fee**. Section 4.2 of the Franchise Agreement is amended as follows:

   "Concurrently with Franchisee's signing of this Agreement, Franchisee also will pay Franchisor a Territory Fee of $45,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable."

3. **Reaffirmation**. Except as specifically modified by this Addendum, all terms and provisions of the Franchise Agreements are reaffirmed in their entirety.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed on or as of the dates indicated below:

THE REST OF THIS PAGE LEFT INTENTIONALLY BLANK

Dated: _____, 20__

Sign here is Franchisee is an individual:

FRANCHISEE:

_____

Print Name: _____

Print Address: _____

_____

Sign here if Franchisee is a company:

FRANCHISEE:
Print company name:

_____

BY:_____

ITS:_____

ACCEPTED as of the Effective Date first above written.

FRANCHISOR:
AMERICAN DECORATIVE COATINGS, LLC

BY:_____

ITS:_____

EXHIBIT J

SECURED PROMISSORY NOTE

SECURED PROMISSORY NOTE

Date:_____
US$_____

Irvine, California

FOR VALUE RECEIVED, the undersigned (hereinafter "Obligor"), hereby promises to pay to the order of AMERICAN DECORATIVE COATINGS, LLC., a limited liability company organized under the laws of Delaware (hereinafter "Secured Party"), in such coin or currency of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, the principal sum of U.S. $_____, together with interest from and after the date hereof on the unpaid principal balance outstanding at the rate of _____% per annum.

This Secured Promissory Note (the "Note") is the Secured Promissory Note referred to in, and is issued pursuant to, that certain Security Agreement entered into by Obligor in favor of Secured Party, dated as of even date with the date hereof (hereinafter, as amended from time to time, the "Security Agreement"), and is entitled to all of the benefits and security of the Security Agreement. All of the terms, covenants and conditions of the Security Agreement are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms used herein, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Security Agreement.

In no event whatsoever shall the aggregate of all amounts deemed interest under this Note and charged or collected hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. If any provisions of this Note are in contravention of any such law, such provisions shall be deemed amended to conform thereto. Interest hereunder shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days.

For so long as no Event of Default shall have occurred the principal amount and accrued interest of this Note shall be due and payable on the dates and in the manner hereinafter set forth:

(a) Principal and interest shall be due and payable monthly commencing on _____, 20____, and continuing on the first day of each month thereafter to and including the first day of _____ 20___, in installments of $_____ each, and

(b) Notwithstanding the foregoing, the entire unpaid principal balance and accrued interest on this Note shall be due and payable immediately upon any acceleration of the Obligations pursuant to Section 6.2 of the Security Agreement or upon the purchase by Obligor of another Home Franchise Concepts brand franchise from any source.

Obligor may prepay this Note in whole or in part from time to time without penalty, but any principal payment must be accompanied by all interest then accrued, if any. Any partial payments will be applied to discharge the principal sum payments in the inverse order in which any payments would otherwise become due. Additionally, Obligor may terminate the Security Agreement by paying in full all the Obligations due to Secured Party under this Note and as otherwise due to Secured Party under the Security Agreement, in cash.

Upon the occurrence of an Event of Default, Secured Party shall have all of the rights and remedies set forth in Section 6.2 of the Security Agreement.

Time is of the essence of this Note. To the fullest extent permitted by applicable law, Obligor, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and the benefit of any exemption or insolvency laws.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Secured Party in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Secured Party of any right or remedy preclude any other right or remedy. Secured Party, at its option, may enforce its rights against any collateral securing this Note without enforcing its rights against Obligor, any guarantor of the indebtedness evidenced hereby or any other property or indebtedness due or to become due to Obligor. Obligor agrees that, without releasing or impairing Obligor's liability hereunder, Secured Party may at any time release, surrender, substitute or exchange any collateral securing this Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Note.

This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of California, except that for purposes of the usury laws (and determining the maximum rate of interest allowable), this Note shall be governed by and construed and enforced in accordance with the laws of the state of Obligor's residence.

IN WITNESS WHEREOF, Obligor has caused this Note to be duly executed and delivered in Irvine, California, on the date first above written.

Signature: _____

Print Name: _____

EXHIBIT K

GENERAL SECURITY AGREEMENT

GENERAL SECURITY AGREEMENT

This General Security Agreement dated as of _____, is entered into by _____ and _____ (collectively, "Pledgor") in favor of AMERICAN DECORATIVE COATINGS, LLC, a limited liability company organized under the laws of Delaware ("Secured Party").

W I T N E S S E T H

WHEREAS, Pledgor has issued that certain Secured Promissory Note (the "Note") in favor of Secured Party, dated as of _____, pursuant to which Secured Party has or is about to make certain financial accommodations to Pledgor; and

WHEREAS, Secured Party has conditioned its providing said financial accommodations to Pledgor on Pledgor's granting a security interest in substantially all of its assets in favor of Secured Party to secure Pledgor's obligations to Secured Party under the Note;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1 . DEFINITIONS SECTION

All terms used herein which are defined in Article 1 or Article 9 of the Code (as hereinafter defined) shall have the meanings ascribed thereto in the Code unless otherwise defined in this Agreement. All references to Pledgor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1. 1. Accounts

"Accounts" shall mean all present and future rights of Pledgor to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2. Code

"Code" means the California Uniform Commercial Code.

1.3. Equipment

"Equipment" shall mean all of Pledgor's now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.4. Event of Default

"Event of Default" shall have the meaning set forth in Section 6.1 hereof.

1.5. Financing Agreements

"Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements and other agreements, documents and instruments now or at any time hereafter executed or delivered by Pledgor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.6. GAAP

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied.

1.7. Inventory

"Inventory" shall mean all of Pledgor's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.8. Note

"Note" shall have the meaning set forth in the recitals hereto, as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.9. Obligations

"Obligations" shall mean any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Pledgor to Secured Party or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under the Note, this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Note, this Agreement or after the commencement of any case with respect to Pledgor under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party.

1.10. Person or person

"Person" or "person" shall mean any individual, sole proprietorship, limited liability company or partnership, partnership, corporation (including any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.11. Records

"Records" shall mean all of Pledgor's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Pledgor with respect to the foregoing maintained with or by any other person).

SECTION 2 . GRANT OF SECURITY INTEREST SECTION

To secure payment and performance of all Obligations, Pledgor hereby grants to Secured Party a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Secured Party as security, the following property and interests in property, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

(a) all Accounts,

(b) all present and future contract rights, general intangibles (including tax and duty refunds, registered and unregistered patents, franchises, licenses, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as franchisor or franchisee, choses in action and other claims and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, letters of credit, bankers' acceptances and guaranties,

(c) all present and future monies, securities, credit balances, deposits, deposit accounts and other property of Pledgor now or hereafter held or received by or in transit to any depository or other institution from or for the account of Pledgor whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including:

(i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral,

(ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party,

(iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including returned, repossessed and reclaimed goods, and

(iv) deposits by and property of account debtors or other persons securing the obligations of account debtors.

(d) all Inventory,

(e) all Equipment,

(f) all Records, and

(g) all products and proceeds of the foregoing, in any form, including insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

SECTION 3 . COLLATERAL COVENANTS SECTION

3.1. Accounts Covenants

(a) Secured Party shall have the right at any time or times, in Secured Party's name or in the name of a nominee of Secured Party, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise.

(b) Pledgor shall deliver or cause to be delivered to Secured Party, with appropriate endorsement and assignment, with full recourse to Pledgor, all chattel paper and instruments which Pledgor now owns or may at any time acquire immediately upon Pledgor's receipt thereof, except as Secured Party may otherwise agree.

(c) Secured Party may, at any time or times that an Event of Default exists or has occurred and is continuing,

(i) notify any or all account debtors that the Accounts have been assigned to Secured Party and that Secured Party has a security interest therein and Secured Party may direct any or all accounts debtors to make payment of Accounts directly to Secured Party,

(ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations,

(iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Secured Party shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and

(iv) take whatever other action Secured Party may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Secured Party's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Party and are payable directly and only to Secured Party and Pledgor shall deliver to Secured Party such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Secured Party may require.

3.2. Inventory Covenants

With respect to the Inventory:

(a) Pledgor shall at all times maintain inventory records reasonably satisfactory to Secured Party, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Pledgor's cost therefor and daily withdrawals therefrom and additions thereto,

(b) Pledgor shall conduct a physical count of the Inventory at least once each year, but at any time or times as Secured Party may request on or after an Event of Default, and promptly following such physical inventory shall supply Secured Party with a report in the form and with such specificity as may be reasonably satisfactory to Secured Party concerning such physical count,

(c) Pledgor shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Secured Party, except for sales of Inventory in the ordinary course of Pledgor's business and except to move Inventory directly from one location set forth or permitted herein to another such location,

(d) upon Secured Party's request, Pledgor shall, at its expense, no more than once in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Secured Party and by an appraiser acceptable to Secured Party, addressed to Secured Party or upon which Secured Party is expressly permitted to rely,

(e) Pledgor shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable

standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto),

(f) Pledgor assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory,

(g) Pledgor shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Pledgor to repurchase such Inventory,

(h) Pledgor shall keep the Inventory in good and marketable condition, and

(i) Pledgor shall not, without prior written notice to Secured Party, acquire or accept any Inventory on consignment or approval.

3.3. Equipment Covenants

With respect to the Inventory:

(a) Upon Secured Party's request, Pledgor shall, at its expense, at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Equipment in form, scope and methodology acceptable to Secured Party and by appraiser acceptable to Secured Party,

(b) Pledgor shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted),

(c) Pledgor shall use the Equipment with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws,

(d) the Equipment is and shall be used in Pledgor's business and not for personal, family, household or farming use,

(e) Pledgor shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Pledgor or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Pledgor in the ordinary course of business,

(f) the Equipment is now and shall remain personal property and Pledgor shall not permit any of the Equipment to be or become a part of or affixed to real property, and

(g) Pledgor assumes all responsibility and liability arising from the use of the Equipment.

3.4. Power of Attorney

Pledgor hereby irrevocably designates and appoints Secured Party (and all persons designated by Secured Party) as Pledgor's true and lawful attorney-in-fact, and authorizes Secured Party, in Pledgor's or Secured Party's name, to:

(a) at any time an Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing

(i) demand payment on Accounts or other proceeds of Inventory or other Collateral,

(ii) enforce payment of Accounts by legal proceedings or otherwise,

(iii) exercise all of Pledgor's rights and remedies to collect any Account or other Collateral,

(iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Secured Party deems advisable,

(v) settle, adjust, compromise, extend or renew an Account,

(vi) discharge and release any Account,

(vii) prepare, file and sign Pledgor's name on any proof of claim in bankruptcy or other similar document against an account debtor,

(viii) notify the post office authorities to change the address for delivery of Pledgor's mail to an address designated by Secured Party, and open and dispose of all mail addressed to Pledgor, and

(ix) do all acts and things which are necessary, in Secured Party's determination, to fulfill Pledgor's obligations under this Agreement and the other Financing Agreements and

(b) at any time to

(i) take control in any manner of any item of payment or proceeds thereof,

(ii) have access to any lockbox or postal box into which Pledgor's mail is deposited,

(iii) endorse Pledgor's name upon any items of payment or proceeds thereof and deposit the same in the Secured Party's account for application to the Obligations,

(iv) endorse Pledgor's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, and

(v) sign Pledgor's name on any verification of Accounts and notices thereof to account debtors and

(vi) execute in Pledgor's name and file any UCC financing statements or amendments thereto. Pledgor hereby releases Secured Party and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Secured Party's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

3.5. Right to Cure

Secured Party may, at its option,

(a) cure any default by Pledgor under any agreement with a third party or pay or bond on appeal any judgment entered against Pledgor,

(b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and

(c) pay any amount, incur any expense or perform any act which, in Secured Party's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Secured Party with respect thereto. Secured Party may add any amounts so expended to the Obligations and charge Pledgor's account therefor, such amounts to be repayable by Pledgor on demand. Secured Party shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Pledgor.

Any payment made or other action taken by Secured Party under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

3.6. Access to Premises

From time to time as requested by Secured Party, at the cost and expense of Pledgor,

(a) Secured Party or its designee shall have complete access to all of Pledgor's premises during normal business hours and after notice to Pledgor, or at any time and without notice to Pledgor if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Pledgor's books and records, including the Records, and

(b) Pledgor shall promptly furnish to Secured Party such copies of such books and records or extracts therefrom as Secured Party may request, and

(c) Secured Party shall have the right to use during normal business hours such of Pledgor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

SECTION 4 . REPRESENTATIONS AND WARRANTIES SECTION

Pledgor hereby represents and warrants to Secured Party the following (which shall survive the execution and delivery of this Agreement):

4.1. Chief Executive Office; Collateral Locations

The chief executive office of Pledgor and Pledgor's Records concerning Accounts are located only at the address set forth below and its only other places of business and the only other locations of Collateral, if any, are the addresses provided by Pledgor to Secured Party in writing prior to the date hereof, subject to the right of Pledgor to establish new locations in accordance with Section 5.1 below.

4.2. Priority of Liens; Title to Properties

The security interests and liens granted to Secured Party under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the

liens indicated on Schedule 4.2 hereto. Pledgor has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Secured Party and such others as are specifically listed on Schedule 4.2 hereto.

4.3. Accuracy and Completeness of Information

All information furnished by or on behalf of Pledgor in writing to Secured Party in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Pledgor, which has not been fully and accurately disclosed to Secured Party in writing.

4.4. Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Secured Party on the date of any additional borrowing or other credit accommodation under any amendment, restatement, modification or substitution of the Note and shall be conclusively presumed to have been relied on by Secured Party regardless of any investigation made or information possessed by Secured Party. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Pledgor shall now or hereafter give, or cause to be given, to Secured Party.

SECTION 5 . AFFIRMATIVE AND NEGATIVE COVENANTS SECTION

5.1. New Collateral Locations

Pledgor may open any new location within the continental United States provided Pledgor:

(a) gives Secured Party ten (10) days prior written notice of the intended opening of any such new location and

(b) executes and delivers, or causes to be executed and delivered, to Secured Party such agreements, documents, and instruments as

Secured Party may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including UCC financing

5.2. Insurance

Pledgor shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Secured Party as to form, amount and insurer. Pledgor shall furnish certificates, policies or endorsements to Secured Party as Secured Party shall require as proof of such insurance, and, if Pledgor fails to do so, Secured Party is authorized, but not required, to obtain such insurance at the expense of Pledgor. All policies shall provide for at least thirty (30) days prior written notice to Secured Party of any cancellation or reduction of coverage and that Secured Party may act as attorney for Pledgor in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Pledgor shall cause Secured Party to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Pledgor shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Secured Party. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Secured Party as its interests may appear and further specify that Secured Party shall be paid regardless of any act or omission by Pledgor or any of its affiliates. At its option, Secured Party may apply any insurance proceeds received by Secured Party at any time to the cost of repairs or replacement of Collateral or to payment of the Obligations, whether or not then due, in any order and in such manner as Secured Party may determine or hold such proceeds as cash collateral for the Obligations.

5.3. Costs and Expenses

Pledgor shall pay to Secured Party on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Secured Party's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to:

(a) all costs and expenses of filing or recording (including all filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable, payable in connection any and all financing

statements or fixture filings necessary to perfect and continue perfected Secured Party's security interests in the Collateral),

(b) all title insurance and other insurance premiums, appraisal fees and search fees,

(c) costs and expenses of preserving and protecting the Collateral,

(d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Secured Party, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Secured Party arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters), and

(e) the fees and disbursements of counsel (including legal assistants) to Secured Party in connection with any of the foregoing.

5.4. Further Assurances

At the request of Secured Party at any time and from time to time, Pledgor shall, at its expense, at any time or times duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Where permitted by law, Pledgor hereby authorizes Secured Party to execute and file one or more UCC financing statements signed only by Secured Party.

SECTION 6 . EVENTS OF DEFAULT AND REMEDIES SECTION

6.1. Events of Default

The occurrence or existence of any of the following events (each an "Event of Default") shall occur and be continuing:

(a) The Pledgor shall fail to pay any installment of principal or interest or any other amount payable under the Note when due; or

(b) Any representation or warranty made by the Pledgor herein or by the Pledgor (or any of its officers) in connection with the Financing

Agreements shall prove to have been incorrect in any material respect when made; or

(c) The Pledgor shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed; or

(d) The Pledgor shall default in the performance of or compliance with any term contained in any Financing Agreement other than this Agreement and such default shall not have been remedied or waived within any applicable grace period; or

(e) The Pledgor shall

(i) fail to pay any principal of, or premium or interest on, any indebtedness, the aggregate outstanding principal amount of which is at least $10,000 (excluding indebtedness evidenced by the Note), when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness, or

(ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness or material to the performance, business, property, assets, condition (financing or otherwise) or prospects of the Pledgor when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument; or

(f) (i) The Pledgor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Pledgor shall make a general assignment for the benefit of its creditors; or

(ii) there shall be commenced against the Pledgor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unhanded for a period of thirty (30) days; or

(iii) there shall be commenced against the Pledgor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distrait or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

(iv) the Pledgor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) and (iii) above; or (v) the Pledgor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) One or more judgments or decrees shall be entered against the Pledgor involving in the aggregate a liability (not paid or fully covered by insurance or reserves) equal to or greater than $5,000 and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

(h) There shall be instituted against the Pledgor any proceeding for which forfeiture of any property is a potential penalty and such proceeding remains undismissed, undischarged or unbonded for a period of thirty (30) days from the date the Pledgor knows of such proceeding.

6.2. Remedies

(a) At any time an Event of Default exists or has occurred and is continuing, Secured Party shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by Pledgor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Secured Party hereunder, under any of the other Financing Agreements, the Code or other applicable law, are cumulative, not exclusive and enforceable, in Secured Party's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by Pledgor of this

Agreement or any of the other Financing Agreements. Secured Party may, at any time or times, proceed directly against Pledgor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Secured Party may, in its discretion and without limitation,

(i) accelerate the payment of all Obligations and demand immediate payment thereof to Secured Party (provided that, upon the occurrence of any Event of Default described in Section 6.1(f), all Obligations shall automatically become immediately due and payable),

(ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral,

(iii) require Pledgor, at Pledgor's expense, to assemble and make available to Secured Party any part or all of the Collateral at any place and time designated by Secured Party,

(iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral,

(v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose,

(vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Secured Party or elsewhere) at such prices or terms as Secured Party may deem reasonable, for cash, upon credit or for future delivery, with the Secured Party having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Pledgor, which right or equity of redemption is hereby expressly waived and released by Pledgor. If any of the Collateral is sold or leased by Secured Party upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Secured Party. If notice of disposition of

Collateral is required by law, ten (10) days prior notice by Secured Party to Pledgor designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Pledgor waives any other notice. In the event Secured Party institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Pledgor waives the posting of any bond which might otherwise be required.

(c) Secured Party may apply the cash proceeds of Collateral actually received by Secured Party from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Secured Party may elect, whether or not then due. Pledgor shall remain liable to Secured Party for the payment of any deficiency with interest at the highest rate provided for in the Note and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

SECTION 7 . JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW SECTION

7.1. Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of California (without giving effect to principles of conflicts of law), except, that the laws of Pledgor's state of residence will apply to any determination of the maximum interest rate payable or the existence of usury.

(b) Pledgor irrevocably consents and submits to the non-exclusive jurisdiction of the Superior Court of the State of California, County of Los Angeles and the United States District Court for the Central District of California and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected or related or incidental to the dealings of Pledgor and Secured Party in respect of this Agreement or the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above (except that Secured Party shall have the right to bring any action or proceeding against

Pledgor or its property in the courts of any other jurisdiction which Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Pledgor or its property).

(c) Pledgor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Secured Party's option, by service upon Pledgor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Pledgor shall appear in answer to such process, failing which Pledgor shall be deemed in default and judgment may be entered by Secured Party against Pledgor for the amount of the claim and other relief requested.

(d) PLEDGOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF PLEDGOR AND SECURED PARTY IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. PLEDGOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT PLEDGOR OR SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF PLEDGOR AND SECURED PARTY TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Secured Party shall not have any liability to Pledgor (whether in tort, contract, equity or otherwise) for losses suffered by Pledgor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the reputable presumption that it acted in good faith and with the exercise of ordinary care in the performance

by it of the terms of this Agreement and the other Financing Agreements.

7.2. Waiver of Notices

Pledgor hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Pledgor which Secured Party may elect to give shall entitle Pledgor to any other or further notice or demand in the same, similar or other circumstances.

7.3. Amendments and Waivers

Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

7.4. Indemnification

Pledgor shall indemnify and hold Secured Party, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Pledgor shall pay the maximum portion which it is permitted to pay under applicable law to Secured Party in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and

the other Financing Agreements. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

SECTION 8 . MISCELLANEOUS SECTION

8.1. Notices

(a) All notices, requests and demands hereunder shall be in writing and made to Secured Party at American Decorative Coatings, LLC, 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, and to Pledgor at the address set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and

(b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

8.2. Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

8.3. Successors

This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Pledgor and its successors and assigns and inure to the benefit of and be enforceable by Secured Party and its successors and assigns, except that Pledgor may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Secured Party.

8.4. Entire Agreement

This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings,

negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

*** REMAINDER OF PAGE INTENTIONALLY LEFT BLANK ***

IN WITNESS WHEREOF, Pledgor and Secured Party have caused these presents to be duly executed as of the day and year first above written.

Secured Party:
AMERICAN DECORATIVE COATINGS, LLC

By:_____
Jennie Amante
Executive Vice President

Pledgor:

Sign here: _____

Print Name: _____

Sign here: _____

Print Name: _____

Address of Pledgor's Offices:
_____

_____

_____

EXHIBIT L

STOREFRONT ADDENDUM

STOREFRONT ADDENDUM
TO
FRANCHISE AGREEMENT

This Storefront Addendum to Franchise Agreement (this "***Addendum***") is entered into as of _____(the "***Addendum Date***"), between American Decorative Coatings, LLC, a Delaware limited liability company ("***Franchisor***") and _____, a(n) _____, doing business in the state of _____ as "Concrete Craft _____" ("***Franchisee***"), with reference to the following facts:

On _____, Franchisor and Franchisee entered into a Franchise Agreement (the "***Franchise Agreement***") covering a territory consisting of ZIP Codes _____, and defined in the Franchise Agreement as the "Territory."

Franchisee has requested permission from Franchisor to open a retail showroom that will offer to the public various "Concrete Craft" products (the "***Authorized Products***"), and Franchisor has approved that request.

1. DEFINED TERMS

1.1 **Defined Terms**. All capitalized terms that are used but not defined in this Addendum are used as they are defined in the Franchise Agreement.

1.2 **Storefront Facility**. For purposes of this Addendum, the term "Storefront Facility" means the single retail showroom approved by Franchisor at which Franchisee is authorized to offer the Authorized Products to the public in accordance with the terms of the Franchise Agreement and this Addendum.

2. STOREFRONT OPERATION

2.1 **Permission to Operate**. Notwithstanding any contrary provisions in the Franchise Agreement or the Confidential Operating Manual, Franchisee may operate a single Storefront Facility within the Territory under the name "**Tailored Living**". If the parties have agreed upon the site for the Storefront Facility by the time they execute this Addendum, they will complete Exhibit A to identify the street address. If the parties have not agreed upon the location of the Storefront Facility at the time they execute this Addendum, Franchisee will select the location of the Storefront Facility, subject to Franchisor's approval, pursuant to the procedures stated in Section 2.2.

2.2 **Location Approval**. On the date of this Addendum, Franchisor's only criterion for the site of the Storefront Facility is that no Storefront Facility may be located within one-half mile of any border of the Franchisee's Territory without specific, written consent from Franchisor. Franchisor reserves the right to establish other recommended or required criteria (including demographic and physical requirements of the site and surrounding area) at any time before the site of the Storefront Facility has been approved. If any such criteria are created by Franchisor, Franchisor will provide those criteria to Franchisee promptly. Franchisee will submit a written site proposal to Franchisor, for its approval, within 120 days after the date of this Addendum. The written site proposal will be in the form required by Franchisor. Franchisor may terminate this Addendum if a completed site proposal is not received within 120 days after the date of this Addendum, and termination will be effective immediately upon written notice to Franchisee.

(a) Approval of Site. Franchisor will have 21 days after receipt of Franchisee's completed site proposal to approve or disapprove the proposed site by giving written notice to Franchisee. If Franchisee proposes more than one site, Franchisor need only approve one site, or may disapprove all proposed sites. Franchisee acknowledges that Franchisor's failure to give timely notice of approval will constitute Franchisor's disapproval of all sites proposed by Franchisee. Franchisor may terminate this Addendum in the event it disapproves Franchisee's proposed site, and termination will be effective immediately upon written notice to Franchisee.

Once Franchisor has approved the location of the Storefront Facility, the parties will either execute, or be deemed to have completed, Exhibit A to this Addendum to set forth the street address of the approved site, which will then be incorporated herein by reference. If Franchisee proposes alternative sites and Franchisor approves more than one proposed site, the parties will designate the one that will be the location of the Storefront Facility within 30 days. Franchisee acknowledges that Franchisor's approval of alternative sites does not confer any right upon Franchisee to open more than one Storefront Facility.

(b) Effect of Approval. Franchisee acknowledges that: (i) Franchisee is solely responsible for site selection; (ii) neither Franchisor's proposal, nor its approval, of a site constitutes a warranty that operation of the Storefront Facility at the site will be successful or profitable; that approval signifies only that the site meets Franchisor's then-current minimum site evaluation criteria (if any) or appears to Franchisor to be generally acceptable; (iii) Franchisor's site approval does not certify that Franchisee's development, use or occupancy of the proposed site as a Storefront Facility will conform to applicable local laws, codes, or permit requirements or will be profitable; and (iv) Franchisor's publication of suggested or required criteria for the location of a Storefront Facility does not constitutes a guaranty or warranty that a Storefront Facility operated at a site complying with those criteria will be successful or profitable. Franchisee is solely responsible for investigating and complying with all applicable local laws, codes, and permit requirements concerning its development and occupancy of the Storefront Facility and Franchisor makes no representations or warranties regarding potential profitability or success.

(c) Termination of Addendum. Franchisee may terminate this Addendum at any time before the Storefront Facility opens for business to the public, and termination will be effective immediately upon written notice to Franchisor. Franchisor may terminate this Addendum effective immediately upon giving written notice to Franchisee if the parties fail to agree upon the location of the Storefront Location within 180 days after execution of this Addendum.

2.3 **Operating Standards**. In the future, Franchisor may set (and revise) from time-to-time, standards for the operation of Storefront Facilities. These standards may address such matters as layout of the Storefront Facility, appearance and design, product displays, signage, pricing policies (such as free installation), and rules of customer relations. These standards may be set forth in the Confidential Operating Manual, or may be separately set forth in written materials provided only to Franchisees that operate a Storefront Facility.

2.4 **Construction**. The Storefront Facility will be constructed, developed, improved, and equipped by Franchisee in its discretion. All costs and expenses relating to construction and build-out of the Storefront Facility will be borne by Franchisee. Franchisor is not obligated to offer construction supervision or consulting services in connection with the design or construction of the Storefront Facility.

2.5 **No Unapproved Products**. At the Storefront Facility, Franchisee may display and offer for sale all Authorized Products that have been approved for sale by the Franchisees of Franchisor. Unless otherwise approved in writing by Franchisor (which consent may be withheld arbitrarily or otherwise in Franchisor's sole discretion), Franchisee may not sell any products other than Authorized Products that have been approved for sale by all Franchisees of Franchisor. In that regard, Franchisee acknowledges that Franchisor has other Franchisees in the same general area, and that Franchisor may consider the interests of all Franchisees in deciding whether to allow additional products to be sold from the Storefront Facility.

2.6 **Manner of Operations**. Under the terms of the Franchise Agreement, Franchisee is allowed to sell Authorized Products only within the Territory or surrounding "gray areas" (which are areas that are not part of any other Franchisee's territory, nor part of a "company-owned" territory served by Franchisor). To assure that no sales are made in the territories of other Franchisees, and to avoid misunderstandings when customers are quoted a price for products that are different than the prices of another Franchisee, Franchisor may provide one or more "scripts" that must be used by Franchisee's sales personnel when first interacting with customers at the Storefront Facility, or Franchisor may publish approved scripts in the Confidential Operating Manual. In any event (regardless of whether a script is used), if the customer is from outside the Territory and/or surrounding gray areas (each, an "***Extraterritorial Customer***"), Franchisee (and its sales personnel) will politely inform the Extraterritorial Customer of the contact information for the appropriate Franchisee (in whose territory the Extraterritorial Customer is located), and will not quote any prices, sales terms, or other information to the Extraterritorial Customer. Franchisee will further provide the appropriate Franchisee (in whose territory the

Extraterritorial Customer is located) with the name and contact information of the Extraterritorial Customer. Franchisee will not be compensated for these referrals, but rather will provide them as a means to protect the goodwill of the "Budget Blinds" brand and the Service Marks.

2.7 **Mystery Shoppers**. Franchisee acknowledges that Franchisor may use "mystery shoppers" or similar means to verify Franchisee's compliance with the terms of this Addendum.

2.8 **Term and Renewal**. This Addendum will automatically terminate simultaneously with the expiration or termination of the current term of the Franchise Agreement. There are no options to extend this Addendum, and renewal of the Franchise Agreement (in accordance with its terms) will not serve to renew this Addendum.

Upon expiration or other termination of this Addendum, Franchisee will remove all of the Service Marks and other identifying trade dress or trademarks from the Storefront Facility, and will continue to be bound by all applicable restrictions contained in the Franchise Agreement, including but not limited to restrictions on sale of Authorized Products except as part of the Licensed Business.

3. EFFECT OF BREACH

3.1 **Grounds for Termination**. If Franchisee violates the terms and conditions of this Addendum, that breach will also constitute a breach of the Franchise Agreement, for which Franchisor may terminate both this Addendum and the Franchise Agreement itself (subject to notice and opportunity to cure, if applicable, as required by the Franchise Agreement).

3.2 **Reimbursement in Lieu of Termination**. At any time that Franchisor issues a notice of default as a result of actions by Franchisee that harm or may harm neighboring Franchisees (such as quoting a price to a customer in another Franchisee's territory), Franchisor may also, in its discretion, determine in good faith the amount of damages suffered by neighboring Franchisee(s) as a result of Franchisee's actions. In no event is Franchisor obligated to make such a calculation, and Franchisor is always free to proceed with termination based on Franchisee's default. If Franchisor chooses to calculate a damages amount and to allow Franchisee the opportunity to reimburse same, then to avoid termination for its default, Franchisee may pay to the neighboring Franchisee the amount of damages calculated by Franchisor. Any payment pursuant to this provision will be without prejudice to the rights of the neighboring Franchisee to bring a claim against Franchisee, but will avoid termination of the Franchise Agreement based upon the specific default.

Any damages amounts calculated by Franchisor pursuant to this provision will not be considered penalties or forfeitures, but are rather estimations of the actual damages caused to a neighboring Franchisee.

4. EFFECT ON OTHER AGREEMENTS

4.1 **Franchise Agreement Reaffirmed**. Except as specifically amended by this Addendum, the Franchise Agreement is reaffirmed in its entirety.

5. MISCELLANEOUS

5.1 **Dispute Resolution**. In the event of any disagreement between the parties, the provisions of the Franchise Agreement concerning dispute resolution, attorneys' fees, and governing law will fully apply to this Addendum as to the Franchise Agreement itself.

5.2 **Entire Agreement**. This Addendum contains the entire understanding of the Parties with respect to Franchisee's ability to operate a Storefront Facility pursuant to the Franchise Agreement (as amended by this Addendum) and supersedes all prior and contemporaneous agreements, understandings, and negotiations, whether written or oral, between the parties with respect to the same subject matter. This Addendum may be amended only in a written document, signed by the party to be charged, and specifically referring to this Addendum.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed on the dates set forth below their respective signatures, effective, however, as of the Addendum Date.

Franchisee:

By:
_____

Title:
_____

Date:
_____

By:
_____

Title:
_____

Date:
_____

Franchisor:

AMERICAN DECORATIVE COATINGS, LLC

By:
_____
Jennie Amante

Title: Executive Vice President

Date:
_____

Exhibit A

Storefront Location:

EXHIBIT M

MASTER SERVICES AGREEMENT

BB COMMERCIAL SOLUTIONS, LLC
MASTER SERVICES AGREEMENT

This Master Services Agreement (this "**Agreement**") dated as of [date] (the "**Effective Date**"), is by and between BB Commercial Solutions, LLC, a California limited liability company, with offices at 19000 MacArthur Blvd, Suite 100, Irvine, CA 92612("**BBCS**") and [name of Franchisee], a [state] [type of entity], with offices located at [address of Franchisee] ("**Franchisee**").

WHEREAS:

A. American Decorative Coatings, LLC (**"Franchisor"**) and Franchisee are parties to a franchise agreement dated [date] ("**Franchise Agreement**") pursuant to which Franchisor granted Franchisee the right, title and interest to operate a Tailored Living® franchised business, utilizing Franchisor's trademarks, service marks and system in connection therewith.

B. BBCS has entered into or will enter into contracts ("**Contracts**") with national accounts ("**National Accounts**"). The Contracts provide that BBCS will provide certain products and/or services to National Accounts (collectively, the "**Contract Services**") to: (a) properties owned, controlled or managed by the National Account; or (b) properties for which the National Account is obligated to provide the Contract Services (in addition, perhaps, to other services).

C. BBCS subcontracts with Franchisor's participating franchisees to provide some or all of the Contract Services for a National Account property on behalf of BBCS (a "**Subcontract**").

D. Franchisee shall have the discretion to accept or reject a Subcontract from BBCS on a case by case basis.

E. If Franchisee accepts a Subcontract from BBCS to service a National Account, such Subcontract will incorporate by reference this MSA and the applicable work order or purchase order ("**Work Order**" or "**Purchase Order**"), which will include specific terms and conditions ("**Terms and Conditions**") stating the scope of work, location of the property, fee arrangements and other matters specific to the work.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be mutually bound, agree as follows:

1. Payments.

1.1. Payments. The amount and timing of the payments due to Franchisee from BBCS pursuant to a Work Order or Purchase Order are conditioned upon prior payment to BBCS by the National Account for such work. Franchisee will be paid no later than thirty (30) days after payment has been received by BBCS. If BBCS is paid less than the full amount owed to it from the National Account for the work, Franchisee will receive a pro-rata partial payment based upon an equitable allocation of the payment received by BBCS. Franchisee will likewise equitably share pro-rata in any additional partial or final payment received by BBCS for the work. If there is a dispute between Franchisee and BBCS regarding the amounts of the partial or final payments, BBCS will make the final decision, exercised in good faith.

1.2. Right of Setoff. At the direction of Franchisor, BBCS shall pay to Franchisor from the funds payable to Franchisee pursuant to a Work Order or Purchase Order for a National Account:

(a) all or any portion of the monies owing to Franchisor from Franchisee which are currently due and payable. Franchisor will deliver to Franchisee a written statement showing the amount of funds paid to it by BBCS and the application of those funds to Franchisee's indebtedness to Franchisor;

(b) monies to pay any of Franchisee's obligations for items required under this Agreement, a Work Order, or a Purchase Order; and

(c) refunds or other payment due from Franchisee to a customer or other third party which Franchisor deems necessary or prudent to maintain the good will and reputation of the Franchised Business (as defined in the Franchise Agreement).

1.3. No Liability of Franchisor. Franchisee will look solely to BBCS for any payment due to Franchisee pursuant to a Work Order or Purchase Order. Franchisor shall have no obligation to Franchisee for any payment due from BBCS.

1.4. Liens. Franchisee agrees that Franchisee will not file or claim any lien against any property or other asset of a National Account as a result of work performed by Franchisee for a National Account pursuant to a Work Order or Purchase Order from BBCS. Franchisee further agrees to waive and/or release any lien or lien right resulting from work performed by Franchisee for a National Account pursuant to a Work Order or Purchase Order from BBCS. Franchisee further agrees that Franchisee will indemnify, defend and hold harmless, BBCS, Franchisor, National Accounts, and property owners serviced by National Accounts from any claims or actions by Franchisee's employees, suppliers or material men, or any third party contractors engaged by Franchisee to provide products and perform services.

2. Performance.

2.1. Quality. Franchisee agrees to perform all work in a good and workmanlike manner and in accordance with the description and specifications set out in the Terms and Conditions and the Work Order or Purchase Order.

2.2. Identification as Franchisee. At the time of Franchisee's first contact with the representative of the National Account Franchisee will identify itself as an independently owned and operated franchise of Franchisor.

2.3. Service Standards. Franchisee agrees to perform the work in accordance with the service standards set out in: (a) the Franchise Agreement; (b) this Agreement; and (c) the Work Order or Purchase Order, including the Terms and Conditions. In the event of a conflict among these standards, Franchisee shall abide by the strictest standard.

2.4. Termination. Franchisee agrees that Franchisee will terminate immediately all work being performed by Franchisee pursuant to any Work Order or Purchase Order upon receipt of notification to terminate from Franchisor or BBCS, whether or not the notification to terminate was given for cause. Upon receipt of a notification to terminate, Franchisee will remove all personnel, equipment, materials and apparatus from the work site immediately. Any payment for partial performance of the work shall be determined by BBCS in good faith. If there is a dispute between Franchisee and BBCS regarding the amount of the payment for partial performance, BBCS will make the final decision in good faith.

2.5. Assignment and Subcontract. Franchisee will not assign or subcontract any work to be performed by Franchisee pursuant to a Work Order or a Purchase Order unless Franchisee receives prior written approval and consent to the subcontract from BBCS, which approval or consent may be withheld, delayed or conditioned in BBCS's sole discretion.

3. **Regulatory Compliance.** Franchisee agrees to perform all of the work in strict compliance with all local, state and federal governmental rules, regulations, ordinances, statutes and other requirements ("Regulations") applicable to the work, including but not limited to OSHA. Franchisee agrees to obtain and maintain throughout the performance of the work, such licenses, certifications, permits and training requirements set out in the Regulations.

4. **Safety.** Franchisee agrees to take all necessary precautions for the safety of Franchisee's employees and visitors on the property and Franchisee shall comply with all applicable provisions of federal, state and municipal safety laws and building codes to prevent accidents or injuries to person or damage to property. From time to time, certain Work Orders or Purchase Orders may contain specific safety and training requirements. Franchisee agrees to abide by any such specific safety and training requirements.

5. **Insurance.** Franchisee will maintain insurance coverage including, but not limited to, Comprehensive General Liability, statutory Worker's Compensation which, if applicable, must include every person performing services pursuant to the Work Order or the Purchase Order, Automobile Liability and contractual liability, all in amounts specified in the Work Order or the Purchase Order, including the Terms and Conditions, and shall cause certificates of insurance in forms satisfactory to BBCS and the National Account to be issued prior to commencement of the work. The Terms and Conditions of the Work Order or Purchase Order may require additional insurance coverage and may set minimum limits on the insurance coverage. The certificates shall provide that the insurance policies may not be changed or cancelled until 30 days after written notice thereof has been delivered to BBCS and the National Account. Policy renewals shall be provided no later than 30 days prior to the expiration of the existing insurance coverage. **All liability policies will list BBCS and Franchisor as additional insureds. If the National Account requires that Franchisee maintain Employment Practices Liability insurance, Franchisor and BBCS will be named as Co-Defendants. The Commercial General Liability policy shall contain a waiver of subrogation in BBCS's favor and will be primary and non-contributory to any insurance BBCS might carry.**

6. **Indemnification.** Franchisee agrees to defend, indemnify and hold harmless BBCS, Franchisor and the National Account, and all of their respective officers, directors, shareholders, employees, agents, successors and assigns ("Indemnified Parties") from and against any and all claims, suits, losses, causes of action, damages, liabilities, and expenses of any kind whatsoever, including without limitation, all expenses of litigation and arbitration, court costs, and reasonable attorney's fees arising on account of or in connection with injuries to or the death of any person whomsoever, claims for damages from any third party, or any and all damages to property (including the loss of use thereof), regardless of possession or ownership, from which injuries, death, or damages arise, or which are in any manner connected with, the work performed by or for Franchisee under this Agreement, a Work Order, or a Purchase Order, including the Terms and Conditions, or caused in whole or in part by the acts or omissions or presence of Franchisee or any of Franchisee's employees, agents, representatives, subcontractors or suppliers. The indemnification obligations contained herein shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable by or for Franchisee under worker's compensation acts, disability benefit acts or employee benefit acts and shall extend to and include any actions bought by or in the name of any of Franchisee's employees or any third party with whom Franchisee may have contracted.

   Franchisee further agrees to defend, indemnify and hold harmless the Indemnified Parties from any and all claims, losses, demands, causes of action, damages or liabilities, including but not limited to reasonable attorney's fees and court costs which may be asserted against the Indemnified Parties, or any one or more of them, resulting from, arising out of, or occurring in connection with Franchisee's failure, or the failure of any subcontractor or supplier with whom Franchisee has contracted to perform any of the work, to perform all work required by the Work Order or Purchase Order, the Terms and Conditions, or this Agreement.

7. National Accounts.

7.1. Identification. BBCS may notify Franchisee whenever a Contract with a National Account and BBCS is in effect. The method for delivering the notice shall be selected by BBCS and shall be reasonably calculated to provide actual notice to Franchisee.

7.2. No Solicitation or Work. When a National Account is so identified, Franchisee agrees that it will not solicit work from such National Account, its customers, or any local operation (including a franchise) of such National Account without the prior written consent of BBCS. In addition, Franchisee agrees that it will not perform any work for a National Account or any local operation (including franchisee) of such National Account except pursuant to a Work Order or Purchase Order from BBCS or with the written consent of BBCS.

8. Documentation, Books and Records. Timely, accurate, and complete supporting documentation is an integral part of the Contract Services provided for any National Account. All supporting documentation must be submitted within 48 hours of completion of the job for a National Account. Any delay in submitting documentation will delay payment. In addition to strictly adhering to documentation and reporting standards as required, Franchisee agrees to keep and maintain for at least three (3) years after completion of the work accurate records ("**National Account Records**") of all sales and services provided to or for a National Account. At BBCS's request Franchisee will provide to BBCS and/or Franchisor copies of the National Account Records identified by BBCS. Franchisee will maintain its records in a manner that will allow Franchisee to search and copy its records in the name of either the National Account or BBCS.

9. Publicity. Franchisee agrees to submit to BBCS and Franchisor all advertising, sales promotion and other publicity matters relating to any work for a National Account if BBCS's, Franchisor's or the National Account's (or an affiliate, parent company or subsidiary thereof) names are mentioned or language is used from which the connection to BBCS, Franchisor or the National Account may be reasonably inferred or implied. Franchisee further agrees not to publish or use such advertising, sales promotion or publicity matter without the prior written consent of BBCS, Franchisor or the National Account named or identified therein. Franchisee further agrees that it and/or its employees may be identified in any publicity matters relating to any work for a National Account.

10. **Mediation and Arbitration.** Any controversy or claim arising out of or relating to this Agreement or breach thereof, which cannot be settled by the contesting parties hereto, shall be first submitted to an impartial mediator of a professional mediation firm. The costs of the mediator shall be shared by each of the parties. If settlement of the matter is unsuccessful at mediation, the parties agree that the dispute shall be determined by binding arbitration pursuant to the rules of the American Arbitration Association or as otherwise mutually agreed by parties.

    Arbitration shall be the sole method of adjudicating the dispute and arbitration shall be governed by the laws of the State of California. The location of any mediation or arbitration proceeding shall be Orange County, California.

11. **Term of Agreement; Amendment.** The terms and provisions of this Agreement shall run coterminously with the Franchise Agreement. In the event of a termination of the Franchise Agreement for any reason, this Agreement shall automatically terminate as of the same date.

12. **Legal Fees.** If BBCS or Franchisor shall prevail in an arbitration against Franchisee to enforce any rights or obligations under this Agreement, BBCS or Franchisor, as the case may be, shall be entitled to recover from Franchisee all costs and expenses (including reasonable attorneys' fees) incurred by BBCS or Franchisor in connection with such arbitration.

13. **Severability.** Should any provision of this Agreement be declared invalid or illegal by any federal, state, county, or municipal government, such invalidity or illegality shall not affect the other provisions hereof, and the remainder of the provisions hereof shall remain in full force and effect and shall be construed in all respects as if such invalid or illegal provisions were omitted.

14. **Confidentiality of Information.** Franchisee agrees to sign and deliver to BBCS or National Account any confidentiality and/or non-disclosure agreement requested by either of them. Franchisee further agrees to abide by the terms and provisions of such confidentiality and/or non- disclosure agreement.

15. **Miscellaneous Provisions.** Franchisee agrees that it will inform BBCS and Franchisor promptly but not later than three (3) business days after receipt or becoming aware of any claims, demands, disputes, disagreements or suits filed against Franchisee by a National Account with respect to a Work Order or a Purchase Order.

16. **Third Party Beneficiary**. Franchisor is a third party beneficiary of this Agreement. Other than Franchisor, this Agreement is not intended to confer any benefits upon any third party and is not intended to confer any third-party beneficiary rights to enforce the Contract or any rights or remedies under the Contract.

17. **Entirety of Agreement; Modification**. This Agreement: (a) supersedes all prior agreements with respect to the subject matter hereof and fully sets forth the understanding of the parties with respect thereto; (b) shall not be modified except by the mutual agreement of the parties as evidenced by a writing signed by both parties; and (c) shall be interpreted in accordance with the laws of the State of California.

18. **Relationship of the Parties**. The relationship between the parties is that of independent contractors. The details of the method and manner for performance of the Contract Services by Franchisee shall be under its own control, BBCS being interested only in the results thereof. Franchisee shall be solely responsible for supervising, controlling and directing the details and manner of the completion of the Contract Services. Nothing in this Agreement shall give the BBCS the right to instruct, supervise, control, or direct the details and manner of the completion of the Contract Services. The Contract Services must meet BBCS's and the National Account's final approval and shall be subject to the BBCS's and the National Account's general right of inspection throughout the performance of the Contract Services and to secure satisfactory final completion. Nothing contained in this Agreement shall be construed as creating any agency, partnership, joint venture or other form of joint enterprise, employment or fiduciary relationship between the parties, and neither party shall have authority to contract for or bind the other party in any manner whatsoever.

19. **Counterparts.** This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same instrument. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective date by their respective duly authorized officers.

FRANCHISEE:

By: _____

Name:

Its:

BB COMMERCIAL SOLUTIONS, LLC

By: _____

Jennie Amante, Executive Vice President

STATE EFFECTIVE DATES

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

The franchise disclosure document is registered, on file or exempt from registration in the following states having franchise registration disclosure laws, with the following effective dates:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

RECEIPT FOR CONCRETE CRAFT® DISCLOSURE DOCUMENT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is American Decorative Coatings, LLC, located at 19000 MacArthur Boulevard, Suite 100, Irvine, CA 92612, Telephone (949) 404 1100.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the signing or delivery of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the signing and delivery of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit E-1.

We authorize the agents listed in Exhibit E-2 to this disclosure document to receive service of process for us.

Issuance Date: May 1, 2020

On _____, I received a disclosure document dated May 1, 2020, that included the following exhibits:

A: Franchise Agreement and Schedules
State Specific Addendum to Franchise Agreement
SCHEDULES:
1: Personal Covenant and Guarantee
2: Description of Territory
3: Concrete Craft® Start-up Package
4: Schedule of Names and Addresses of Owners and Principal Officers
B: Financial Statements
C: List of Franchisees
D: List of Terminated or Transferred Franchises
E-1: State Franchise Administrators
E-2: Agents for Service of Process
F: Confidential Operating Manual Table of Contents
G: Deposit Receipt
H: Consent to Transfer and Assumption of Franchise Agreement
I: Veterans Addendum to Franchise Agreement
J: Secured Promissory Note
K: General Security Agreement
L: Storefront Addendum
M: Master Services Agreement
N-1: Receipt (Your copy)
N-2: Receipt (Our copy)

_____ _____
Signature of Prospective Franchisee *Print Name of Prospective Franchisee*

The seller(s) of this franchise is/are:

Employee Salespersons:

□ Dayn Benson

□ Shawna Bergstrom

□ Aaron Cady

□ Bryan Cranfill

□ Lisa McGill

□ Troy Molen

□ Ralph Rooney

□ Jonathan Thiessen

In addition to the above salespersons who are our employees, we also use a network of brokers to sell our franchises. If a broker was involved in the sale of this franchise, that individual's name is listed below:

□ _____

RECEIPT FOR CONCRETE CRAFT® DISCLOSURE DOCUMENT

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N-1: Receipt (Your copy)
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_____
Signature of Prospective Franchisee

_____
Print Name of Prospective Franchisee

The seller(s) of this franchise is/are:

Employee Salespersons:

□ Dayn Benson

□ Shawna Bergstrom

□ Aaron Cady

□ Bryan Cranfill

□ Lisa McGill

□ Troy Molen

□ Ralph Rooney

□ Jonathan Thiessen

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□ _____