FRANCHISE DISCLOSURE DOCUMENT

PAINTING MASTERS FRANCHISE CORPORATION
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Business Oversight

The franchise offered is for a single "PAINTING MASTERS" business ("**Painting Masters Business**") which is a business that provides a full range of painting and wall finishing services for residential and commercial properties. We offer franchises for a single Painting Masters Business. The total investment necessary to begin operation of a Painting Masters Business franchise ranges from $88,300 to $139,700, excluding land. This includes the initial franchise fee of $46,500 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days 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 disclosure in different formats, contact John La Barbera at 12800 South Broadway Los Angeles, California 90061.

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 an attorney 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: April 3, 2019

STATE COVER PAGE

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

Call the state administrators listed in Exhibit G for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION, ARBITRATION OR MEDIATION ONLY IN CALIFORNIA. OUT-OF-STATE LITIGATION, ARBITRATION OR MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES, IT MAY ALSO COST MORE TO SUE OR MEDIATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE LAWS.

3. IF YOU ARE AN ENTITY, ALL PRESENT AND FUTURE OWNERS OF THE EQUITY OR YOUR VOTING RIGHTS, INCLUDING SPOUSES AND DOMESTIC PARTNERS, MUST EXECUTE A WRITTEN GUARANTY IN A FORM WE PRESCRIBE, PERSONALLY, IRREVOCABLY AND UNCONDITIONALLY GUARANTEEING, JOINTLY AND SEVERALLY, WITH ALL OTHER GUARANTORS, THE FULL PAYMENT AND PERFORMANCE OF YOUR OBLIGATIONS TO US. UPON EACH TRANSFER OR ASSIGNMENT OF YOUR INTEREST IN YOUR FRANCHISE AGREEMENT, OR OTHER CHANGE IN YOUR OWNERSHIP INTERESTS, AND AT ANY OTHER TIME WE REQUEST, THESE HOLDERS MUST RE-EXECUTE A WRITTEN GUARANTY IN A FORM WE PRESCRIBE.

4. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

5. FRANCHISEES MUST ALSO SIGN A PERSONAL GUARANTY, MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT IF YOU ARE MARRIED. THE GUARANTY WILL

PLACE YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

6. WE DO NOT HAVE A FEDERAL REGISTRATION FOR ONE OF OUR PRINCIPAL MARKS. THEREFORE, SUCH TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THE TRADEMARK IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK, WHICH MAY INCREASE YOUR EXPENSES.

7. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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 is our agent and 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.

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 shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to 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 shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

d. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants

the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

STATE EFFECTIVE DATES

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

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

State	Effective Date	State	Effective Date
California		New York	Not Registered
Hawaii	Not Registered	North Dakota	Not Registered
Illinois	Not Registered	Rhode Island	Not Registered
Indiana	Not Registered	South Dakota	Not Registered
Maryland	Not Registered	Virginia	Not Registered
Michigan		Washington	Not Registered
Minnesota	Not Registered	Wisconsin	

In all the other states, the effective date of this disclosure document is the issuance date of April 3, 2019.

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

To simplify the language in this disclosure document, "we", "us" or "PMFC" means Painting Masters Franchise Corporation, the franchisor. "You" means the individual, corporation, partnership, limited liability company, or other entity who buys the franchise. If the franchisee will operate through a corporation, partnership, limited liability company or other entity, "you" also includes the franchisee's owners or partners.

Our principal business address is 12800 South Broadway Los Angeles, California 90061. We conduct business under the name of our corporation. The principal business address of our agent for service of process in California is Greg Stein at 12800 South Broadway Los Angeles, California 90061. Our agents for service of process are attached as Exhibit G.

We are a California corporation incorporated on February 2, 2018. We will franchise businesses that operate under the names "PAINTING MASTERS" and "NEIGHBORHOOD PAINTING MASTERS" ("**Painting Masters Businesses**"). We have not previously engaged in any line of business or offered franchises for Painting Masters Businesses. We have not previously offered franchises in any other line of business, nor do we intend to operate Painting Masters Businesses.

John La Barbera organized our affiliate Closet Factory Franchise Corporation ("CFFC"), a California corporation which was incorporated on May 17, 1985, whose principal place of business is the same as ours. Mr. La Barbera serves as Chief Executive Officer and Chief Financial Officer of both PMFC and CFFC. CFFC began selling Closet Factory franchises in December 1985. CFFC has 75 franchised outlets as of December 31, 2018 and does not offer franchises in any other line of business. We have an affiliate, The Closet Factory, Inc. ("CFI") who provides administrative and technical support for our operations. CFI has never conducted a business of the type to be operated by you.

We have an affiliate, Vector Distributing Inc., a California corporation, which was incorporated on October 27, 2000, whose principal place of business is the same as ours ("Vector"), which sells products and services to our franchisees which may include Google AdWords and marketing services, hats, uniforms and call center services and business software. Vector is currently an approved Supplier of these products and/or services. We may require you to purchase products or services from our affiliate in the future. The principal business address for Vector is the same as ours. Vector has never conducted a business of the type to be operated by you and has never offered franchises of any type.

Painting Masters Businesses offer and sell a full range of painting and wall finishing services for residential and commercial properties. You will sign a Franchise Agreement (Exhibit A), to operate a single Painting Masters Business from a location which you choose and which we approve.

Painting Masters Businesses are businesses that provide residential and commercial painting services. The prototypical Painting Masters Business offers a full range of painting, decorating and wall finishing services for both exterior and interior portions of residences and "light commercial" buildings, and sell other related products and services, using our "PAINTING MASTERS" and/or "NEIGHBORHOOD PAINTING MASTERS" trademark and other trademarks, logos and services marks that we or our affiliates own or have the right to use and license you to use (the "**Marks**").

Each Painting Masters Business must operate in accordance with our "System". The distinguishing characteristics of the System include among other things, uniform standards and procedures for business operations and management, procedures and strategies for marketing, advertising and promotions, signage, vehicle wrapping, inventory and materials; methods and techniques for painting and wall finishing, methods and techniques for inventory and cost control, the Marks, the Manual, uniform standards, specifications and procedures; record keeping, accounting, billing, collections and account management; all of which are designed to enhance the business and managerial aspects of a residential and commercial painting business.

Our concept is targeted towards any residential or commercial real estate owners or property managers who are looking for quality interior or exterior painting services. As a franchisee, you will compete in a developed market with independent local businesses as well as regional or national chains of businesses offering residential or commercial painting services similar to those offered by your Painting Masters Business.

There are also federal, state, and in some cases, local regulations pertaining specifically to the painting industry, the building and construction industry, and your franchise, which vary and can change over time. These regulations pertain to contractor licensing or registration, lead paint removal and disposal, and hazardous waste handling and disposal. In addition, there are also worker safety laws with which you will have to comply. Among the federal regulations that are applicable to your franchise are the Federal Hazardous Waste Management laws regulating the handling and disposal of wastewater and Occupational Safety and Health Administration ("OSHA") regulations pertaining to worker safety and health in the workplace. OSHA has also issued regulations pertaining to exposure to airborne concentrations of lead above certain levels. On April 22, 2016, the EPA's Renovation, Repair and Maintenance Final Rule went into effect. This RRP details both information that must be given to certain homeowners, as well as processes and procedures that must be followed in homes and other structures built before 1978. See http://www.epa.gov/opptintr/lead/index.html. Many states and municipalities also have laws regulating the handling and disposal of hazardous materials, including paint and solvents, as well as laws and regulations pertaining to worker safety and health in the work place. There are also many state and local laws, codes or ordinances regarding contractor licensing and/or registration requirements. For example, the state of California requires a license through the California Contractors State License Board 800-321-2752 www.cslb.ca.gov. To the extent permitted under applicable law, some new franchisees that do not currently possess all necessary licenses will engage another franchisee or third party to act as a licensed consultant/overseer on their behalf until they are able to secure their own license.

You should investigate whether there are any state or local laws, regulations or requirements that may apply in the geographic area in which you intend to conduct business. You are responsible for obtaining licenses required in your locality. One source of information regarding laws and regulations is Painting and Decorating Contractors Association at www.pdca.org. You should consider both the effect of any such laws and regulations on your business and the cost of compliance.

There are federal, state and possibly local laws detailing how to classify workers, for example, whether as independent contractors or employees, or as exempt or non-exempt, for different purposes, such as tax, wage and hour laws, unemployment compensation and workers' compensation. These laws and regulations can vary from state to state and on the federal level and could affect, in some instances materially, the operation of your Painting Masters Business.

Although we intend to monitor legal requirements that affect our franchisees, and we make our information available to you, because of the number of potential state and local issues, which can and do change over time, we cannot guarantee that this information is complete, current and accurate. Therefore, we recommend that before signing the franchise agreement, you engage an attorney or other professional advisor to assist you both in determining which laws, ordinances and regulations may affect the establishment or operation of your Painting Masters Business, and the cost of complying with them.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer and Chief Financial Officer: John F. La Barbera

From February 2018 to the present, Mr. La Barbera has served as our Chief Executive Officer and as the Chief Financial Officer. From February, 2016 to the present Mr. La Barbera has served as the Co-Chief Executive Officer of CFFC and as the Co-Chief Executive Officer of CFI. From August 1983 to the present, Mr. La Barbera has served as the Chief Financial Officer of CFFC and as the Chief Financial Officer of CFI.

From August 1983 until February, 2016, Mr. La Barbera served as the Chief Executive Officer of CFFC and as the Chief Executive Officer of CFI.

Chief Executive Officer and Chief Operating Officer: Gregory K. Stein

From February 2018 to the present, Mr. Stein has served as our Chief Executive Officer and Chief Operating Officer. From February, 2016 to the present Mr. Stein has served as the Co-Chief Executive Officer of CFFC and as the Co-Chief Executive Officer of CFI. From August 1993 to the present, Mr. Stein has served as the Chief Financial Officer of CFFC and as the Chief Financial Officer of CFI. From August 1993 until February, 2016, Mr. Stein served as the President of CFFC and as the President of CFI.

Vice President: Kathryn M. La Barbera

Ms. La Barbera has been our Vice President since February 2018. From February 2016 to the present Ms. La Barbera has served as the President of CFI. Ms. La Barbera served as the Executive Vice President of CFFC from June 2006 to February 2016. Ms. La Barbera has served as one of the Directors of CFFC and CFI since January 2000.

Vice President: Dan Grandon

Mr. Grandon has been our Vice President since February 2018. Mr. Grandon has also served as President of CFFC since February 2016 to the present. From June 1999 to February 2016, Mr. Grandon was the owner and operator of DLK Inc., d/b/a Closet Factory Portland Oregon, located in Portland, Oregon.

Vice President: Robert S. Love

Mr. Love has been our Vice President since February 2018. Mr. Love has served as Senior Vice President of Finance & Administration of CFFC from August 2017 to present. From January 2017 to August 2017, Mr. Love provided consulting services for GoGi Wines, Inc. located in Los Angeles, California. From November 1989 to January 2017, Mr. Love served as the Chief Financial Officer for Fastframe USA, Inc. located in Newbury Park, California.

ITEM 3
LITIGATION

There is no litigation that is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

There is no bankruptcy that is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

You must pay a $46,500 lump sum initial franchise fee when you sign the franchise agreement. The initial franchise fee is not refundable under any circumstances. The initial franchise fee is uniform to all parties currently applying to purchase a franchise in this state; however, we may reduce, finance, defer

or waive the initial franchise fee if and when we determine, in our discretion, it is warranted by a unique or compelling situation.

If you are signing a successor franchise agreement for a renewal term, you will pay a renewal fee, in lieu of the initial franchise fee, equal to $7,000. If you are signing the franchise agreement in connection with your purchase of an existing franchised Painting Masters Business from another franchisee, you or your transferor will pay a transfer fee of $12,500, in lieu of an initial franchise fee.

Before you open your Painting Masters Business, you must purchase a pre-opening supply of certain proprietary logo items (shirts and hats for staff members) that you must purchase from us and our affiliates. We estimate that the pre-opening inventory will not exceed $1,000.

ITEM 6
OTHER FEES[1]

(1) Type of fee	(2) Amount	(3) Due Date	(4) Remarks
Continuing Royalty	6.75% of Gross Sales or a minimum of $325 per week after the first anniversary of the signing of the Franchise Agreement	Payable, via electronic funds transfer, by first day following the close of each Accounting Period during the term of the Franchise Agreement.	"Accounting Period" means each of the fifty-two weeks (ending on Sunday at midnight) in a calendar year. "Gross Sales" means the total of all revenues received or receivable by you as payment, whether in cash or for credit or barter, or other means of exchange (and, if for credit or barter, whether or not payment is received), on account of any and all goods, merchandise, services or products sold in or from your Painting Masters Business, or which are promoted or sold under any of the Marks, during each Accounting Period. "Gross Sales" does not include: (i) sums representing sales taxes, if applicable, collected directly from your customers, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against you by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided at or from your Painting Masters Business; (ii) sums representing tips, gratuities or service charges paid directly by customers to your employees or paid to you and promptly turned over to your employees in lieu of direct tips or gratuities; and (iii) proceeds from isolated sales of used equipment and trade fixtures not constituting any part of your products and services offered for resale at your Painting

(1) Type of fee	(2) Amount	(3) Due Date	(4) Remarks
			Masters Business nor having any material effect upon the ongoing operation of your Painting Masters Business. With respect to items sold pursuant to coupons or other discounts (which we must approve), Gross Sales shall not include the amount discounted from the purchase price of such items. If your Painting Masters Business is operating in Holdover Status after the expiration of the Franchise Agreement, you must pay a minimum continuing royalty amount of $650.00 per week or 13.5% of Gross Receipts, whichever is greater, in lieu of the minimum continuing royalty amount specified above.
Marketing Contribution	1.9% of Gross Sales. As of December 31, 2018, the marketing fund had not been established.	Same as Continuing Royalty	Your Marketing Fund contribution will be in addition to the greater of 6% of Gross Sales or $5,000 per quarter that you must spend on local advertising under Section 8.2 of your Franchise Agreement.
Promotional Campaigns	To be determined	As Incurred.	We may in the future establish and conduct promotional campaigns on a national or regional basis to promote particular products or marketing themes. If we do so, you will participate in these promotional campaigns as we direct. You may be required to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials.
Grand Opening Marketing Program	Minimum of $15,000	Within three to six months of opening business.	Payments for local advertising and marketing may be payable to digital and print media suppliers, and in part to our affiliate, Vector, who will supply digital media advertising services including Google Adwords search engine optimization services.
Potential Customer Lead Referral Fee	A reasonable fee determined in our Business Judgment	Upon demand.	We may provide you with potential customer leads obtained through the Internet or other sources. The fee may vary based on the origination of the lead and is subject to change.

(1) Type of fee	(2) Amount	(3) Due Date	(4) Remarks
Call Center Service Fee	Our then-current Call Center service fee, currently $0.	No later than 15 days after notice by us	At our request, you must contribute a reasonable amount toward the cost of establishing and operating a centralized telephonic or other electronic call center to receive customer calls and inquiries. We may adjust the amount you pay based upon the actual, or our good faith estimate of our direct and indirect costs to provide call center services.
Information Systems	Our then-current reasonable charges, currently $0.	Upon demand	We may sell, license or sublicense Information Systems that we create or customize or license from third parties. This is in addition to the job proposal estimating software you must license from a third party supplier or Vector or us, at a charge currently set at $0/month per user.
Regional Leadership Conference / Convention Support Fee	We may charge up to $750, per Franchisee, for each Regional Leadership Conference or other meeting designated by us as mandatory.	10 days after first day of the designated conference whether or not you attend.	We may rebate a part or all of the Convention Support Fee if you comply with our attendance requirements. Typically there will be two designated meetings per year, although there may be more or less.
Special Account Administrative Fee	We may charge an administrative fee, as a result of performing services to Special Accounts. Currently, there are no Special Accounts, so there is no fee.	Upon demand	The administrative fee will be in addition to, and will be calculated before deduction of, Continuing Royalties, Marketing Contributions and all other fees payable by you under your franchise agreement.
On Site Opening Assistance	Our out-of-pocket expenses	Upon demand	We do not charge a fee for our up-to-three day on-site opening assistance.
Additional Training & Assistance	Our then-current charge, currently we do not charge a fee for additional training	Prior to beginning of training	We provide our initial training program for up to two persons at no charge. We may charge a fee for any additional personnel that attend the initial training program. Also, we may charge a fee for any other optional and/or mandatory training courses which we may periodically offer, in our sole discretion. In addition to any training fee, you must pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at any additional training courses.

(1) Type of fee	(2) Amount	(3) Due Date	(4) Remarks
Transfer / Assignment	$12,500	Upon submission of your request to transfer or assign	Payable prior to submitting your request to transfer your franchise or upon any "Assignment" as defined in the Franchise Agreement. No charge if franchise is transferred by an individual franchisee to an entity which you control, but you must reimburse us for our out-of-pocket costs.
Audit	Cost of audit plus interest[2] on the underpayment at the highest rate allowable by law (not to exceed 1.5% per month).	Upon demand	You must pay the cost of the audit if the audit shows an under-reporting or under-recording of 2% or more of Gross Sales, or if you fail to cooperate or participate in the audit or to provide requested reports or documents.
Late Fee	$75 per delinquent payment, plus interest[2] of 1.5% per month, or the highest interest rate allowable by law, on any unpaid amounts until paid.	Upon demand	Due only if you are late in paying or reporting any amounts owed to us.
Charges for unpaid checks, drafts or electronic payments	Our costs and expenses arising from the non-payment, including bank fees in the amount of at least $50.00 and other related fees incurred by us	Upon demand	You must participate in our then-current electronic funds transfer and reporting programs. Your reimbursement of our costs and expenses is payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise.
Renewal Fee	$7,000	Upon signing a successor franchise agreement or renewing an existing franchise agreement.	
Insurance	Cost of insurance plus our costs in obtaining the insurance for you.	Upon demand, see Remarks	If you do not obtain and maintain the requisite insurance coverage, we may, at our option, purchase such insurance for you and you must pay us the premiums and our costs in obtaining such insurance.

(1) All fees are imposed by and are payable to us or our affiliate. All fees are non-refundable. Franchises sold prior to the date of this franchise disclosure document may require the franchisees to pay fees

on a basis other than as described in this Item, otherwise, the fees are uniform for franchise currently being offered in this state.

(2) Interest begins from the date of the underpayment. Audit and late fees, and interest are in addition to your obligation to remit all unpaid amounts. Presently, the highest interest rate in California, is 10% annually.

If you are an entity, all present and future owners of the equity or your voting rights, including spouses and domestic partners, must execute a written Guaranty in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us. Upon each transfer or assignment of your interest in your Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written Guaranty in a form we prescribe (Exhibit C – Guaranty).

ITEM 7
ESTIMATED INITIAL INVESTMENT

The following chart describes the estimated initial investment for a single Painting Masters Business

YOUR ESTIMATED INITIAL INVESTMENT

(1) Category of investment	(2) Amount Low	High	(3) Method of Payment	(4) When Due	(5) To Whom Paid
Initial Franchise Fee (1)	$46,500	$46,500	Lump Sum	When you sign your Franchise Agreement	Us
Vehicle, decals and graphics (2)	$4,000	$5,500	As Arranged	Before opening	Lessor
Insurance (3)	$2,000	$4,500	As Arranged	Before opening	Third Parties
Job Proposal/Estimating Software and QuickBooks Online (4)	$1,200	$1,500	As Arranged	Before opening	Us or Third Party Approved Vendors
Painting Equipment & Supplies (5)	$9,800	$10,400	As Arranged	Before opening	Us or Third Party Approved Vendors
Office Equipment & Supplies (6)	$1,300	$1,800	As Arranged	Before opening	Third Parties Approved Supplier
Grand Opening Marketing Program (7)	$15,000	$30,000	As Arranged	During first three to six months of operations	Third Parties
Training Expenses (8)	$1,000	$5,000	As Arranged	Before opening	Third Parties
Licenses, Bonds and Memberships (9)	$500	$3,000	As Arranged	Before opening	Licensing Authorities, Third Parties
Professional Fees (10)	$500	$2,000	As Arranged	As Necessary	Third Parties
Additional Funds (11) (3 months)	$6,500	$29,500	As Arranged	As Necessary	You Determine
Total	$83,300 to $139,700				

Note: Actual costs will vary for each franchisee and each location depending on a number of factors. Payments to us are not refundable. We are not able to represent whether or not amounts that you may pay to third parties are refundable.

1. You must pay a $46,500 lump sum initial franchise fee when you sign the franchise agreement. If you are signing a successor franchise agreement to renew your franchise, you will pay a renewal fee in lieu of the initial franchise fee equal to $7,000. If you are signing the franchise agreement in connection with your purchase of an existing franchised Painting Masters Business, you or your transferor will pay a transfer fee of $12,500 in lieu of an initial franchise fee. The initial franchise fee is not refundable under any circumstances. All expenditures are non-refundable unless specifically noted otherwise.

2. The Vehicle range assumes one to two leased vehicles. This estimate includes mandatory decals and signage, including a fully wrapped sales vehicle and lawn signs, etc.

3. Insurance. Requirements are described in greater detail in Section 18.2 of the Franchise Agreement. Factors that may affect your cost of insurance include the value and age of your equipment, number of employees, your safety record and record of workers' compensation claims, record of liability claims and driving record.

4. Job Proposal Estimating Software. You will use software from Vector or a third party vendor we specify. Our approved vendor for software currently charges an initial licensing fee of $1,000 plus a monthly fee per use. Currently, there is no fee per user, but Vector may charge one in the future. (see item 8 for further details).

5. Painting Equipment and Supplies. You must purchase various equipment and supplies needed to perform residential and commercial painting services. Our affiliate, Vector may offer some of these supplies including lawn signs, uniforms, hats, and other logo related items (you may purchase items bearing our Marks only from Vector), while you will buy other items from third party suppliers meeting our specifications.

6. Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment including cell phones, computers (tablet and laptop), and a portable printer as well as software for database management, virus protection, customer relationship management ("CRM"), tablet/cloud-based pricing and estimating, and bookkeeping. Factors that may affect your cost of office equipment and supplies include local market conditions, suppliers and other factors.

7. Grand Opening Marketing Program. You must spend at least $15,000 in the first three to six months of operation for local advertising to launch your Painting Masters Business. You must prove your expenditures on local advertising through receipts, if requested. We must approve all local advertising before published.

8. Training. You are not charged an additional fee for initial training; but you must pay for transportation, meals, lodging and other incidentals while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. Furthermore, this estimate does not include a salary for you or your employees during training.

9. Licenses, Bonds and Memberships. Local government agencies typically charge fees for construction permits, occupancy permits, and operating licenses, among other things. Your actual costs may vary based on the requirements of local government agencies. This estimate also includes upfront fees you may need to pay a consultant or other third party to serve as a licensed contractor, if required under applicable law to begin business.

10. Professional Fees. We recommend that you have a minimum amount of money available to cover any legal or accounting fees that you may incur in establishing the Painting Masters Business. Your actual costs may vary.

11. Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including employees' salaries, for the first 3 months that the Painting Masters Business is open. This estimate does not include a salary for you or other designated manager. We cannot guarantee that this recommendation will be sufficient, and additional working capital may be required if sales are low or operating costs are high. You should ensure that you have sufficient personal resources to cover your expenses during this period. These amounts are the minimum recommended levels to cover your operating expenses for 3 months. However, we cannot guarantee that such an amount will be sufficient. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period," so our disclosures cover a 3 month period.

General

In compiling these estimates, we rely on our market research and the experience of our affiliate in the closet improvement business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as indicated below, you are not required to purchase or lease products or services from us or from suppliers approved by us or under our specifications.

Real Estate

You must operate your Painting Masters Business from a location that we approve. You are solely responsible for locating the site, subject to our acceptance (the "Office"). Unless we notify you in writing that the proposed site is acceptable within 30 days after you have submitted a site review request package for a proposed site (or 15 days after receipt of additional information which we request), the site will be deemed rejected. You may not relocate your Office without our prior written consent. Unless otherwise agreed, your Office must be in your Territory, as specified in your Franchise Agreement.

If your Office is in a location other than your home, it must be constructed, equipped and improved to our standards and current design criteria. You may employ any architects and general contractors you desire; however, all plans and modifications to the Office must be submitted to us for our review and acceptance before you start construction. Unless we notify you in writing that the plans and modifications are accepted, they will be deemed rejected. You may not open your Painting Masters Business until you receive written authorization from us to do so, which may be subject to our satisfactory inspection of your Office.

Vehicles

You and your employees, agents and independent contractors will travel to your customers' and prospective customers' residential or other properties only in vehicles (referred to as "**Vehicles**") that have been acquired, designed, equipped, painted, decaled, decorated and/or otherwise outfitted as specified by us. This restriction is necessary to present a uniform appearance to the public. The Vehicles must be operated and maintained in accordance with all specifications set forth in the Manuals, including, but not limited to,

specifications concerning: 1) condition of the Vehicles; 2) cleanliness and appearance; 3) disposition; 4) safe driving 5) compliance with applicable laws; 6) taxes and license fees; and 7) insurance.

Call Center/Technology

We may establish a Call Center or related service to answer all inbound calls either through a toll free or local number. You may not use your own telephone number in advertising your Painting Masters Business, without our express written permission. The Call Center, if established, may also perform out bound calling when there is a lead submitted through the website. Our customer service representative will take the call and schedule the estimate. We will charge a reasonable fee, once the Call Center is established, to cover our direct and indirect costs and expenses for operating and maintaining the call center and our website, and for other related maintenance and administrative duties.

Job Proposal/Estimating Software and Quickbooks Online

You must use Vector or our approved third party supplier for software you will use to make job proposals and estimates in conjunction with operating your Painting Masters Business. The software fee will entitle one of your employees to gain access to the software. Currently, you may purchase access for additional users at no additional cost, however Vector may, in the future, begin charging a monthly fee for each user account. You must also obtain Quick Books Online accounting and Microsoft Office software for your business.

Other Goods and Services

You must advertise, sell and provide all and only the products and services we authorize ("Authorized Painting Masters Products and Services"). You must purchase, and maintain in inventory as needed to meet reasonably anticipated demand, painting equipment, hats, uniforms and other logo related products, as we periodically specify, for use in operating your Painting Masters Business, which are offered, sold and/or manufactured in strict accordance with our standards and specifications, including specifications as to brand names, preparation and presentation.

We may specify (i) certain branded proprietary products, supplies, tools, services and equipment, which are produced or manufactured under the Marks in accordance with our proprietary specifications and/or formulas or which we designate as "proprietary," and; and (ii) certain packaging, Information Systems or other products, supplies, tools, services and equipment which we designate as "proprietary," ("Proprietary Products and Services"). You may purchase Proprietary Products and Services only from us or our affiliates (if they sell them), or our designated Supplier. If you purchase Proprietary Products from an affiliate or us, we or they may derive profits from such purchases. We will not be obligated to reveal our trade secrets, specifications and/or formulas of such Proprietary Products and Services to you or any third party. You must purchase, use and maintain in stock Proprietary Products and Services in quantities needed to meet reasonably anticipated consumer demand. As of December 31, 2018, we are the only approved supplier for logo related products.

We may designate certain non-proprietary, approved paint types and brands, tools and supplies, equipment, uniforms, paper goods, services, packaging, forms, Information Systems, and other products and services, other than Proprietary Products and Services, which you may or must use and/or offer and sell from your Painting Masters Business ("Non-Proprietary Products and Services"). You may use, offer or sell only those Non-Proprietary Products and Services that we expressly authorize. You may purchase Non-Proprietary Products and Services from us or our affiliates, if we sell the same, or from producers,

manufacturers, suppliers or service providers we designate ("Supplier"). You must use the preferred credit card processing vendor designated by us from time to time.

If you wish to procure authorized Non-Proprietary Products and Services from a Supplier other than us or Vector or another supplier we have previously approved or designated (and not subsequently disapproved), you must seek our approval of the Supplier by written notice which (i) identifies the name and address of such Supplier, (ii) contains the information we request or require to be provided in the Manuals (e.g. financial, operational and economic information regarding its business), and (iii) identifies the authorized item you seek to purchase from the Supplier. Upon request, we will furnish you with specifications for the Non-Proprietary Products and Services if they are not in the Manuals. The proposed Supplier must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure, and must demonstrate to our reasonable satisfaction (a) its ability to supply products meeting our specifications, (b) its reliability with respect to delivery and consistent quality of products or services, and (c) its ability to price the proposed products competitively. The proposed Supplier must, at our request, furnish at no cost product samples, specifications and other information we may require, and allow us or our representatives to inspect the proposed Supplier's facilities and establish economic terms, delivery, service and other requirements consistent with our other distribution relationships for other Painting Masters Businesses.

We will use our good faith efforts to notify you of our decision within 60 days after we receive your request for approval and all requested back-up information. Among the other factors we may consider in deciding whether to approve a proposed Supplier, we may consider the effect that such approval may have on our and our franchisees' ability to obtain the lowest distribution costs with the quality and uniformity of product offered system-wide by our franchisees. We may also require a Supplier to agree in writing: (i) to provide us free samples on request of any Non-Proprietary Product and Service it intends to supply, (ii) to faithfully comply with our specifications, and (iii) to sell any product bearing our trademarks only to our franchisees and only pursuant to a Trademark License Agreement in form we provide (which may require payment of a royalty), and (iv) to provide to us duplicate purchase invoices for our records and inspection.

You or your proposed Supplier must pay us in advance (or if we request, reimburse us) our reasonably anticipated costs to review the Supplier's application and all current and future reasonable costs and expenses, to inspect and audit the Suppliers' facilities, equipment, and products, and all product testing costs paid by us to third parties.

Computer Equipment & Information Systems

As more fully described in Item 11, you must obtain the Computer Equipment (including a tablet, laptop and portable printer) and Information System as detailed in the Manuals. The Information System must be connected via a high-speed connection at all times and be capable of accessing the Internet. You must obtain certain Information Systems that we specify, including software for database management, virus protection, customer relationship management ("CRM"), tablet/cloud-based pricing and estimating, and bookkeeping. You must also obtain related service contracts, support contracts and other similar arrangements.

Records

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements.

Insurance

You must maintain, through a broker that we designate, suitable insurance coverage and minimum amounts specified in the Franchise Agreement, Manuals or by written notice, including all risk property and casualty insurance; business interruption insurance providing for continued payment of all amounts due (or to become due) to us under your Franchise Agreement or any other agreement with us; workers compensation insurance as required by applicable law. All policies must name us as an additional insured. You may obtain additional insurance coverage as you feel necessary. You may purchase your insurance from any carrier subject to our approval, not to be unreasonably withheld.

You must purchase and maintain in effect during the term of your Painting Masters Business the types and amounts of insurance specified in the Manual, as appropriate. In addition, you must purchase and maintain any other insurance that may be required by applicable law and any lender or lessor. Your insurance policies must name us as an additional insured and/or loss payee. We do not derive revenue as a result of your purchase of insurance.

To satisfy our current requirements under the Franchise Agreement, you must maintain the following insurance policies and minimum coverage amounts: (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement with a minimum per occurrence coverage of One Million Dollars ($1,000,000.00) and general aggregate liability coverage of Two Million Dollars ($2,000,000.00); (2) auto insurance for the Vehicles in an amount required by state law but no less than Five Hundred Thousand Dollars ($500,000); (3) products liability insurance with a minimum liability coverage of One Million Dollars ($1,000,000.00); and (4) employment liability insurance of Five Hundred Thousand Dollars ($500,000) and workers' compensation insurance that complies with the statutory requirements of the state in which your Painting Masters Business is located and employer liability coverage with a minimum limit of Five Hundred Thousand Dollars ($500,000.00). You may have to purchase additional coverage, either in dollar limits or types, if required by your state's laws.

Advertising

In addition to your advertising contribution, you must spend the greater of 6% of Gross Sales or $5,000 per quarter on local advertising and promotion ("Local Advertising"), conforming with our policies and standards. At our request, you must provide us, for review and approval, an advertising plan which details your Local Advertising. You must spend for local advertising and promotion of your Painting Masters Business each quarter the amount described above. At our sole option, we may collect funds from you and purchase local advertising for you or direct you to make local advertising expenditures and you must submit verification of your expenditures. The value of discounts, coupon redemptions or products or services given without charge will not be considered to meet your local advertising obligation.

Your advertising must be in good taste and conform to ethical and legal standards. You must submit to us, for our approval, samples of all advertising and promotional materials for any media. You will not use any advertising or promotional materials or programs disapproved by us and you must use all materials and programs designated by us as mandatory. We can require that a brief statement regarding the availability of Painting Masters franchises be included in advertising used by you or that brochures regarding purchase of Painting Masters franchises be displayed in your Painting Masters Business.

Grand Opening Marketing Program

You will conduct an Grand Opening Marketing Program for your Painting Masters Business which will take place over your first three to six months of operation and begin on the date scheduled by you and approved by us. You must spend $15,000. You will forward to us receipts and other evidence of the program that we request before opening of your Painting Masters Business. The Grand Opening Marketing Program is in addition to all other advertising and promotion and must be approved by us in writing at least 14 days before its implementation.

General Information

We and our affiliates will derive revenues or other material consideration as a result of required purchases or leases by franchisees. We reserve the right to retain and use any payments, discounts or other amounts received by us from suppliers, lessors or other parties in connection with those arrangements without restriction. We are not required to give you an accounting of those payments, discounts or other amounts or to share the benefit of them with you or other franchisees. Any such amounts and benefits shall be kept by us as compensation for locating, negotiating and otherwise dealing with suppliers for you and other franchisees. We do not provide material benefits to franchisees (for example, renewal of existing franchises or granting of additional franchises) based on their use of designated or approved suppliers.

We have negotiated certain distribution and supply agreements, commissions, and group rates for purchases of certain inventory and supplies necessary for the operation of Painting Masters Businesses. You must buy all paint supplies from an approved Supplier or the supplier we designate.

We or our affiliates may collect rebates and allowances and credits from suppliers based on purchases or sales by us, our affiliates and franchisees and have the right to retain such sums for our own purposes, return such sums to be used by one or more franchisees, including for designated purposes, and use such sums for advertising the "PAINTING MASTERS" brand.

In the fiscal year that ended on December 31, 2018, we and our affiliates received no revenue from the Call Center/Technology Fees that we provide described above, and we received no rebates from our approved suppliers.

We estimate that substantially all of your expenditures for leases and purchases in establishing your Painting Masters Business and on an ongoing basis, will be for goods and services that must be purchased either from us, an approved Supplier which must meet our standards and specifications.

During our fiscal year ending December 31, 2018, our total revenue was $0, none of which was derived from required purchases or leases from franchisees.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section In Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 5.1 of Franchise Agreement	Items 8 & 11
b. Pre-opening purchases/leases	Section 5.2 of Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Section 5.2 of Franchise Agreement	Items 7 & 11
d. Initial and ongoing training	Article 6 of Franchise Agreement;	Item 11
e. Opening	Section 5.2 of Franchise Agreement	None
f. Fees	Article 4 of Franchise Agreement	Items 5 & 6
g. Compliance with standards and policies/Operating Manual	Article 7 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Article 11 of Franchise Agreement	Items 13 & 14
i. Restrictions on products/services offered	Sections 7.6, 9.1, 9.2, 9.3 and 9.4 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 9.6 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	Sections 9.1, 9.2, 9.3 and 9.4 of Franchise Agreement	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 5.3 of Franchise Agreement	Item 11
n. Insurance	Article 16 of Franchise Agreement	Items 6 & 8

Obligation	Section In Agreement	Disclosure Document Item
o. Advertising	Article 8 of Franchise Agreement	Items 6 & 11
p. Indemnification	Sections 13.2.4, 13.3.4, 17.1 and 17.2 of Franchise Agreement	Item 6
q. Owner's participation/ management/staffing	Section 7.2 of Franchise Agreement	Items 11& 15
r. Records/reports	Section 10.1 and 10.4 of Franchise Agreement	Item 6
s. Inspections/audits	Sections 10.2 and 10.3 of Franchise Agreement	Items 6 & 11
t. Transfer	Sections 13.2, 13.3 and 13.4 of Franchise Agreement	Item 17
u. Renewal	Sections 3.2, 3.3 and 3.4 of Franchise Agreement	Item 17
v. Post-termination obligations	Article 15 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 12.1 of Franchise Agreement	Item 17
x. Dispute resolution	Article 19 of Franchise Agreement	Item 17

ITEM 10
FINANCING

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

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

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

Pre-Opening Obligations

Before you open your business, we will provide the following:

1. Site Review. If you intend to operate your Painting Masters Business from an Office in a location other than your home and have not found a location for your Painting Masters Business when you sign the Franchise Agreement, you must locate one or more proposed sites which meet our current standards

and specifications. For each proposed site, you will submit to us certain information regarding the site that we request. Upon receiving the information regarding a proposed site, we will review the information and either accept or reject the proposed site. We will review one proposed site at no charge. However, for the second site that we review, and for each additional site, you must reimburse us for all costs and expenses that we incur in reviewing the site. If we do not approve your proposed site within 30 days after your submission (or 15 days after you provide any supplemental information we request), the site will be deemed rejected. (Franchise Agreement, § 5.1.) Your Painting Masters Business Office will be leased by you from independent third parties. If you do not locate a site which is acceptable to us, within 90 days of signing the Franchise Agreement, we may terminate the agreement.

The factors we consider in accepting sites include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You are responsible for the costs of leasing or constructing appropriate storage space for your supplies and equipment (Franchise Agreement, § 5.1). We do not provide assistance in constructing, remodeling or decorating your premises; conforming the premises to local ordinances or building codes; or obtaining permits. We do not provide you with signs, fixtures or supplies for your premises. If you need to relocate your Office during the term of your Franchise Agreement, you must give us prior written notice, including the reason for your move. We will not give you any assistance in locating new office space. You are responsible for the costs of construction and remodeling. (Franchise Agreement, § 5.4.)

2. Training. We provide an initial training program and on-site opening assistance described below. The training covers all aspects of the business operating system, consisting of both in-class training and in-field training. (Franchise Agreement, §§ 6.1 and 6.2).

3. Manuals. We will loan to you one copy of our confidential Manuals to use during the term of the Franchise Agreement. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. (Franchise Agreement, § 7.4) We are in the process of drafting our Manual and, if you sign a Franchise Agreement, we will give you a copy of the Manual as soon as it is prepared. The Manual contains our standard operational procedures, policies, rules and regulations with which you must comply. (Franchise Agreement, § 7.4) The table of contents of our Manual (the "Manual(s)") together with an indication of the number of pages devoted to each subject will be attached as Exhibit H to this disclosure document when it is finalized and we will permit you to review it before signing your Franchise Agreement (if it has been completed before you are ready to sign).

Time to Open

We estimate the typical length of time between signing a Franchise Agreement and opening a Painting Masters Business is between 45 and 90 days, if your Office will be located in your home or, if not, that you obtain and lease a location within sixty days after you sign the Franchise Agreement. If there are unforeseen delays in finding a location, it could take longer for you to open your Painting Masters Business. Factors that may affect the length of time it takes you to open include the length of time it takes you to schedule and successfully complete training and obtain and equip your vehicle, and the length of time it takes for you to hire employees, obtain any necessary contractor license or to hire a licensed contractor if required by law to operate.

Obligations After Opening.

During the operation of the franchise business:

1. Additional Assistance. We will provide guidance in the operation of your Painting Masters Business. We may provide this guidance electronically, in writing or telephonically, through training programs or on-site consultations, among other methods. In our sole discretion, we may send a representative to your Painting Masters Business to discuss your operations. If provided at your request, you must reimburse our expenses and pay our then current training charges. (Franchise Agreement, § 6.5)

2. Products and Services. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding: (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at your Painting Masters Business for which we have not established approved Suppliers. (Franchise Agreement, § 7.6)

3. Intranet. We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates to the Manuals, and other confidential information to you. We will have sole discretion and control over all aspects of the Intranet, including content and functionality. (Franchise Agreement, § 7.14)

4. Advertising Review. Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose to use in connection with local advertising. (Franchise Agreement, § 8.1)

Special Accounts.

Special Accounts are: Classes of special customers (which may include national accounts, retail chains, large builders, other large businesses, government agencies, and/or otherwise) as designated by us from time to time. A Special Account includes, but is not limited to, any customer or potential customer who has multiple locations, at least one of which is outside your territory.

To competitively attract and effectively service Special Accounts, we may establish policies governing the manner that Special Accounts are solicited and serviced, including reserving the exclusive right to solicit, enter into and administer Special or regional contracts with Special Accounts. You may not solicit Special Accounts without our written consent. We may but are not obligated to offer you the opportunity to service the office, facility, service or operation of the Special Account located in your Territory, if you agree to participate in the Special Account program and comply with all policies that we establish in connection with Special Accounts. We do not represent or guaranty that any specified amount of Special Account business will be provided within your Territory. If you elect not to participate in the program for a Special Account, we may, without compensation to you, offer the arrangement with the Special Account to another franchisee or service the Special Account ourselves. (Franchise Agreement Section 7.13).

Advertising (Franchise Agreement, § 8)

Marketing Fund

You must pay us a Marketing Contribution equal to 1.9% of Gross Sales to our marketing fund. This is in addition to the greater of 6% of Gross Sales or $5,000 per calendar quarter which you must spend

on Local Advertising. We will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. Media placement may be on a national, regional or local basis. We need not make expenditures that are equivalent or proportionate to your contributions. We need not ensure that any particular franchisee benefits directly or proportionately from fund advertising. The fund is not a trust and we are not a fiduciary.

The fund may be used to meet all costs of administering, directing, preparing, placing and paying for national, regional or local advertising to promote and enhance the image, identify or patronage of Painting Masters Businesses owned by us or our affiliates and by franchisees. We will either transfer the advertising contributions to a separate entity to whom we have delegated the responsibility to operate and maintain the marketing fund or administratively segregate on our books and records the advertising contributions we receive from franchisees. However, we are not required to maintain the contributions paid by you or other franchises to the fund and income earned by the fund in a separate account. We are not prohibited from using a portion of the Marketing Fund contributions to solicit new franchise sales for any purposes other than those provided for in the Franchise Agreement. We may include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Marketing Fund.

Within 90 days following each of our fiscal years, we will prepare an unaudited report certified as correct by us showing the Marketing Fund balance at the beginning of the year, the total amount contributed by franchisees and allocated by us on behalf of our company or affiliate-owned Painting Masters Businesses, and the amount actually expended for the year, and remaining balance or deficit in the Marketing Fund at the end of the fiscal year end. At your request, we will furnish a copy of the report to you. We are not required to conduct an audit of the Marketing Fund.

We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and may cause the Marketing Fund to borrow funds to cover deficits or invest in surplus funds. If we spend less than the total of all contributions to the Marketing Fund during any fiscal year, we may accumulate those sums for use in later years. If we or an affiliate advances money to the Marketing Fund beyond what it contributes on account of our company or affiliate-owned Painting Masters Businesses, we will be entitled to reimbursement. Any interest earned on monies held in the Marketing Fund may be retained by us for our own use, in our discretion.

Although we intend the fund to be perpetual we can terminate the fund. We will not terminate the fund until it has spent all money in the fund for advertising and promotional purposes.

Some franchisees may not be obligated to contribute to the Marketing Fund or may contribute at a different rate, as we determine appropriate. We will either transfer the advertising contributions to a separate entity to who we have delegated the responsibility to operate and maintain the marketing fund or administratively segregate the contributions to the Marketing Fund on our books and records, but commingled with our general operating funds, the advertising contributions we receive from franchisees. We or our affiliates may collect rebates and allowances and credits from suppliers based on purchases or sales by us, our affiliates and franchisees and have the right to retain such sums for our own purposes, return such sums to be used by one or more franchisees, including for designated purposes, and use such sums for advertising the "PAINTING MASTERS" brand, or one or more Marketing Fund expenditures in our discretion. Any such contribution of such rebates or credits to the Marketing Fund will not reduce your obligation to pay the Marketing Fee.

The Marketing Fund had not been established as of December 31, 2018, and as a result no contributions have been deposited into the Fund during our most recent fiscal year. We will allocate for each

Painting Masters Businesses operated by us or any affiliate the amount that would be required to be contributed to the Marketing Fund if it were a franchised Painting Masters Businesses. We may use marketing services funds for advertising to solicit new franchisees, and may use Marketing Fund revenue to defray the cost of developing, maintaining and modifying our website, and such website will include franchise marketing functions and information. (Franchise Agreement § 8.3.4)

Other Advertising Information

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area or territory.

You may develop advertising materials for your own use, at your own cost. You must submit to us all advertising materials not prepared or previously approved by us, for our approval. If we do not approve your advertising materials within 15 days, the proposed advertising will be deemed disapproved. (Franchise Agreement § 8.1)

In addition to the Marketing Fee, you must expend at least the greater of 6% of your Gross Sales or $5,000 per calendar quarter on local advertising ("Local Advertising Expenditure") and promotion of your Business, conforming to our specifications in the Manuals. At our request, you must submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise, to us for our review and consent prior to your use. You may use your Local Advertising Expenditure for the cost of advertising your Painting Masters Business in online or print directories. Without our express written consent, you may not use your Local Advertising Expenditure for market-wide research, seminars, entertainment, fees paid to consultants not approved by us, incentive programs, charitable contributions, press parties or specialty items (unless part of a market-wide program approved by us and the cost is not recovered by the promotion). (Franchise Agreement § 8.2)

Advertising Council

Although there is currently no advertising council composed of franchisees that advises the franchisor on advertising policies, we reserve the right to establish an advertising council on such terms and conditions as we deem appropriate and we reserve the right to form, change or dissolve such advertising council in our sole discretion.

Advertising Cooperatives

As of the date of this disclosure document, we have not established any local or regional advertising cooperatives ("Co-op"). If one or more Co-op (local, regional, national, or otherwise) are formed covering your Painting Masters Business, you must join and actively participate and contribute any required amounts. Each Painting Masters franchisee in good standing will be entitled to one vote per territory for each territory that the franchisee owns and that is included in that particular Co-op. Each Co-op can adopt its own bylaws, rules, regulations and procedures, subject to our consent, provided that we have and will retain final control over all advertising, promotions, marketing, development, and protection plans and expenditures. Any bylaws adopted by a Co-op require our consent.

We can appoint one representative to participate in all Co-op meetings and activities as a non-voting participant. While we are not required to do so, if we submit any matters for approval to a Co-op of which you are a member and approval is granted, approval will be binding on you.

We will set your minimum contributions to the advertising cooperative. However, each cooperative may increase the contribution by affirmative vote of not less than a majority of the voting power of the cooperative region (not to exceed the amount of required Local Advertising Expenditure). Your Co-op contributions will count towards satisfying your Local Advertising Expenditure. We or our affiliate, as applicable, will contribute to the advertising cooperative for each of our company- or affiliate-owned Painting Masters Businesses located in the cooperative region on the same basis as franchisees.

The advertising cooperative must prepare quarterly and annual financial statements prepared by an independent CPA and are made available to all franchisees in that advertising cooperative. Any costs incurred will be paid by the advertising cooperative.

Information Systems (Franchise Agreement, § 7.3)

Before you commence operating your Painting Masters Business, you must purchase computer equipment which will include: a laptop computer, tablet and portable printer. We estimate the cost of the computer equipment (including cell phones, computers (tablet and laptop), and a portable printer)to range from $1,300 to $1,800. You must also purchase from an approved third party or Vector, the Job Proposal/Estimating Software and QuickBooks Online software, Internet connections and service, required dedicated telephone lines and other computer-related accessories, peripherals and equipment (the "Information Systems"). The approximate initial cost to you for the Information Systems is approximately $1,200 (which includes $1,000 for the initial set up of the Job Proposal/Estimating Software and the $50/month license fee for the QuickBooks Online software). You must obtain high-speed communications access for your Information System, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your business, on our outsourced web hosting service. We reserve the right to require you to reimburse us for our costs associated with this service.

The Information System will store information concerning your sales, inventory, accounting and other operations. We may retrieve all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information.

You must only use, display, transmit, and broadcast advertising, promotion and marketing materials provided or approved by us and only use and display all material in accordance with the Standards. You must obtain our prior written approval to use and/or display any advertising, promotion or marketing materials regarding your Painting Masters Business, including, all print and electronic advertising, networking or social media postings or listings (including on sites such as Facebook, Instagram, Twitter, Pinterest, Linkedin, Yelp, and YouTube), website postings or listings, newspaper and magazine advertisements, direct mailers and mail coupons, not provided by us.

Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades or updates to the system. There are no contractual limitations on our ability to require you to update, upgrade or replace the Information Systems, add components to the Information Systems, and upgrade, update or replace components of the Information Systems. We may require you to update, upgrade or replace the Information Systems, including hardware and/or software, upon written notice, and these costs might not be fully amortizable over the time remaining in the term of your Franchise Agreement. We cannot estimate the cost of maintaining, updating or upgrading the Information Systems or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time.

Training (Franchise Agreement, Article 6)

Before opening your Painting Masters Business to the public, we will train up to two persons at our training facilities in Los Angeles, California; or at some other location that we determine (the "Designated Training Facility"). The initial training program consists of approximately 40 hours per week of training over a one-week period and will provide training on operating a Painting Masters Business. The training program does not focus on providing instruction or training on how to properly paint surfaces. The following table describes our initial training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Philosophy and Services Provided	1	0	Designated Training Facility
Recognizing Painting Failures	2	0	Designated Training Facility
Hiring and Staffing	2	0	Designated Training Facility
Advertising /Marketing	3	0	Designated Training Facility
Initial contact / Presentation/ Closing the sale /Customer service	12-16	2-4	Designated Training Facility
Pricing / Estimating	4	2-4	Designated Training Facility
Scheduling / Job Site Management	2	0	Designated Training Facility
Quickbooks/Franchise reporting	2	0	Designated Training Facility
Total	**28-32**	**4-8**	Designated Training Facility

We will hold training as frequently as we determine necessary. If you are an individual, you must attend, and satisfactorily complete, the training program. If you are an entity, your Designated Manager, must attend and satisfactorily complete the training program. In either case, your Painting Masters Business Manager must attend, and satisfactorily complete, the training program. We do not have a formal training staff. Training is conducted by various members of our staff and management personnel who have extensive experience in the home improvement industry. The training will be conducted under the supervision of one of our trainers having at least 5 years of industry experience in painting and painting-related businesses, and/or may be presented by outside industry experts. Specialized teaching materials will be used including manuals, checklists and reviews.

Except as described below, we will provide the initial training program for up to two persons at no charge, but you must pay the travel and living expenses for you and your employees during that training. We may charge you our then-current training fee for any additional personnel that attend the initial training program. If you together with any of your affiliates own or operate two or more Painting Masters Businesses, we are not obligated to provide and you are not obligated to attend the initial training program, provided

however, that we may require you or your Designated Manager to attend the initial training program for your or your affiliate's third or subsequent Painting Masters Business if we determine, in our sole discretion, that your existing Painting Masters Business(es) do not meet our standards and specifications.

Immediately before and after each Painting Masters Business opens to the public, we will provide up to three days of on-site training to your Designated Manager and Painting Masters Business Manager. We do not charge a fee for on-site training; however, if we determine that it is necessary to provide more than three days of on-site training, you must reimburse us for our costs and expenses, including wages, salaries, travel and lodging expenses, that we incur as a result of extending the on-site training.

We will provide additional assistance and training to you and your employees upon your reasonable request or as we deem necessary to instruct you and your employees with regard to new procedures or programs which we deem important to the operation of your Painting Masters Business. We may also provide optional additional assistance for you and your employees. Such additional assistance may be held on a national or regional basis at locations that we choose. We may establish charges for the additional assistance, and in addition to any charges we establish, you must pay all transportation costs, food, lodging and other similar costs that you and your employees incur in connection with attending any additional training.

ITEM 12
TERRITORY

Franchise Agreement

We grant you the right to operate a single Painting Masters Business from a location which you choose and we approve (the "Office"). The location of your Office will be specified in the franchise agreement. If the Office is in a location other than your home, and you and we have not agreed upon the location of your Painting Masters Business Office when you sign your franchise agreement, you must secure a location for your Painting Masters Business at a site accepted by us. You may not relocate the Painting Masters Business without our prior written approval. You may apply for the right to open additional Painting Masters Businesses pursuant to separate franchise agreements, but we have no obligation to allow you to open additional Painting Masters Businesses. The franchise agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

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

We will grant you a Territory defined by geographic boundaries that you and we will agree upon before you sign the Franchise Agreement. Your Territory may be defined by reference to streets, natural boundaries or zip codes or may be one or more cities, counties, states, or countries, or some other defined area. Where a street or river boundary is used, the center of the street or river is the boundary. Our agreement to or designation of a geographic area as your Territory is not a guarantee that your Painting Masters Business in that Territory will be successful. We will decide whether a particular territory is acceptable based on our assessment of various factors including the population demographics, including population density, income levels and size, number of residences and "light commercial" buildings, geography, zoning, market conditions and other factors we believe relevant. There is no standard minimum area.

Except as described below, during the term of your Franchise Agreement, neither we nor any of our affiliates will open or operate a Painting Masters Business within your Territory, nor knowingly franchise or license others to operate a residential or commercial properties painting and wall finishing services business under the "Painting Masters" or "Neighborhood Painting Masters" name within your Territory. We expressly reserve all other rights, including the unrestricted right to:

(a) own or operate, and license others to own and operate (i) Painting Masters Businesses at any location outside of your Territory, and (ii) businesses which may be similar to Painting Masters Businesses but which operate under names other than "Painting Masters" or "Neighborhood Painting Masters" at any location within or outside of your Territory;

(b) own or operate, and license other to manufacture, produce, license, distribute and market products, supplies and accessories (whether or not under the Marks), including painting and painting related products, supplies and accessories, through any outlet (within or outside of your Territory), including home improvement stores, hardware stores, specialty stores and through any distribution channel, at wholesale or retail, including by means of the Internet, Internet web site, mail order catalogs, direct mail advertising and other distribution methods;

(c) provide or franchise or license others to provide residential or commercial properties painting and wall finishing products and services to a customer in your Territory if the customer is a Special Account (See Item 11 for details); and

(d) advertise and market within and outside your Territory, including through the use of the Internet, other forms of electronic media (including social technology, social media and social networking platforms), catalog sales, telemarketing or other direct marketing and alternate channels of distribution.

We are not required to pay you any compensation if we exercise any of the rights specified above inside your Territory. You may not deal with Special Accounts except if and as we may authorize in writing.

All customer lists and any potential customer leads, however generated, whether by you or us, are our sole property. If we assign you a potential customer lead, you may not decline and must pursue and offer to service any such lead. You may not solicit business outside of your Territory without our prior written consent. We have no obligation to pay any compensation for soliciting or accepting orders inside your Territory. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory.

The continuation of your rights within the Territory is not dependent upon achievement of a certain sales volume, marketing penetration or other contingency, and your Territory may only be altered by written agreement between us and you.

We are not currently engaged in the business of selling or franchising others to sell products or services under a different trademark or trade name similar to those offered by you. "Closet Factory" franchisees of our affiliate, CFFC, primarily offer the installation and repair of custom closets and storage systems, and may solicit and accept offers from within your Territory and may offer ancillary services that include painting. Because the principal services offered by "Closet Factory" franchisees and "Painting Masters" franchisees are different and each system operated under different trademarks, we do not anticipate conflicts between franchisees of either system regarding territory, customers and franchisor support. CFFC's and our principal address is the same and we do not and do not plan to maintain physically separate officers and/or training facilities for the two systems.

ITEM 13
TRADEMARKS

FRANCHISE AGREEMENT

We license you the right to operate a Painting Masters Business under the name "PAINTING MASTERS" and "NEIGHBORHOOD PAINTING MASTERS." You may also use our other designated current or future trademarks to operate your Painting Masters Business. By principal trademark we mean primary trademarks, service marks, names, logos, and commercial symbols used to identify your Painting Masters Business. We have filed applications to register the following principal trademarks on the Principal Register of the U.S. Patent and Trademark Office:

PENDING MARK	SERIAL NUMBER	APPLICATION DATE
Painting Masters	87799710	February 15, 2018
Neighborhood Painting Masters	87799695	February 15, 2018

There are no agreements that limit our rights to use or license the use of the trademarks listed above. Since the applications are pending at the USPTO, no affidavits have been required to be filed.

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

As of the date of this disclosure document, there are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceeding; or any pending material federal or state court litigation involving the trademarks. As of the date of this disclosure document, we know of no prior rights or infringing uses that could materially affect your use of the principal trademarks but it is possible that there are local businesses operating under names similar to "PAINTING MASTERS" or "NEIGHBORHOOD PAINTING MASTERS" in the general trade area in which you wish to operate; you should investigate this possibility and advise us if you learn of any similarly named residential and commercial painting businesses in your general trade area before signing your Franchise Agreement.

You must follow our rules when you use these principal trademarks. You cannot use a name or mark (including the name "Painting Masters") as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademarks. We will take the action we think appropriate. We will have sole discretion to take the action we deem appropriate and will have the right to control exclusively any litigation or U.S. Patent and

Trademark Office proceeding arising out of any infringement, challenge or claim relating to any principal trademark. You must sign all documents, render assistance and do all things that our counsel deems necessary to protect our interests in any litigation or U.S. Patent and Trademark Office proceeding or otherwise to protect our interests in the principal trademarks.

While we are not required to defend you against a claim against your use of our trademark, we may, as we deem necessary and appropriate in our sole discretion, reimburse you for your reasonable costs in connection with defending our trademark. To receive reimbursement you must have notified us immediately when you learned about the infringement or challenge.

You must modify or discontinue the use of a principal trademark if we modify or discontinue it. If this happens, we may reimburse you for your tangible costs of compliance (for example, changing signs), as we deem appropriate. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents material to the franchise. We will loan you one copy of our Manuals for confidential use in your Painting Masters Business. The Manuals are our property and you may not duplicate, copy, disclose or disseminate the contents of the Manuals at any time, without our express written consent. We may modify or supplement the Manuals upon notice or delivery to you. You must keep the Manuals current at all times, and upon the termination or non-renewal of your Franchise Agreement return all Manuals to us.

You may not copy, divulge or use any confidential information, which may include our Policies and the contents of our Manuals, marketing concepts, and operating methods and techniques (the "Confidential Materials and Practices") during or after the term of your Franchise Agreement, except in connection with the operation of your Painting Masters Business pursuant to a valid Franchise Agreement. You must follow all reasonable procedures we prescribe to prevent unauthorized use and disclosure of our Confidential Materials and Practices. You must inform your employees to whom the information, or any of it, is made available of this obligation of confidence, and have them sign a written non-disclosure, and submit a copy to us for our files.

There are no infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

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

Franchise Agreement

If you are an individual, you must directly supervise the operation of your Painting Masters Business. If you are not an individual, you must designate a "Designated Manager" acceptable to us who will be principally responsible for communicating with us about business, operational and other ongoing matters concerning your Painting Masters Business. The Designated Manager must have the authority and responsibility for the day-to-day operations of your Painting Masters Business.

You (or your Designated Manager) must be adequately trained and you must have a Painting Masters Business manager and adequate staff of employees who have in our judgment, been fully and adequately trained. Your Designated Manager, if applicable, must (a) devote his or her full time and best efforts solely to the operation of your Painting Masters Business; (b) meet our educational, experience, financial and other reasonable criteria for the position, as contained in the Manuals or otherwise in writing; and (c) be accepted by us. We do not require your Designated Manager to have an equity interest in the franchise.

At our request, your Designated Manager and Painting Masters Business Manager(s) must sign a written confidentiality agreement regarding the trade secrets described in Item 14 and which conforms with the covenants not to compete described in Item 17.

If you are an entity, all present and future owners of the equity or your voting rights, including spouses and domestic partners, must execute a written Guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us. Upon each transfer or assignment of your interest in your Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written Guarantee in a form we prescribe (Exhibit C – Guaranty).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Franchise Agreement

You must sell and offer all and only those products and services that we authorize at or from your Painting Masters Business. Authorized products and services may differ among our franchisees, and may vary depending on the operating season and geographic location of your Painting Masters Business or other factors. Upon receipt of written notice from us, you must sell and provide additional authorized products and services according to the instructions and within the time specified in the notice. You must stop selling and providing any previously approved or discontinued authorized products and services upon notice from us. There is no limit on our right to change the authorized products and services that you must sell. You may not stop offering any authorized product or service without our express written approval. At our request, you must also sell certain test products and services and/or offer certain test services. If you are asked to do so, you must provide us with reports and other relevant information regarding the test products and services.

Unless specifically directed otherwise by us in writing, you must participate in all advertising, marketing, promotions, research and public relations programs instituted by the Marketing Fund.

You may not offer, sell or provide any authorized products and services in connection with any trademark, service mark, logo type or commercial symbol of any other person or business entity without our express written consent.

You may not use alternative distribution channels to solicit or fill orders.

ITEM 17
RENEWAL, TERMINATIONS, 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 Franchise Agreement	Summary
a. Length of the franchise term	§ 3.1	5 years beginning the date you sign your Franchise Agreement.
b. Renewal or extension of the term	§ 3.2	If you are in good standing, you will have the right to renew for successive terms of 5 years each. You may be asked to sign a contract with materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	§§ 3.2 - 3.4	We use the term "renewal" to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term) and you must, at our option, sign a new franchise agreement that may have materially different terms and conditions than your original contract. You must have complied with your obligations during the term of your Franchise Agreement, must upgrade the vehicle, tools, equipment and supplies to comply with our then-current standards, must not have committed 3 or more material defaults of your Franchise Agreement during any 36 month period, must comply with our then-current training requirements, must sign a general release and successor franchise agreement, which may differ from the current form of franchise agreement, must pay a $7,000 renewal fee. If your Agreement terminates, or expires without being extended by a successor agreement or otherwise, we may allow you to continue operating your Painting Masters Business in Holdover Status under the terms of your current Agreement, except for the special minimum continuing royalty and higher royalty percentage amount required during the holdover period.
d. Termination by franchisee	None	Not Applicable.
e. Termination by Franchisor without cause	None	Not Applicable.

Provision	Section in Franchise Agreement	Summary
f. Termination by Franchisor with cause	§§ 14.1 – 14.7	We can terminate only if you default under your Franchise Agreement.
g. "Cause" defined – curable defaults	§ 14.4	You have 5 days to cure non-payment of fees and 10 days to cure defaults not listed in Section 14.3 of your Franchise Agreement.
h. "Cause" defined – non-curable defaults	§14.2 – 14.3	Non curable defaults: (i) bankruptcy or insolvency; (ii) unsatisfied judgment; (iii) seizure, take-over or foreclosed upon (iv) a levy of execution of attachment up on Franchise Agreement or upon any property used in the Painting Masters Business; (v) unreleased mechanics lien or if any person commences any action to foreclose; (vi) if you allow or permit any judgment to be entered against us or any of our affiliates, arising out of or relating to the operation of the Painting Masters Business; (vii) a condemnation or transfer in lieu of condemnation has occurred; (viii) imminent danger to the public health / health and safety violations; (ix) conviction, pleads guilty or nolo contendere to a felony or any other crime or offense; (x) failure to comply with your confidentiality or non-competition provisions of your franchise agreement; (xi) abandonment; (xii) Assignment without our consent; (xiii) repeated defaults, even if cured; (xiv) violation of law which is not cured within 10 days; (xv) sale of unauthorized products; (xvi) knowingly maintaining false books, underreporting or under recording of Gross Sales, certain underreporting or under-recording; (xvii) trademark and confidential information misuse; (xviii) misrepresentations in connection with the acquisition of the Agreement; (xix) failing to complete training; and (xx) failing to meet the Financial Covenants described in Article 21 of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Article 15	You must stop using our Marks; pay all amounts due to us; return the Manuals, all training and promotional material to us; make alterations to your Painting Masters Business so that it no longer resembles our proprietary design; at our election, sell such equipment and furnishings that we designate to us, assign to us or our designee (or, at our election, terminate) all voice and data telephone numbers used in connection with your Painting Masters Business; authorize and instruct the telephone company and all listing agencies of the termination of your right to use any telephone number or listing associated with your Painting Masters Business and authorize and instruct the telephone companies and listing agencies to transfer and assign the telephone numbers and directory listing to us, sign and deliver to us all documents that must be filed with any governmental agency indicating that you are no longer licensed to use our Marks. See also "r" below.
j. Assignment of contract by Franchisor	§ 13.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	§ 13.2.1	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l. Franchisor approval of transfer	§§ 13.2	Transfers require our express written consent
m. Conditions for franchisor approval of transfer	§ 13.2 - 13.4	New franchisee: must qualify, assume the Franchise Agreement or sign a new Franchise Agreement, complete training and pay our training fee, and as we determine to be necessary or appropriate, upgrade the vehicles, tools, equipment and supplied used in connection with the Painting Masters Business. You must provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the franchisee entity, pay all amounts then-due to us, sign a general release, provide us with all documents relating to the transfer, disclose to us all material information that we request regarding the transferee, the purchase price, and the terms of the transfer, must not be in default of the Franchise Agreement, and pay a transfer fee. (See also "r" below). With our written consent, you may transfer a franchise agreement to an entity of which you directly own 100% interest for convenience of ownership. If the new

Provision	Section in Franchise Agreement	Summary
		franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a guaranty. You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees. Before shares of a Franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials; indemnify us, our Affiliates, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each in connection with the offering; and pay us a non-refundable fee of $10,000 or a greater amount if necessary to reimburse us for our costs and expenses associated with reviewing the proposed offering.
n. Franchisor's right of first refusal to acquire franchisee's business	§ 13.2.3(c)	We can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Article 18	Upon termination or expiration of your Franchise Agreement, we have a limited right to purchase your business and its assets.
p. Death or disability of franchisee	§ 14.3.2	Your heirs have 9 months after your death or legal incapacity to enter into a new franchise agreement, if the heirs meet our standards and qualifications. If your heirs do not meet our standards and qualifications, the heirs may sell to a person approved by us. See "m" above.
q. Non-competition covenants during the term of the franchise	§12.1	Cannot engage in "Competitive Activities" defined as: owning, operating, lending to, advising, being employed by, or having a financial interest in any business that engages in the offer and/or sale of any product or service which is now or in the future an Authorized Painting Masters Product and/or Service, other than "Neighborhood Painting Masters" and/or "Painting Masters" franchised Painting Masters Business. "Competitive Activities" do not include: the direct or indirect ownership, solely as an investment, of securities of any entity which is traded on any national securities exchange if the owner of the securities (i) is not a controlling person of, or a member of a group which controls, such entity; and (ii) does not, directly or indirectly own 5% or more of any class of securities of

Provision	Section in Franchise Agreement	Summary
		such entity.
r. Non-competition covenants after the franchise is terminated or expires	§ 12.1	Except with our express written consent (subject to state law), no involvement in any Competitive Activities, as defined above, for 24 months or within a 10- mile radius of any then existing Painting Masters Business.
s. Modification of the agreement	§ 20.8	The Franchise Agreement may be modified only by written agreement between the parties.
t. Integration/Merger clause	§20.8	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 19	You and we agree to attempt to resolve any dispute pursuant to arbitration held in Los Angeles, California.
v. Choice of forum	§20.14	You and we agree that Los Angeles, California will be the venue for any arbitration under the Franchise Agreement and you and we both waive the right to trial by jury.
w. Choice of law	§20.7	California law applies, except for the provisions respecting non-competition, which are governed by local law.

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.).

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote this 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 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 John La Barbera, 12800 South Broadway Los Angeles, California 90061, (310) 516-7000; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2016 through 2018

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Company- and Affiliate-Owned	2016	0	0	0
	2017	0	0	0
	2018	0	1	+1
Total Outlets	2016	0	0	0
	2017	0	0	0
	2018	0	1	+1

Table No. 2
Transfers of Outlets from Franchisee to New Owners (other than the Franchisor)
For Years 2016 through 2018

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2016	0
	2017	0
	2018	0

Table No. 3
Status of Franchised Outlets
For Years 2016 through 2018*

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termin-ations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera-tions – Other Reasons	Col. 9 Outlets at End of the Year
Totals	**2016**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4
Status of Company- and Affiliate-Owned Outlets
For Years 2016 through 2018

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
California	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
Totals	**2015**	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**1**	**0**	**0**	**0**	**1**

Table No. 5
Projected Openings During 2019

Column 1 State	Column 2 Franchise Agreements Signed in 2018 But Outlet Not Opened	Column 3 Projected New Franchise Outlets in 2019	Column 4 Projected New Company or Affiliate-Owned Outlets in 2019
California	0	1	0
Florida	1	0	0
Total	**1**	**1**	**0**

There were no franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during 2018 or who have not communicated with us within 10 weeks of the date of this disclosure document.

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

Neither we nor any affiliate has entered into any confidentiality clauses with a franchisee that would restrict their ability to discuss his or her personal experience as a franchisee.

No trademark specific franchisee association has been sponsored by us, or has requested to be included in this franchise disclosure document.

ITEM 21
FINANCIAL STATEMENTS

Our audited financial statements as of December 31, 2018 are attached as Exhibit G.

ITEM 22
CONTRACTS

Attached as Exhibit A is a copy of our current form of Franchise Agreement.
Attached as Exhibit B is a copy of our current form of General Release
Attached as Exhibit C is a copy of our current form of Guaranty
Attached as Exhibit D is a copy of our current form of Confidentiality Agreement
Attached as Exhibit I is a copy of our current form of Closing / Franchisee Questionnaire.

ITEM 23
RECEIPTS

You will find copies of a detachable receipt in Exhibit K at the end of this disclosure document.

Exhibit A

Franchise Agreement

"Painting Masters"
FRANCHISE AGREEMENT

By and Between

Painting Masters Franchise Corporation

And

_____

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PAINTING MASTERS FRANCHISE CORPORATION
FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** ("**Agreement**") is made this _____ day of _____, 20__ (the "**Effective Date**") by and between PAINTING MASTERS FRANCHISE CORPORATION, a California corporation ("**Franchisor**"), and _____, a _____ ("**Franchisee**"), with reference to the following facts:

A. Franchisor and/or an Affiliate of Franchisor owns certain proprietary and other property rights and interests in and to the "PAINTING MASTERS" name and service mark, and such other trademarks, service marks, logo types and commercial symbols as Franchisor may from time to time authorize or direct Franchisee to use in connection with the operation of the Licensed Business (the "**Marks**").

B. Franchisor has developed a comprehensive system for the operation of businesses under the Marks and in accordance with Franchisor's System (as defined below) that principally offer painting, wall finishing and decorating services to residential and commercial customers ("**Painting Masters Business**" or "**Business**").

C. Painting Masters Businesses are operated under a Business format per a unique system with high standards of service, including valuable know-how, information, Trade Secrets, confidential information, training methods, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, and research and development ("**System**").

D. Franchisee desires to obtain the license and franchise to operate a single Painting Masters Business (the "**Licensed Business**"), under the Marks and in strict accordance with the System, and the System Standards established by Franchisor; and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Certain Fundamental Definitions and Applicable Information. In this Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Agreement, the following terms, shall have the meanings set forth below, unless the context otherwise requires:

"**Business Address**" means _____.

"**Marketing Contribution Rate**" **means 1.9% (See Section 4.3)**

"**Initial Fee**" means $46,500 (See Section 4.1)

"**Initial Term**" means 5 years. (See Section 3.1)

"**Continuing Royalty Rate**" means 6.75% (See Section 4.2)

"**Guaranteed Minimum Royalty**" means $325 per week after the first anniversary of the signing of the Franchise Agreement.

"**Franchisee Notice Address**" is: _____
_____
_____
Attn: _____

"**Designated Manager**" means _____, or such other individual hereafter designated by Franchisee, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve

as the authorized representative of Franchisee, who Franchisee acknowledges and agrees shall act as Franchisee's representative, and who shall have the authority to act on behalf of Franchisee during the Term.

ARTICLE 2
GRANT

2.1 Grant. Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Term, to use and display the Marks, and to use the System, to operate one (1) Painting Masters Business solely within the Territory upon the terms and subject to the provisions of this Agreement and all ancillary documents hereto.

2.2 No Sublicensing Rights. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Licensed Business or to use the System granted pursuant to this Agreement.

2.3 Territorial Rights. During the Term, neither Franchisor nor any Affiliate of Franchisor shall open or operate any Painting Masters Business, nor license others to do so, within the geographic area described on Exhibit A (the "**Territory**").

2.3.1 Except to the limited extent expressly provided in Section 2.1 of this Agreement, the license granted to the Franchisee under this Agreement is nonexclusive and Franchisor expressly reserves all other rights including, the exclusive, unrestricted right, in its discretion, directly and indirectly, itself and through its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others:

(a) to own or operate, and to license others (which may include its Affiliates) to own or operate (i) Painting Masters Businesses at any location outside the Territory, and (ii) other businesses which may be similar to Painting Masters Businesses but which operate under names other than "Painting Masters", at any location, and of any type whatsoever, within or outside the Territory and regardless of their proximity to the Licensed Business developed pursuant hereto; and

(b) to own or operate, and license others to manufacture, produce, license, distribute and market products, supplies and accessories (whether or not under the Marks), including painting and painting related products, supplies and accessories, through any outlet (within or outside of the Territory), including home improvement stores, hardware stores, specialty stores and through any distribution channel, at wholesale or retail, including by means of the Internet, Internet web site, mail order catalogs, direct mail advertising and other distribution methods;

(c) to provide or franchise or license others to provide residential or commercial properties painting and wall finishing products and services to a customer in the Territory if the customer is a Special Account;

(d) to advertise and market within and outside the Territory, including through the use of the Internet, other forms of electronic media (including social technology, social media and social networking platforms), catalog sales, telemarketing or other direct marketing and alternate channels of distribution.

ARTICLE 3
TERM AND RIGHT TO ENTER INTO SUCCESSOR FRANCHISE AGREEMENT

3.1 Initial Term. The term of this Agreement ("**Term**") shall commence on the Effective Date and shall expire 5 (five) years from such date, unless sooner terminated or extended pursuant hereto.

3.2 Right to Enter into Successor Franchise Agreements.

3.2.1 Subject to the conditions contained in Section 3.5 of this Agreement and Franchisee's compliance with Section 3.4 of this Agreement, and provided that Franchisor is then currently offering franchises in the same state in which the Franchisee's Business is located, at the expiration of the Term hereof, Franchisee shall

have the right (the "**Successor Franchise Right**") to enter into up to 5 new franchise agreements in the form then generally being offered to prospective franchisees of the System (the "**Successor Franchise Agreement**"). Each Successor Franchise Agreement shall be for a 5 year period (the "**Successor Term**"), shall likewise grant Franchisee the right to enter into an additional franchise agreement at the end of each Successor Term, in the form then generally being offered to prospective franchisees of the System. Franchisee acknowledges that the terms, including Continuing Royalty and Marketing Contribution payable, during each Successor Term shall be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement.

3.2.2 The term of each Successor Franchise Agreement, as applicable, shall commence upon the date of expiration of the Term of this Agreement or of the Successor Franchise Agreement, as applicable; provided, however, that notwithstanding the terms of Franchisor's then-current form of Franchise Agreement:

(a) Each Successor Franchise Agreement shall provide that Franchisee must pay, in lieu of an initial franchise fee, a renewal fee in the amount of $7,000; and

(b) unless otherwise mutually agreed in writing, each Successor Agreement shall be modified to conform to the then remaining number of Successor Terms granted in franchisee's original franchise agreement for the Licensed Business.

3.3 Operation after Expiration — Holdover Status. If this Agreement terminates, or expires without being extended by a Successor Franchise Agreement or otherwise in writing, Franchisor may, in Franchisor's sole discretion, allow Franchisee to continue operating Franchisee's Business in Holdover Status. Franchisee agrees that if Franchisee is allowed to operate in Holdover Status that Franchisee will be bound by all of the terms of this Agreement (including, but not limited to, all operational requirements and mandatory marketing expenditures) provided, however, that Franchisee will pay Franchisor a minimum continuing royalty amount of Six Hundred Fifty Dollars ($650.00) per week or thirteen and one-half percent (13.5%) of Gross Receipts, whichever is greater, in lieu of the minimum continuing royalty amount specified above. Franchisor's acceptance of any amounts paid by Franchisee during the Holdover Status does not constitute a waiver of any of Franchisor's rights upon expiration of the Agreement and Franchisor may terminate Franchisee's permission to operate in Holdover Status immediately upon notice to Franchisee. Should Franchisee's subsequently execute a Successor Franchise Agreement, the higher royalty rate during Franchisee's operation in Holdover Status will not be retroactively reduced.

3.4 Form and Manner of Exercising Successor Franchise Right. The Successor Franchise Right shall be exercised, if at all, strictly in the following manner:

3.4.1 Between 6 months and 12 months before the expiration of the Term, Franchisee shall notify Franchisor in writing ("**Notice of Election**") that it intends to exercise its Successor Franchise Right and no sooner than immediately after the expiration of any waiting period(s) by Applicable Law and no more than 30 days after Franchisee receives Franchisor's Franchise Disclosure Document, if applicable, and execution copies of the applicable Successor Franchise Agreement, Franchisee shall execute the copies of said Successor Franchise Agreement and return them to Franchisor.

3.4.2 If Franchisee shall have exercised its Successor Franchise Right in accordance with Section 3.4.1 of this Agreement and satisfied all of the conditions contained in Section 3.5 of this Agreement, Franchisor shall execute the Successor Franchise Agreement, executed by Franchisee and at or prior to the expiration of the Term, deliver one fully executed copy thereof to Franchisee.

3.4.3 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to the provisions of Sections 3.4 or 3.5 of the Agreement, in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its Successor Franchise Right and may cause Franchisee's said Successor Franchise Right to lapse and expire, in Franchisor's sole discretion.

3.5 Conditions Precedent to Entering into a Successor Franchise Agreement. Franchisee's Successor Franchise Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

3.5.1 At the time Franchisee delivers its Notice of Election to Franchisor and at all times thereafter until the commencement of the applicable Successor Term, Franchisee shall have fully performed, in all material respects, all of its obligations under the Agreement, the Manuals and all other agreements then in effect between Franchisee and Franchisor (or its Affiliates).

3.5.2 At Franchisor's request, Franchisee shall, prior to the date of commencement of the applicable Successor Term, undertake and complete at its expense, the update of the equipment, tools, vehicle(s) and supplies, to comply with Franchisor's then-current System Standards for new Painting Masters Businesses.

3.5.3 Without limiting the generality of Section 3.5.1 of this Agreement, Franchisee shall not have committed and cured 3 or more material defaults of Articles 4, 7, 9, 10, 11 or 12 of the Agreement during any 36 month period during the Term of the Agreement for which Franchisor shall have delivered notices of default, whether or not such defaults were cured, in Franchisor's discretion.

3.5.4 Franchisee, and Franchisee's employees, as applicable, shall comply with Franchisor's then-current qualification, training and certification requirements at Franchisee's expense.

3.5.5 Concurrently with the execution of the applicable Successor Franchise Agreement, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees. The release may cover future consequences of acts, omissions events and circumstances predating the date of the release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the release is executed.

3.6 Notice Required by Law. If Applicable Law requires that Franchisor give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a week to week basis until Franchisor has given the notice required by such Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or disclosure document, or is not lawfully able to offer Franchisee its then-current form of franchise agreement, at the time Franchisee delivers its Notice of Election, Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth herein for a Successor Term determined in accordance with Section 3.2 of this Agreement hereof, or (ii) offer to extend the Term hereof on a week to week basis following the expiration of the Term hereof for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement.

ARTICLE 4
PAYMENTS

4.1 Initial Fee. Upon execution hereof, Franchisee shall pay to Franchisor the Initial Fee. The Initial Fee is non-refundable, in whole or in part, under any circumstances.

4.2 Continuing Royalty. Franchisee shall pay to Franchisor, as provided in Section 4.5, a continuing royalty (the "**Continuing Royalty**") equal to 6.75% of Franchisee's Gross Sales during the preceding Accounting Period, by the first day following the close of such Accounting Period.

4.3 Marketing Contribution. Upon written request from Franchisor, Franchisee shall pay to Franchisor, as provided in Section 4.5, a marketing contribution equal to 1.9%, of Franchisee's Gross Sales during the preceding Accounting Period by the first day following the close of such Accounting Period ("**Marketing Contribution**"). Franchisor shall contribute the Marketing Contribution to the Marketing Fund to be administered in the manner provided in Section 4.3 of this Agreement (the "**Marketing Fund**"). Pursuant to Section 8.4 of this Agreement, Franchisor may also establish a co-op advertising fund for Franchisee's region. The fee for co-operative advertising will be in addition to the Marketing Contribution and will be determined by each co-op advertising region, as described in Section 8.4 of this Agreement.

4.4 Manner of Payment. Franchisee shall calculate the Continuing Royalty and Marketing Contribution due to Franchisor as prescribed above and cause Franchisor to receive payment of all Continuing Royalties, Marketing Contributions, and all other amounts then owed to Franchisor, together with a statement of

Franchisee's Gross Sales for the applicable Accounting Period (certified as complete and accurate by a duly authorized representative of Franchisee), no later than the first day following each Accounting Period during the Term.

4.5 EFT and Pre-Authorized Payments. At Franchisor's request, Franchisee, at Franchisee's sole cost and expense, shall instruct its bank to pay the amount of its Continuing Royalty, Marketing Contribution and other fees directly to Franchisor from Franchisee's account, by electronic funds transfer or such other automatic payment mechanism which Franchisor may designate ("**EFT**") and upon the terms and conditions set forth in the Manuals, and promptly upon Franchisor's request, Franchisee shall execute or re-execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Continuing Royalty, Marketing Contribution and other sums payable under the terms of this Agreement. Franchisor's current form of EFT authorization is attached hereto as Exhibit B. Franchisee shall also, in addition to those terms and conditions set forth in the Manuals, maintain a single bank account for such payments and shall maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee shall not alter or close such account except upon Franchisor's prior written approval. Any failure by Franchisee to implement such EFT system in strict accordance with Franchisor's instructions shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

4.5.2 If Franchisee is delinquent more than 3 times in any continuous 12 month period during the Term in the payment of its Continuing Royalty, Marketing Contribution or other fees, or of other sums due to Franchisor or to its Affiliates including on account of the purchase of goods or services, or fails to report its sales on a timely basis, Franchisor may require Franchisee to implement a system prescribed by Franchisor which shall permit Franchisor unilaterally to estimate and draw down the amounts owed by Franchisee, which system may include EFT systems, automatic debits, use of Franchisee pre-authorized checks, other instruments or authority or any other arrangement Franchisor may prescribe. Franchisor may base its estimates of Marketing Contributions, Continuing Royalties and similar payments which are calculated based on Gross Sales, on Franchisee's historically reported Gross Sales. Franchisee shall, without limiting the materiality of any other default of this Agreement, promptly implement such system in strict accordance with Franchisor's instructions and failure to do so shall constitute a material default of this Agreement.

4.6 Other Payments. In addition to all other payments provided herein, Franchisee shall pay to Franchisor, its Affiliates and designees, as applicable, promptly when due:

4.6.1 All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever.

4.6.2 The amount of all sales taxes, use taxes, value added taxes, personal property taxes and similar taxes, which shall be imposed upon Franchisee and required to be collected or paid by Franchisor (a) on account of Franchisee's Gross Sales, or (b) on account of Continuing Royalties, Marketing Contributions or Initial Fees collected by Franchisor from Franchisee (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Continuing Royalties are collected herein and promptly pay the tax collections to the appropriate Governmental Authority; provided, however, that unless Franchisor so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any Governmental Authorities on Continuing Royalties, Initial Fees, or Marketing Contributions.

4.6.3 All amounts due for any reason, including on account of purchases of goods, supplies or services relating to the Licensed Business.

4.7 Application of Funds. If Franchisee shall be delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, including to Franchisee's vendors and Suppliers, notwithstanding any contrary designation by Franchisee as to application.

4.8 Interest and Charges for Late Payments. If Franchisee shall fail to pay to Franchisor the entire amount of the Continuing Royalty, Marketing Contribution and all other sums owed to Franchisor or its Affiliates, promptly when due, Franchisee shall pay, in addition to all other amounts which are due but unpaid, interest on the unpaid amounts, from the due date thereof, at the rate of $75 per delinquent payment, plus interest of 18% per annum, or the highest rate allowable under applicable law, whichever is less. If any check, draft, electronic transfer or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor's expenses arising from such non-payment, including bank fees in the amount of at least $50.00 and any other related expenses incurred by Franchisor.

4.9 Mandatory Regional Leadership Conference(s) Attendance, Possible Fee. Franchisee is required to attend all meetings designated by Franchisor as mandatory (including, without limitation, each Regional Leadership Conference), unless otherwise excused by Franchisor. One management-level individual must attend on behalf of each of Franchisee's Licensed Businesses. Franchisor will not charge any attendance fee for one person per Licensed Business for each mandatory meeting. Franchisee will bear all other costs of attendance. Franchisor can elect to charge a Convention Support Fee of Seven Hundred and Fifty Dollars ($750.00) per Franchisee for each Regional Leadership Conference or other meeting designated by Franchisor as mandatory. The fee is due 10 days after the first day of each designated mandatory meeting. Franchisor may provide a rebate of part or all of the Convention Support Fee upon Franchisee's compliance with the above attendance requirements. The failure to timely pay the Convention Support Fee or attend the Regional Leadership Conference will constitute a material event of default under Sections 14.1 and 14.4, respectively and may result in additional fees as described in the Manuals.

ARTICLE 5
CONSTRUCTION AND COMMENCEMENT OF BUSINESS

5.1 Office. The Office for the Licensed Business shall be at the Business Address and must be located within the Territory.

5.1.1 If no Business Address has been inserted in Section 1.1 on the Effective Date, Franchisee shall promptly following the execution hereof locate one or more proposed sites within the Territory which meet Franchisor's then-current System Standards (the "**Office**"). Franchisee shall submit to Franchisor such demographic and other information regarding the proposed site(s) and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("**Site Review Request**"). Franchisor may seek such additional information as it deems necessary within 15 days of submission of Franchisee's Site Review Request, and Franchisee shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts the proposed site, within 30 days of receipt of Franchisee's Site Review Request, or within 15 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If the Franchisor accepts the proposed site it shall notify Franchisee of its acceptance of the site. Promptly following mutual execution of this Agreement, or Franchisor's acceptance of a proposed site, if no Business Address has been inserted in the blank space provided in Section 1.1, Franchisee shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed Lease or purchase agreement, as applicable, to Franchisor. Franchisee shall not enter into any Lease or purchase agreement for the Business Address unless Franchisor has accepted the proposed site and such site shall be deemed to the "Business Address" as defined above. Franchisee shall begin operating the Licensed Business within 6 months after the Effective Date. Unless waived by Franchisor in whole or in part, upon submitting a second Site Review Request to Franchisor for review, and for each Site Review Request thereafter, Franchisee shall reimburse Franchisor for all costs and expenses of Franchisor incurred in reviewing the Site Review Requests, including payment to consultants and agents retained by Franchisor to assist in conducting such review and including a reasonable allocation of overhead and administrative expenses.

5.1.2 Franchisee may not conduct any activities associated with Franchisor or the Marks at any location except for operating the Licensed Business in accordance with this Agreement, or other agreement with Franchisor.

5.1.3 Franchisee may not relocate the Office without Franchisor's prior written consent. If Franchisor shall consent to any relocation, Franchisee shall de-identify the former office in the manner described in

this Agreement with respect to Franchisee's obligations upon termination and expiration, and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so.

5.2 Franchisor Site Selection Assistance. Franchisor is not required to visit any potential location. However, Franchisor may voluntarily (without obligation) assist Franchisee in obtaining or evaluating an acceptable location. Neither Franchisor's said assistance, if any, its acceptance of Franchisee's proposed site, nor its acceptance of the proposed Lease or purchase agreement shall be construed to insure or guarantee the profitable or successful operation of the Licensed Business by Franchisee, and Franchisor hereby expressly disclaims any responsibility therefor. Franchisor's acceptance of a location is solely an indication that the Office meets Franchisor's minimum System Standards at the time of acceptance and such acceptance shall not be construed as any express or implied representation or warranty that the Licensed Business will be profitable or successful. Franchisee acknowledges its sole responsibility for finding the Office. Franchisee acknowledges its sole responsibility for finding the site for the Business it develops pursuant to this Agreement.

5.3 Lease or Purchase of Office. If the Office is leased or subleased, (i) the Lease shall name Franchisee as the sole lessee thereunder and may not be assigned or sublet without Franchisor's prior written consent; (ii) Franchisor shall have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to Franchisor at least 15 days prior to the execution thereof; (iii) Franchisee shall neither create nor purport to create any obligations on behalf of Franchisor, nor grant or purport to grant to the lessor thereunder any rights against Franchisor, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement; (iv) the Lease shall be for a term (including options) which is not less than the Term of this Agreement (plus one Successor Term), unless Franchisor shall approve, in writing, a shorter term of the Lease; (v) the Lease shall not contain a non-competition covenant which purports to restrict the Franchisor, or any franchisee or licensee of the Franchisor (or its Affiliates), from operating a Business or any other retail establishment, unless such covenant is approved by the Franchisor in writing prior to the execution of the Lease; (vi) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Franchisee under the Lease; and (vii) a fully executed copy of said Lease, in the form and on the terms previously accepted by Franchisor, shall be delivered to Franchisor promptly following the execution thereof and upon Franchisor's request. The Lease shall, unless Franchisor otherwise consents in writing, include the addendum attached hereto as Exhibit D. Franchisor's review and acceptance of the Lease is solely for Franchisor's benefit and is solely an indication that the Lease meets Franchisor's minimum System Standards at the time of acceptance for the Lease (which may be different than the requirements of this Agreement) such review and acceptance shall not be construed as any express or implied representation or warranty that the Lease complies with Applicable Law or represents a lease transaction that is fair or in Franchisee's best interest.

5.3.2 If Franchisor or its designee elects to succeed to Franchisee's rights under the Lease, as aforesaid, Franchisee shall assign to Franchisor or such designee all of its right, title and interest in and to the Lease, whereupon the lessor thereunder shall attorn to Franchisor or such designee as the tenant thereunder. Franchisee shall execute and deliver to Franchisor or such designee such assignment and take such further action as Franchisor or such designee, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within 10 days after written demand by Franchisor or such designee to do so, and upon Franchisee's failure to do so, Franchisor or such designee shall be, and hereby is, appointed Franchisee's attorney in fact to do so. This power of attorney granted by Franchisee to Franchisor and such designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee. Any sum expended by Franchisor or such designee to cure Franchisee's breach of the Lease shall be deemed additional sums due Franchisor hereunder and Franchisee shall pay such amount to Franchisor upon demand. The covenants of Franchisee contained in this Section 5.3 shall survive the termination of this Agreement. Franchisor's acceptance of the Lease shall not constitute Franchisor's assurance that the terms of the Lease are favorable to Franchisee, or that the location will be successful.

5.3.3 Franchisee hereby authorizes Franchisor to communicate with the lessor under the Lease (and hereby authorizes such lessor to communicate with Franchisor) for any purpose, including de-identification of the Office following the termination or expiration of this Agreement, Franchisee's sales, Franchisee's defaults under this Agreement or the Lease and negotiating a lease for the Office commencing following the termination or

expiration of the Franchisee's Lease. Franchisee shall at all times fully perform each and all of its obligations under the Lease.

5.3.4 If the Office is to be purchased by Franchisee, the contract for purchase and sale shall be subject to Franchisor's review and acceptance, a true and correct copy of which shall be delivered to Franchisor at least 15 days prior to the execution thereof, and a true and correct copy of such executed contract shall be furnished to Franchisor within 15 days after execution.

5.4 Construction. Following the Effective Date and before the renovation or construction of the Office, Franchisor shall provide Franchisee with copies of Franchisor's specifications for the design and layout of the Office. Franchisee shall at its sole cost and expense promptly cause the Office to be constructed, equipped and improved in accordance with such System Standards, unless Franchisor shall, in writing, agree to modifications thereof. Franchisee shall employ licensed architects, engineers and general contractors of its own selection, and at its sole cost and expense, to prepare such architectural, engineering and construction drawings and site plans, and to obtain all Permits required to construct, remodel, renovate, and/or equip the Office. All such plans, and modifications and revisions thereto, shall be submitted to Franchisor for its prior review and acceptance before Franchisee's commencement of construction (within 60 days after Effective Date, unless Franchisor otherwise agrees in writing). If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts such design criteria, the design criteria shall be deemed rejected. Franchisor has the right, but not the obligation, to perform inspections of the Office during construction and after construction to ensure it is built in accordance with the drawings and specifications accepted by Franchisor, and all fixtures, signs, furnishings and equipment are in compliance with System Standards. Franchisee may not open the Licensed Business for business until Franchisee has received written authorization to open from Franchisor, which authorization may be conditional and subject to Franchisor's satisfactory inspection of the Office.

5.4.2 Franchisee may from time to time request additional information regarding the design and construction of the Office, which, if in the possession of Franchisor, shall be provided at no expense to Franchisee. Upon request, Franchisor shall provide additional site visits, project management, design work and equipment purchasing services to Franchisee at Franchisee's sole cost.

5.4.3 Subject only to Force Majeure (provided that Franchisee continuously complies with Section 5.4.5 of this Agreement), Franchisee shall complete construction or renovation, as the case may be, of the Office and all improvements therein, including installation of all fixtures, signs, equipment and furnishings as soon as possible, but in any event within 6 months after commencement of construction, unless Franchisor consents in writing to a longer period of time. The operation of the Licensed Business by Franchisee shall commence not later than 9 months following the Effective Date.

5.4.4 The time periods for the commencement and completion of construction and the installation of fixtures, signs, machinery and equipment as referred to in this Section 5.4 are of the essence of this Agreement. If Franchisee fails to perform its obligations contained in this Section, the Franchisor may, without limiting the materiality of any other default of this Agreement, deem the Franchisee's failure to so perform its obligations to constitute a material default of this Agreement.

5.4.5 In the event of the occurrence of an event which Franchisee claims to constitute Force Majeure, Franchisee shall provide written notice to Franchisor in writing within 5 days following commencement of the alleged Force Majeure which notice shall include the words "Force Majeure" and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Franchisee's performance hereunder. Franchisee shall provide Franchisor with continuous updates (no less frequently than once each week) on Franchisee's progress and diligence in responding to and overcoming the Force Majeure, and shall notify Franchisor immediately upon cessation of such Force Majeure, and provide all other information as may be requested by Franchisor. If Franchisee shall fail to notify Franchisor of any alleged Force Majeure within said 5 days, or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Franchisee shall be deemed to have waived the right to claim such Force Majeure.

5.4.6 Franchisor's acceptance of Franchisee's plans and specifications for the Office, Franchisor's guidance with the development of the Office, and Franchisor's authorization to open the Licensed

Business are to assure that Franchisee complies with System Standards, and shall not be construed as any express or implied representation or warranty that the Office complies with any Applicable Laws, codes or regulations or that the construction is sound or free from defects. Franchisor's criteria for acceptance or rejection do not encompass technical, architectural or engineering considerations. Franchisor will have no liability with respect to construction of the Office, nor shall Franchisor be responsible in any way for delays or losses occurring during the design, construction or other preparation of the Licensed Business, whether caused by the condition of the Office, the design, engineering, construction, equipping, decorating, or stocking of the Licensed Business, or any other reason. Franchisee expressly acknowledges and agrees that Franchisor does not, directly or indirectly, warrant or ensure that the design, decor, appearance, fixtures, layout, and/or other improvements of the Licensed Business will guaranty Franchisee's success.

5.5 Required Equipment; Vehicles. Franchisee and Franchisee's employees, agents and independent contractors will travel to Franchisee's customers' and prospective customers' residential or other properties only in vehicles (the "**Vehicle(s)**") that have been acquired, designed, equipped, painted, decaled, decorated and/or otherwise outfitted as specified by Franchisor. It is acknowledged that such restriction is necessary to present a uniform appearance to the public. The Vehicles must be operated and maintained in accordance with all specifications set forth in the Manuals, including, but not limited to, specifications concerning: 1) condition of the Vehicles; 2) cleanliness and appearance; 3) disposition; 4) safe driving 5) compliance with applicable laws; 6) taxes and license fees; and 7) insurance.

5.6 Maintaining the Licensed Business.

5.6.1 Franchisee shall maintain the tools, supplies and equipment used in the Licensed Business in a "like new" condition; and the Vehicle(s) in excellent condition and repair. Franchisee shall perform periodic maintenance on the Vehicle(s), when and as necessary or required, but no less frequently than as recommended by the manufacturer thereof, and shall not cause or allow the Vehicle(s) to be placed into service at any time that it is not clean, and free of dents, scratches or other damage or mechanical problems which affect its appearance or which could render such Vehicle(s) unsafe or excessively noisy. Without limiting the foregoing, the Vehicle(s) shall comply with all safety, maintenance and appearance regulations of all Governmental Authorities. Notwithstanding the foregoing, if at any time in Franchisor's reasonable judgment, the state of repair, of Franchisee's tools, equipment, signs and wraps, or Vehicle(s) fail to meet Franchisor's then-current policies and specifications, Franchisee shall immediately upon receipt of notice from Franchisor specifying the action to be taken and within the time period specified by Franchisor, correct such deficiency, repair or update the Vehicle(s) and tools, supplies and equipment, as applicable, and make such modifications and additions as may be required, including replacement of worn out or obsolete tools, supplies, equipment, signs, and wraps. The operation of the Licensed Business shall commence between 30 days and not later than 45 days following the Effective Date.

ARTICLE 6
TRAINING

6.1 Initial Training Program. At no extra charge, Franchisor shall provide an Initial Training Program in the Franchisor's System and methods of operation (the "**Initial Training Program**") at the Franchisor's training facilities in Los Angeles, California; or other location specified by Franchisor, to up to two (2) persons selected by Franchisee who shall include the Franchisee, if Franchisee is an individual, and Franchisee's Designated Manager, if Franchisee is an Entity. Franchisee may, at Franchisor's discretion, be required to pay Franchisor's then-current training fee for any personnel, beyond the initial two (2) individuals, who attend the Initial Training Program. The Initial Training Program shall consist of approximately 40 hours of training over a one-week period. The Initial Training Program shall be provided by Franchisor prior to the opening of the Licensed Business and must be completed before the Licensed Business opens to the public. Franchisee shall pay all Travel Expenses for its personnel, if any, incurred by Franchisee and/or Franchisee's employees in connection with attendance at training programs. Franchisee may not open the Licensed Business until such training shall have been completed to the satisfaction of Franchisor and Franchisee's management team has been approved by Franchisor.

6.1.2 Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the training course will be structured to provide practical training in the implementation and operation of a Painting Masters Business and may include such topics as Philosophy and

Services Provided, Recognizing Painting Failures, Hiring and Staffing, Advertising /Marketing, Initial contact / Presentation/ Closing the sale /Customer service, Pricing / Estimating, Scheduling / Job Site Management, and Quickbooks/Franchise reporting.

6.1.3 The Initial Training Program shall not be provided if (i) Franchisee and/or any Affiliate of Franchisee owns or operates two or more Painting Masters Businesses as of the Effective Date, provided however, that Franchisor may, in its sole discretion, require Franchisee and its Designated Manager to complete the Initial Training Program if Franchisee's (or its Affiliate's) existing Businesses are not in compliance with System Standards, or (ii) this Agreement is executed as a Successor Franchise Agreement.

6.1.4 Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Business, its judgment as to whether or not the Franchisee or his manager has satisfactorily completed such training shall be determined by Franchisor in its judgment.

6.2 On-Site Opening Assistance. Commencing shortly before and ending shortly after the Licensed Business opens to the public, Franchisor shall provide up to three (3) days of on-site training to Franchisee's Designated Manager and an Owner of Franchisee (**"On-Site Training"**). Franchisor shall provide the On-Site Training at no additional charge; provided, however, that if Franchisor determines in its reasonable discretion that more than three (3) of on-site training is necessary, Franchisee must reimburse Franchisor for all travel, living, compensation, and other expenses, incurred by Franchisor as a result of extending the On-Site Training. The On-Site Training shall be provided at Franchisor's sole discretion and control, however, the training will be structured to provide additional practical training in the implementation and operation of a Painting Masters Business.

6.3 Additional Training.

6.3.1 All newly hired and replacement Designated Manager(s) of the Licensed Business shall be subject to Franchisor's reasonable approval and shall successfully complete, to Franchisor's satisfaction, the Initial Training Program conducted by Franchisor. In addition, if the Licensed Business is not in compliance with System Standards, Franchisor may, in its sole discretion, require Franchisee, Franchisee's Designated Manager to re-attend and successfully complete, to Franchisor's satisfaction, the Initial Training Program. Franchisee, or Franchisee's Designated Manager, shall, to Franchisor's satisfaction, train each of Franchisee's regular employees prior to the first opening of the Licensed Business to the public and at all times thereafter during the Term. At all times during the Term, Franchisee shall employ an adequate staff of employees working at the Licensed Business who shall have been fully and adequately trained, in Franchisor's judgment, and all such employees shall have completed all training certification(s) required by any Governmental Authority, if applicable. Notwithstanding the first sentence of this Section, the Designated Manager(s) of Franchisee shall have the skill level, training and experience commensurate with the demands of the position, and in keeping with Franchisor's high standards for quality products, courteous service, and cleanliness of operations.

6.3.2 Franchisee shall pay Franchisor's then current, reasonable charges (as set forth in the Manuals) for any such training performed by Franchisor at Franchisee's request, or which is otherwise required hereunder and not covered by Sections 6.1.1 and 6.2 of this Agreement.

6.3.3 Franchisor may, from time to time, (i) require Franchisee, its Designated Manager(s), or any of them, to attend additional training courses or programs (**"Additional Training"**) during the Term; or (ii) make available to Franchisee, its Designated Manager(s), or any of them, optional Additional Training during the Term. Additional Training may be held on a national or regional basis at locations selected by Franchisor to instruct Franchisee with regard to new procedures or programs which Franchisor deems, in its judgment, to be of material importance to the operation of the Licensed Business. Such Additional Training may relate, by way of illustration, to service, in-home sales, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of Information Systems. Franchisor may establish charges applicable to all franchisees similarly situated for such optional training courses. The time and place of such training courses shall be at Franchisor's discretion. In addition to any charge Franchisor may establish, Franchisee shall pay all Travel Expenses incurred in connection with attendance at such courses. Franchisor shall pay no compensation for any services performed by trainee(s) in connection with the Additional Training.

6.3.4 Franchisor and its designees shall have the right to enter the Licensed Business to conduct training programs for franchisees (and prospective franchisees) of Franchisor, from time to time and at a time and in a manner consistent with Franchisor's reasonably established policies and procedures in effect from time to time.

6.4 Annual Meeting. Franchisee shall pay to Franchisor a registration fee, if one is assessed by Franchisor, of up to $750 per day to attend up to two (2) annual franchise meetings or conventions annually.

6.5 Other Assistance.

6.5.1 Franchisee shall have the right, at no additional charge, to inquire of Franchisor's headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Licensed Business, by telephone, electronic mail, facsimile, or other means of correspondence, and Franchisor shall use its best efforts to diligently respond to such inquiries, in order to assist Franchisee in the operation of the Licensed Business. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee or to defer Franchisees' obligation to pay any sums to Franchisor.

6.5.2 At Franchisee's request, Franchisor may, but shall not be obligated to (a) cause its field representatives to visit the Licensed Business to advise, consult with, or train Franchisee in connection with its performance and operation of the Licensed Business and Franchisee's compliance with the Manuals; or (b) permit Franchisee or certain of its employees, or outside industry experts, to provide assistance, consultation, or additional training at a Painting Masters Business, or other designated location, selected by Franchisor. If Franchisor provides such additional assistance, consultation or training to Franchisee: (w) such assistance, consultation or training will be subject to Franchisor's capacity, scheduling, and discretion, but Franchisor shall not be obligated to provide that assistance, consultation or training, (x) Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with such additional assistance, consultation, or training, (y) Franchisor shall not pay any compensation to Franchisee or Franchisee's employees for providing services at Franchisor's or another Franchisee's Business in connection with the assistance, consultation, or training, and (z) Franchisee shall pay such training charges as may be then in effect, and shall reimburse Franchisor for all Travel Expenses incurred by Franchisor and its personnel in connection with such training.

6.5.3 In the event of any sale, transfer, or Assignment, the transferee/assignee must be trained by Franchisor as a condition of Franchisor's consent to such transfer. The Licensed Business shall not be transferred, opened, or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Business and Franchisor has otherwise consented to the transfer in accordance with this Agreement.

ARTICLE 7
MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE

7.1 Compliance with Applicable Law. Franchisee shall operate the Licensed Business as a clean, orderly, legal and respectable business in accordance with Franchisor's System Standards, and shall comply with all Applicable Laws. Franchisee shall obtain and maintain throughout the Term, all Permits required by Applicable Law, or to the extent permitted by Applicable Law, until such time as Franchisee is able to secure its own Permits (which it shall do as soon as practicable), engage the services of a third party who possesses all required Permits, to act as a licensed consultant/overseer on its behalf until Franchisee is able to secure its own Permits. Franchisee shall not cause or allow any part of its Vehicle or Licensed Business to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action (or failing to take any action) which will cause Franchisor to be in violation of any Applicable Law. Franchisee shall refrain from engaging in action (or failing to take any action), which in the sole opinion of Franchisor, causes or could cause harm to the Marks, the System and/or the "Painting Masters" brand. If Franchisee shall receive any notice, report, fine, test results or the like from the applicable state or local department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor. Franchisee shall correct any such

deficiency noted within 10 days or such fewer number of days as required by the applicable Governmental Authority.

7.2 Designated Manager and Management Employees. The Designated Manager shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Agreement and the Licensed Business. The Designated Manager shall have the full authority to act on behalf of Franchisee in regard to performing, administering or amending this Agreement. The Designated Manager shall be vested with the authority and responsibility for the day-to-day operations of the Licensed Business and all other Businesses owned or operated, directly or indirectly, by Franchisee or its Affiliates within a geographic area specified by Franchisor. The Designated Manager shall, during the entire period he or she serves as such, meet the following qualifications: (a) shall devote full time and best efforts solely to operation of all Businesses owned or operated, directly or indirectly unless otherwise expressly approved by Franchisor, by Franchisee or its Affiliates in such geographic area and to no other business activities; (b) meet Franchisor's educational, experience, financial and other reasonable criteria for such position, as set forth in the Manuals or otherwise in writing by Franchisor; and (c) be an individual acceptable to Franchisor. The Designated Manager shall be responsible for all actions necessary to ensure that all Businesses owned or operated, directly or indirectly, by Franchisee in such geographic area are operated in compliance with this Agreement and the Manuals. If during the Term the Designated Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor's subsequent disapproval of such person), Franchisee shall promptly notify Franchisor of such occurrence. Thereafter, Franchisee shall promptly, but not later than 30 days after the prior Designated Manager ceases to serve Franchisee, (w) designate a replacement Designated Manager who meets Franchisor's then-current qualification requirements, (x) provide Franchisor with such information about such new Designated Manager as Franchisor may request, (y) cause such replacement Designated Manager to undergo, at Franchisee's cost, such training as Franchisor may require, and (z) obtain Franchisor's written acceptance of such person as the Designated Manager. Franchisor may, but is not required to, deal exclusively with the Designated Manager in such regards unless and until Franchisor's actual receipt of written notice from Franchisee of the appointment of a successor Designated Manager who shall have been accepted by Franchisor.

7.2.2 Franchisee shall notify Franchisor in writing at least 10 days prior to employing the Designated Manager setting forth in reasonable detail all information reasonably requested by Franchisor. Franchisor's acceptance of the Designated Manager shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Franchisee or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance.

7.2.3 Franchisee shall ensure that the operation of the Licensed Business is at all times under the direct control of the Designated Manager. At all times that the Licensed Business is open and at all times which pre-opening or post-closing activities are being undertaken at the Licensed Business, the Licensed Business shall be managed by a person that has successfully completed training (and if required, a person that is certified, by Franchisor in its discretion, for the performance of such responsibilities) and has successfully completed industry-specific training or certification courses and such other courses and training as may be specified by Franchisor and/or required by Applicable Law. Each such Designated Manager shall be solely dedicated to the operation of the Business to which the person is assigned. Franchisee shall supervise, direct and be responsible for in all respects, the activities and performance of all Designated Managers and other employees of the franchise and shall ensure compliance with the Manuals and otherwise.

7.3 Computer/Information Systems. Franchisee shall purchase, use and maintain the Information Systems specified in the Manuals in accordance with the System Standards. The Information Systems must at all time be connected to one or more high-speed communications media specified by Franchisor and be capable of accessing the Internet. Franchisee must electronically link the Information Systems to Franchisor or its designee. Franchisee shall allow Franchisor and/or its designee to access the Information Systems and stored files, and to add, remove, configure and modify information systems via any means including electronic polling and uploads, with or without notice. Franchisor may from time to time upon 30 days advance written notice require Franchisee, at Franchisee's sole cost and expense, to add, update, upgrade or replace the Information Systems, including hardware and/or software. Although Franchisor cannot estimate the future costs of the Information Systems, required

hardware, software, or service or support, and although these costs might not be fully amortizable over the time remaining in the Term, Franchisee agrees to acquire and incur the costs of obtaining and implementing the hardware, software and other components and devices comprising the Information Systems (including additions and modifications) and all support services, service and maintenance agreements and subscriptions prescribed by Franchisor to maintain, protect, and interface with Information Systems. Information Systems may be provided directly by third parties or may be sold, licensed or sublicensed by or through Franchisor at a reasonable one-time or recurring charge, and pursuant to forms of agreement prescribed by Franchisor.

7.3.2 Franchisee shall not use or permit the use of the Information Systems for any unlawful or non-business related activity. Franchisee shall not install or use, and shall prohibit others from installing and using, unauthorized hardware or other components and devices, software on or with the Information Systems. Franchisee shall take all commercially reasonable measures to insure that the Information Systems are used strictly in accordance with System Standards, including security protocols and protective measures including how passwords are assigned and rotated, prescribed limitations regarding which persons Franchisee may permit to access (via LAN, WAN, internet or otherwise), use, perform support and installation functions and conduct transactions with the Information Systems. No virus, Trojan horse, malicious code or other unauthorized code or software may be installed on, or transmitted by, the Information Systems. Franchisee shall at all times provide Franchisor with all passwords, access keys and other security devices or systems as necessary to permit Franchisor to access the Information Systems and obtain the data Franchisor is permitted to obtain. Franchisor reserves the right to add, control, modify, govern and block any and all network and internet traffic, ports, protocols, and destinations.

7.3.3 Franchisee shall, upon Franchisor's request, transmit e-mail, digital photos and real time video and audio signals of the Franchisee conducting the Business to, and in the form and manner prescribed by Franchisor. Franchisee shall provide Franchisor with a photographic and video release on a form prescribed by Franchisor and all applicable third parties which sells, assigns and grants Franchisor and its assigns and their affiliates and successors (collectively hereinafter "Assigns") all right, title and interest to and permission to copyright, use, publish and republish videos, photographs and other images of job sites and customer and Franchisee personnel and negatives and reproductions thereof, in any form, whether in whole, part or composite form, electronic, digital or conventional; blurred, altered or distorted; in color or black and white; video or otherwise for art, trade, internal distribution or any other lawful purpose in any lawful manner anywhere in the world and/or on the worldwide web, and waiving any right to inspect or approve any final product of such video, images, and photographs. Within a reasonable time upon Franchisor's request, Franchisee shall apply for and maintain systems for use of debit cards, credit cards, gift cards, and other non-cash payment methods. Franchisee shall adhere to all PCI (Payment Card Industry), CISP (Cardholder Information Security Program) and SDP (Site Data Protection) compliance specifications, as amended. Franchisee must use the preferred credit card processing vendor designated by Franchisor from time to time.

7.4 Manuals. Franchisee shall participate in the System and operate the Licensed Business in strict compliance with the System Standards and incorporated in Franchisor's Manual(s).

7.4.1 The subject matter of the Manuals may include matters such as: forms, information relating to service specifications, purchase orders, general operations, labor management, Gross Sales reports, training and accounting; sanitation; staff certification, design specifications and uniforms; display of signs and notices; authorized and required Information Systems, equipment and fixtures, including specifications therefor; Mark usage; insurance requirements; lease requirements; ownership requirements, standards for management and personnel, hours of operation; electronic or paper yellow page and local advertising formats; standards of maintenance and appearance of the Licensed Business; procedures upon the occurrence of a Crisis Management Event; and required posting of notices to customers as to how to contact the Franchisor to submit complaints and feedback; participation in surveys and mystery shopper programs; and such other matters and policies as Franchisor may reasonably elect to include which relate to the System or the franchise relationship under the System. In the event of the occurrence of a Crisis Management Event, Franchisor may also establish emergency procedures pursuant to which Franchisor may require Franchisee to, among other things, temporarily close the Licensed Business to the public, in which event Franchisor shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby. In the event of any dispute as to the contents of the Manuals, the terms and contents of the master copy maintained by Franchisor shall be controlling.

7.4.2 Franchisor shall have the right to modify the Manuals at any time and from time to time; provided, that no such modification shall alter Franchisee's fundamental status and rights under this Agreement. Modifications in the Manuals shall become effective upon delivery of written or electronic notice thereof to Franchisee unless a longer period is specified in such written notice or unless a longer period is set forth in this Agreement. The Manuals, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the Manuals shall be deemed to mean the Manuals kept current by amendments from time to time.

7.4.3 Upon the execution of this Agreement, Franchisor shall lend to Franchisee one copy of the Manuals, unless Franchisee purchased the Licensed Business from an existing franchisee or Franchisee has entered into this Agreement as a Successor Franchise Agreement. The Manuals and all amendments to the Manuals (and copies thereof) are copyrighted and remain Franchisor's property. They are loaned to Franchisee for the term of the Agreement, and must be returned to Franchisor immediately upon the Agreement's termination or expiration. The Manuals are highly confidential documents which contain certain Trade Secrets of Franchisor. Franchisee shall not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the Manuals without Franchisor's express prior written consent. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Manuals to Franchisor. Franchisee's loss or unauthorized transfer of the Manuals, or other breach of this Section shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

7.5 Hours. Subject to Applicable Law or subsequent written agreement between Franchisor and Franchisee to the contrary, Franchisor and Franchisee agree that the Licensed Business shall be open and available to make job proposals and perform and provide Authorized Painting Masters Products and Services a minimum number of days per week, as specified in the Manuals (except the holidays stated in the Manuals on which Franchisee is authorized to close the Licensed Business). Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales. Notwithstanding the foregoing, Franchisor may authorize or direct Franchisee and other franchisees to operate during hours and on fewer or more days than are specified in the Manuals and this Agreement.

7.6 Product Line and Service. Franchisee shall advertise, promote, sell and provide all and only Authorized Painting Masters Products and Services. All Authorized Painting Masters Products and Services shall be sold and provided under the specific name designated by Franchisor and shall be purchased, inventoried, stored and provided strictly in accordance with Franchisor's System Standards. Franchisee shall not cease to advertise, promote, sell and provide any Authorized Painting Masters Products and Services without Franchisor's express written approval, nor may Franchisee take any action which is intended to diminish the maximum sales potential of any of the Authorized Painting Masters Products and Services. All sales by Franchisee shall be at retail only. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding: (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Licensed Business for which Franchisor has not established authorized Suppliers.

7.7 Tools, Fixtures and Other Goods. All equipment to be used in the operation of the Licensed Business and other like articles used in connection with the Licensed Business shall conform to Franchisor's specifications, shall be imprinted with Franchisor's Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a Supplier designated or approved in writing by Franchisor, as provided in ARTICLE 9 of this Agreement. No item of supplies, equipment or tools shall be used in or upon any Business unless expressly approved by Franchisor.

7.8 List of Services.

7.8.1 Franchisee shall, upon receipt of notice from Franchisor, add, delete, or update any Authorized Painting Masters Products and Services, according to the instructions contained in the notice. Franchisee shall have 30 days after receipt of written notice in which to fully implement any such change.

Franchisee shall cease offering or selling any previously approved service or product within 30 days after receipt of notice that the product or service is no longer approved. Franchisor may instruct Franchisee to remove any item from the Authorized Painting Masters Products and Services on an emergency basis and Franchisee must comply with such instruction immediately. Franchisor shall not be liable to Franchisee for any losses sustained by Franchisee in connection with such instruction (or Franchisee's failure to comply with such instruction).

7.9 Notification of Legal Proceedings; and Crisis Management Events.Franchisee shall notify Franchisor in writing promptly and in no event more than 10 days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other Governmental Authority that pertains to the Licensed Business or that may adversely affect Franchisee's operation of the Licensed Business or ability to meet its obligations hereunder. Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor, as instructed in the Manuals, by telephone and email (or other electronic messaging medium authorized by Franchisor for this purpose). Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

7.10 Signs. In addition to decals, wraps and signs on the Vehicle (see Section 5.2.1), Franchisee shall maintain approved signs identifying the Office as part of a Painting Masters Business, which shall conform in all respects to Franchisor's System Standards, including specifications and requirements contained in the Manuals, subject only to restrictions imposed by Applicable Law. On receipt of notice by Franchisor of a requirement to alter any existing sign or decal, Franchisee will, at its cost, make the required changes within 30 days.

7.11 Uniforms and Employee Appearance. Franchisee shall cause all employees, while working in the Licensed Business only, and not at any other time, to: (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time, and (ii) present a neat and clean appearance. If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have 60 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. Unless Franchisor otherwise consents in writing, Franchisee's employees working in the Licensed Business shall be dedicated solely to the Licensed Business and shall not work at any other business owned or operated by Franchisee. In no case shall Franchisee permit any employee of Franchisee to wear the required uniform except while working during the operation of the Licensed Business, including at customer job sites.

7.12 Co-Branding. Franchisee may not engage in any co-branding in or in connection with the Licensed Business except with Franchisor's prior written consent. Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within a Painting Masters Business. "Co-branding" includes the operation of an independent business, product or service line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated with the Licensed Business and operated in a manner which is likely to cause the public to perceive it to be related to the business licensed and franchised hereunder.

7.13 Special Accounts. Franchisor may establish policies and procedures governing the provision of services to Special Accounts. Franchisee must comply with these policies and procedures, including any amendments. Franchisee acknowledges that Franchisor makes no representation or warranty that any specified amount of Special Account business will be provided within the Territory. Franchisor reserves the exclusive right to solicit, enter into and administer national and/or regional contracts with Special Accounts, provided Franchisor may, in its sole discretion offer Franchisee or another Franchisee the opportunity to service an office, facility, service or operation of the Special Account located in the Territory. Franchisee may not solicit offices, facilities, services or operations of Special Accounts without Franchisor's written consent. Franchisee will have no right to negotiate a national or regional agreement with Special Accounts having effect outside of the Territory unless Franchisor expressly requests Franchisee to do so in writing. If Franchisor enters into a contract with a Special Account applicable to the Territory, Franchisee may not arrange any different terms or collect any additional fees, if Franchisee has accepted the arrangement Franchisor has negotiated. Franchisee may service an office, facility, service or operation of the Special Account located in the Territory (and accept assignments to service a Special Account outside of the Territory) only if offered by Franchisor and if Franchisee agrees to participate in the program on the terms and conditions Franchisor has established with the applicable Special Account, including the

compensation Franchisor offers to Franchisee (which shall be deemed included in Gross Sales) and the Policies related to such Special Account. If Franchisee does not participate in the program for a Special Account, Franchisor may, without compensation to Franchisee, offer the arrangement with the Special Account to another franchisee or retain the same for Franchisor's account. Franchisor may provide a centralized billing system and dispatch service for Special Accounts. Franchisor may charge Franchisee an administrative fee resulting from performance of services to Special Accounts. The administrative fee will be in addition to, and will be calculated before deduction of, Continuing Royalties, Marketing Contributions and all other fees payable by Franchisee under this Agreement with respect to Special Accounts. Payment for services performed under any contract for a Special Account will be contingent on Franchisor receiving payment from the Special Account; Franchisor does not guaranty payment by the Special Account. Franchisor may deduct from Franchisor's payments due to Franchisee any amounts Franchisee owes to Franchisor.

7.14 Intranet. Franchisor may, at its option, establish and maintain an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the Manuals, updates thereto and other confidential information. Franchisor shall have discretion and control over all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

7.14.2 Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with System Standards, protocols and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage Default of any franchisee's franchise agreement, or other agreement with Franchisor or its Affiliates, (c) confidential treatment of materials that Franchisor transmits via the Intranet, (d) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (e) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet, and (f) 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 Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet 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.

7.14.3 Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications.

7.14.4 At Franchisor's request, Franchisee shall contribute a reasonable amount toward the cost of the Intranet's maintenance, as imposed from time to time by Franchisor. Such contribution shall be established by Franchisor as specified in the manuals.

7.14.5 If Franchisee shall default under this Agreement or any other agreement with Franchisor or its Affiliate, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the Manuals and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manuals.

7.14.6 If Franchisor has enabled the Intranet to facilitate Franchisee ordering goods and products from Franchisor and other vendors, then to the maximum extent possible, Franchisee shall order and purchase through the Intranet all goods, services and products available for purchase through the Intranet.

ARTICLE 8
ADVERTISING AND CO-OPS

8.1 General Advertising Requirements. Franchisee shall only use and display approved advertising material provided, from time to time, by Franchisor and shall use and display all material in accordance with Franchisor's Policies. Franchisee must obtain the prior written consent of Franchisor to use and/or display any advertising materials, including, without limitation, all print advertising, newspaper and magazine advertisements, direct mailers and mail coupons, not provided by Franchisor. Franchisee shall submit all such materials to Franchisor for approval and Franchisor shall grant or deny such approval within 15 days of receiving the materials. If Franchisor has not approved such materials within 15 days, the materials shall be deemed disapproved. Any advertising materials or concepts created by Franchisee and approved by Franchisor shall be deemed the sole and exclusive property of Franchisor. Franchisor may, in its discretion, require Franchisee to cease using any advertising materials which it has previously approved and upon receiving notification from Franchisor, Franchisee shall cease using such materials.

8.2 Local Advertising and Promotion. Each calendar year, Franchisee shall expend no less than the greater of 6% of Gross Sales or $5,000 per quarter of its Gross Sales for local advertising of the Licensed Business ("**Local Advertising Expenditure**"). Such local advertising does not include the cost of Franchisee listing the Licensed Business in online or telephone directories. Franchisor may require Franchisee to submit funds to Franchisor to purchase local advertising for Franchisee or direct Franchisee to make Local Advertising Expenditures and require Franchisee to submit verification of Franchisee's expenditures in a form prescribed by Franchisor. Unless Franchisor shall give its express written consent, Franchisee shall not use the Local Advertising Expenditure for yellow page advertising, market-wide research, seminars, entertainment, fees paid to consultants not approved by Franchisor, incentive programs, charitable contributions, press parties, or specialty items (unless part of a market-wide program approved by Franchisor and the cost of the same is not recovered by promotion). The value of discounts, coupon redemptions and/or products or services given without charge will not be considered to satisfy Franchisee's required Local Advertising Expenditure obligation under this Section 8.2. Samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise, must be submitted to Franchisor for Franchisor's review and consent prior to use, which approval Franchisor can condition or withhold in Franchisor's sole discretion. Franchisee agrees not to use any materials or programs disapproved by Franchisor at any time in Franchisor's sole discretion and Franchisee must use all materials and programs designated by Franchisor as mandatory. Franchisor can require that a brief statement regarding the availability of "Painting Masters" franchises be included in advertising used by Franchisee and/or that brochures regarding purchase of "Painting Masters" franchises be displayed in Franchisee's Painting Masters Business.

8.3 Marketing Fund. When, and if, Franchisor establishes the Marketing Fund in accordance with Section 4.3 of this Agreement, Franchisee's Marketing Contribution shall be applied to the Marketing Fund. An amount equal to all Marketing Fund revenues and allocations will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised, and Franchisor-owned (including Affiliate-owned) Business. Such expenditures may include: (a) creative development, production and placement of print advertisements, commercials, musical jingles, decals, radio spots, audio advertising, point of purchase materials, direct mail pieces, literature, outdoor advertising, door hangers, electronic media advertisements, and other advertising and promotional material; (b) creative development, preparation, production and placement of video, audio and written materials and electronic media, (c) to purchase artwork and other components for advertising; (d) media placement and buying, including all associated expenses and fees; (e) administering regional and multi-regional marketing and advertising programs; (f) market research, marketing studies and customer satisfaction surveys, including the use of secret shoppers; (g) development and production of, and, to the extent applicable, acquisition of, premium items, giveaways, promotions, contests, public relations events, and charitable or nonprofit events; (h) creative development of signage, posters, and individual décor items including wall graphics; (i) recognition and awards events and programs; (j) system recognition events, including periodic national and regional conventions and meetings; (k) website, extranet and/or Intranet development, implementation and maintenance; (l) development, implementation and maintenance of a website that permits electronic commerce, reservation system and/or related strategies; (m) retention and payment of advertising and promotional agencies and other outside advisors, including retainer and management fees; (n) public relations and community involvement activities and programs;

(o) expenditures for activities conducted for the benefit of co-branding, or other arrangements where Authorized Painting Masters Products and Services and/or services are offered in conjunction with other marks or through alternative channels of distribution; (p) development, amendment and revisions to the standards, policies and procedures set forth in the Manuals; and (q) payment to Franchisor or its Affiliates, for internal expenses incurred in connection with the operation of its marketing/advertising department(s), if any, and the administration of the Marketing Fund.

8.3.1 Franchisor may employ individuals, consultants or advertising or other agencies, including consultants or agencies owned by, operated by or affiliated with Franchisor, to provide services for the Marketing Fund. The Marketing Fund may be used to defray direct expenses of Franchisor employees related to the operation of the Marketing Fund, to pay for attorneys' fees and other costs related to the defense of claims against the Marketing Fund or against Franchisor relating to the Marketing Fund, and to pay costs with respect to collecting amounts due to the Marketing Fund. Marketing Fund money may be used to compensate Franchisor for overhead, marketing and other expenses incurred in connection with Franchisor's administration of the Marketing Fund.

8.3.2 Franchisor shall determine, in its discretion, the cost, media, content, format, style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns. Franchisee acknowledges that not all Franchisees are or shall be required to contribute, or contribute the same percentage of Gross Sales, to the Marketing Fund. Nothing herein shall be construed to require Franchisor to allocate or expend Marketing Fund contributions or allocations so as to benefit any particular franchisee, Franchisee or group of franchisees or franchisees on a pro rata or proportional basis or otherwise. Except as directed in writing by Franchisor, Franchisee must participate in all advertising, marketing, promotions, research and public relations programs instituted by the Marketing Fund. Franchisor may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Franchisor. Any additional advertising shall be at the sole cost and expense of Franchisee. The Marketing Fund shall, as available, provide to Franchisee marketing, advertising and promotional formats and sample materials at the Marketing Fund's cost of producing such items, plus shipping and handling. Franchisor (or its Affiliate) may collect rebates and allowances and credits from suppliers based on purchases or sales by Franchisee and Franchisor shall have the right to retain such sums for its own purposes, return such sums to be used by one or more franchisees, including for designated purposes, and use such sums for advertising the "Painting Masters" brand, or one or more of the foregoing purposes in Franchisor's discretion. Any such contribution of such rebates or credits to the Marketing Fund shall not reduce Franchisee's obligation to pay the Marketing Contribution. Franchisor may include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Marketing Fund.

8.3.3 Franchisor shall either (i) transfer the Marketing Contributions to a separate Entity to whom Franchisor has assigned or delegated the responsibility to operate and maintain the Marketing Fund, or (ii) administratively segregate on its books and records all Marketing Contributions received from Franchisee and all other franchisees of Franchisor. Nothing herein shall be deemed to create a trust fund, and Franchisor may commingle advertising fees with its general operating funds and expend such sums in the manner herein provided. For each Business that Franchisor or any of its Affiliate operates, Franchisor or such Affiliate will similarly allocate to the Marketing Fund the amount that would be required to be contributed to the Marketing Fund if it were a Licensed Business.

8.3.4 If less than the total of all contributions and allocations to the Marketing Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and may cause the Marketing Fund to borrow funds to cover deficits or invest surplus funds. If Franchisor (or an Affiliate) advances money to the Marketing Fund, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Marketing Fund may be retained by Franchisor for its own use in its discretion. Within 90 days following each fiscal year, Franchisor shall prepare a statement of contributions and expenditures for the Marketing Fund and, upon Franchisee's written request, Franchisor shall provide such information to Franchisee.

8.4 Co-op Advertising. The Franchisor may, but is not obligated to, from time to time establish regions for co-operative advertising ("**Co-op Advertising Regions**"), to coordinate advertising, marketing efforts and programs and maximizing the efficient use of local and/or regional advertising media.

8.4.1 If one or more Co-op Advertising Regions (local, regional, national, or otherwise) are formed covering Franchisee's Painting Masters Business, then Franchisee must join and actively participate. Each Painting Masters franchisee in good standing will be entitled to one vote per territory for each such territory that the franchisee owns and that is included in that particular Co-op Advertising Region. Franchisee can be required to contribute such amounts as are determined from time to time by Franchisor and such Co-op Advertising Regions. Each Co-op Advertising Region can adopt its own bylaws, rules, regulations and procedures, subject to Franchisor's consent in Franchisor's business judgment, provided that Franchisor has and will retain final control over all advertising, promotions, marketing, development, and protection plans and expenditures. Any failure to timely pay amounts due to, or to comply with the bylaws, rules, regulations and procedures of a Co-op Advertising Region, is a breach of this Agreement. Franchisor can offset against amounts Franchisor or any Affiliate owes to Franchisee the amount of Franchisee's unpaid Co-op Advertising Region obligations. Franchisor may collect funds and purchase advertising for a Co-op Advertising Region or direct the Co-op Advertising Region to make advertising expenditures. Franchisor can appoint one representative to participate in all Co-op Advertising Region meetings and activities as a non-voting participant. While Franchisor is not required to do so (except as stated in this Agreement), any matters Franchisor submits for approval to a Co-op Advertising Region of which Franchisee is a member and for which approval is granted, will be binding on Franchisee.

8.4.2 Subject to Section 8.4 of this Agreement, each Co-op Advertising Region will decide as to the usage of funds available to it for media time, production of media materials, whether for radio, television, newspapers or Business level materials such as flyers, or posters, or for any other type of advertising or marketing use, and then such Co-op Advertising Region shall in writing request approval from Franchisor to use said funds in said manner. Franchisor shall not withhold approval unreasonably, but no placement of advertising or commitment of advertising funds on behalf of a Co-op Advertising Region will be made without Franchisor's prior written approval. Franchisor reserves the right to establish general standards concerning the operation of the Co-op Advertising Region, advertising agencies retained by Co-op Advertising Region, and advertising programs conducted by Co-op Advertising Region. Any disputes (other than pricing) arising among or between Franchisee, other franchisees, and/or the Co-op Advertising Region may be resolved by Franchisor whose decision shall be final and binding on all parties. No Co-op Advertising Region may appoint or pay from the funds collected by the Co-op Advertising Region fees or costs of any advertising agency or buying group without the prior written permission of Franchisor.

8.5 Advertising Council. The Franchisor may, but is not obligated to, establish an advertising council comprised of franchisees that advises the franchisor on advertising policies. Any such Advertising Council can adopt its own bylaws, rules, regulations and procedures, subject to Franchisor's consent in Franchisor's business judgment, provided that Franchisor has and will retain final control over all advertising, promotions, marketing, development, and protection plans and expenditures. The Advertising Council is advisory only and while Franchisor will consider any suggestions and recommendations from the Advertising Council, Franchisor will not be obligated to implement any such suggestions or recommendations unless Franchisor decides to do so, in its sole discretion.

8.6 Telephone Numbers and Directory Advertising. In addition to the Marketing Contributions and required expenditures under Section 8.2, Franchisee shall, at its sole expense, maintain throughout the Term, the designated call center telephone numbers in online listings or in telephone directories as described in the Manuals, which service Franchisee's territory, as reasonably determined by Franchisor. Franchisor reserves the right to establish general standards concerning directory and other types of advertising.

8.7 Promotional Campaigns. From time to time during the term hereof, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee and each Co-op Advertising Region, if any, agrees to participate in such promotional campaigns upon such terms and conditions as the Franchisor may establish. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material (unless provided at no charge through the Marketing Fund).

8.8 Internet. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, website, domain

name, bulletin board, newsgroup or other Internet-related medium or activity) 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 thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with System Standards as Franchisor may establish from time to time.

8.8.2 Franchisor has established one or more Internet web sites. Franchisor shall have discretion over the design, content and functionality of such web sites. Franchisor may include one or more interior pages that identify Businesses operated under the Marks, including the Licensed Business, by among other things, geographic region, address, telephone number(s), and services. Such web-site(s) may also include one or more interior pages dedicated to the sale of franchises by Franchisor and/or relations with Franchisor's or its Affiliate's investors. Franchisor may permit Franchisee to periodically select from Franchisor's designated alternative design elements for an interior page (or portion thereof) dedicated to the Licensed Business. Such designated alternative design elements may change from time to time. Franchisor will implement any such designated design elements or changes promptly, subject to Franchisor's business needs and scheduling availability. Franchisor may disable or terminate such website(s), in whole or in part, without Franchisor having any liability to Franchisee.

8.8.3 Franchisee acknowledges and agrees that Franchisor (or its Affiliate) is the owner of, and will retain all right, title and interest in and to (i) the **www.paintingmasters.com** domain name and URL; (ii) all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (iii) all computer programs and computer code (e.g., HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties; (iv) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's web site(s); and (v) all intellectual property rights in or to any of the foregoing.

ARTICLE 9
DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

9.1 Painting Masters Products and Services. At all times throughout the Term, Franchisee shall purchase and maintain an inventory of such tools, supplies, and equipment as necessary to meet reasonably anticipated consumer demand for the Authorized Painting Masters Products and Services.

9.2 Proprietary Products and Services. Franchisor may, from time to time throughout the Term, require that Franchisee purchase, use, offer and/or promote, and maintain in stock for use in connection with the Licensed Business (i) in such quantities as are needed to meet reasonably anticipated consumer demand, certain branded proprietary products, supplies, tools, services and equipment, which are produced or manufactured under the Marks in accordance with Franchisor's Trade Secrets, proprietary specifications and/or formulas or which Franchisor designates as "proprietary," and (ii) certain packaging, Information Systems, other products, supplies, tools, services and equipment (including specific paint) designated by Franchisor as "proprietary" ("**Proprietary Products and Services**"). Franchisee shall purchase Proprietary Products and Services only from Franchisor or its Affiliates (if they sell the same), or Franchisor's designees. Franchisor shall not be obligated to reveal such Trade Secrets, standards, specifications and/or formulas of such Proprietary Products and Services to Franchisee, non-designated suppliers, or any other third parties.

9.3 Non-Proprietary Products and Services. Franchisor may designate certain non-proprietary, approved paint types and brands, tools and supplies, equipment, uniforms, paper goods, services, packaging, forms, Information Systems, and other products and services, other than Proprietary Products and Services, which Franchisee may or must use and/or offer and sell at the Licensed Business ("**Non-Proprietary Products and Services**"). Franchisee may, but shall not be obligated to, purchase such Non-Proprietary Products and Services from Franchisor or its Affiliate, if Franchisor or such Affiliate, supply the same. Franchisee may use, offer or sell only such Non-Proprietary Products and Services that Franchisor has expressly authorized, and that are purchased or obtained from Franchisor or a producer, manufacturer, distributor, supplier or service provider ("**Supplier**") designated or approved by Franchisor pursuant to Section 9.3.2 of this Agreement. As of the Effective Date, Franchisor has designated Sherwin Williams paint as the exclusive brand to be used by Franchisee in connection with the Licensed Business; provided Franchisor may designate an alternate Supplier, brand, or brands in the future.

9.3.1 Franchisee may purchase authorized Non-Proprietary Products and Services from (i) Franchisor or its Affiliates (if they sell the same); (ii) Suppliers designated by Franchisor; or (iii) Suppliers selected by Franchisee and approved in writing by Franchisor prior to Franchisee making such purchase(s). Each such Supplier designated by Franchisor must comply with Franchisor's usual and customary requirements regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to the reasonable satisfaction of Franchisor: (a) its ability to supply a Non-Proprietary Product and Service meeting the specifications of Franchisor, which may include specifications as to brand name, model, contents, manner of preparation, quality and compliance with governmental standards and regulations; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to meet such other requirements as determined by Franchisor to be in the best interest of the system.

9.3.2 If Franchisee should desire to procure authorized Non-Proprietary Products and Services from a Supplier other than Franchisor or one previously approved or designated by Franchisor (and not subsequently disapproved), Franchisee shall deliver written notice to Franchisor of its desire to seek approval of such Supplier, which notice shall (a) identify the name and address of such Supplier, (b) contain such information as may be requested by Franchisor or required to be provided pursuant to the Manuals (which may include reasonable financial, operational and economic information regarding its business and its product), and (c) identify the authorized Non-Proprietary Products and Services desired to be purchased from such Supplier. Franchisor shall, upon request of Franchisee, furnish to Franchisee the general, but not manufacturing, specifications for such Non-Proprietary Products and Services if such are not contained in the Manuals. The Franchisor may thereupon request that the proposed Supplier furnish Franchisor at no cost to Franchisor, product samples, specifications and such other information as Franchisor may require. Franchisor or its representatives, including qualified third parties, shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other Businesses.

9.3.3 Franchisor will use its good faith efforts to notify Franchisee of its decision within 60 days after Franchisor's receipt of Franchisee's request for approval and other requested information and items in full compliance with this Section 9.3; should Franchisor not deliver to Franchisee, within 60 days after it has received such notice and all information and other items requested by Franchisor in order to evaluate the proposed Supplier, a written statement of approval with respect to such Supplier, such Supplier shall be deemed disapproved as a Supplier of the authorized Non-Proprietary Products and Services described in such notice. Nothing in this article shall require Franchisor to approve any Supplier, and without limiting Franchisor's right to approve or disapprove a Supplier in its discretion, Franchisee acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one Supplier in any given market area and that among the other factors Franchisor may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Franchisor and its Franchisees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. Without limiting the foregoing, Franchisor may disapprove a proposed Supplier, if in Franchisor's opinion, the approval of the proposed Supplier would disrupt or adversely impact Franchisor's national or regional distributional arrangements. Franchisor may also determine that certain Non-Proprietary Products and Services shall be limited to a designated brand or brands set by Franchisor. Franchisor may revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's criteria. Franchisee agrees that at such times that Franchisor establishes a regional purchasing program for any of the raw materials used in the preparation of Authorized Painting Masters Products and Services or other Non-Proprietary Products and Services used in the operation of the Licensed Business, which may benefit Franchisee by reduced price, lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Franchisee or other tangible benefits to Franchisee, Franchisee will participate in such purchasing program in accordance with the terms of such program.

9.3.4 As a further condition of its approval, Franchisor may require a Supplier to agree in writing: (i) to provide from time to time upon Franchisor's request free samples of any Non-Proprietary Product and Service it intends to supply to Franchisee, (ii) to faithfully comply with Franchisor's specifications for applicable Non-Proprietary Products and Services sold by it, (iii) to sell any Non-Proprietary Product and Service bearing the Franchisor's Marks only to franchisees and Franchisees of Franchisor and only pursuant to a trademark license agreement in form prescribed by Franchisor, (iv) to provide to Franchisor duplicate purchase invoices for Franchisor's records and inspection purposes and (v) to otherwise comply with Franchisor's reasonable requests.

9.3.5 Franchisee or the proposed Supplier shall pay to Franchisor in advance (or upon Franchisor's request, reimburse Franchisor for) all of Franchisor's reasonably anticipated costs in reviewing the application of the Supplier to service the Franchisee and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the Suppliers' facilities, and equipment, and all product testing costs paid by Franchisor to third parties.

9.3.6 Franchisee shall at all times remain current and fully comply and perform each of its obligations to its vendors and Suppliers.

9.4 Purchases from Franchisor or its Affiliates.

9.4.1 All goods, products, and supplies purchased from Franchisor or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by Franchisor (or the applicable Affiliate), the current form of which shall be set forth in the Manual, and in accordance with the policies set forth in the Manuals, if any. Franchisor (or such Affiliate) may change the prices, delivery terms and other terms relating to its sale of goods, services, products and supplies ("**Goods and Services**") to Franchisee on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated Franchisees (excluding shipping, transportation, warehousing, insurance and related costs and expenses). Such prices shall be Franchisor's (or the Affiliate's) then-current prices, which may change from time to time. Franchisee further acknowledges that prices the Franchisor (or the applicable Affiliate) charges to Franchisee may include a profit to Franchisor and may be higher than Franchisor's (or its Affiliate's) internal prices allocated or charged to Franchisor or Affiliate owned Business. Presently, Franchisor (or its Affiliate) expects to receive a mark-up based on its or their cost of goods sold. Franchisor (or the applicable Affiliate) in its discretion, may discontinue the sale of any of the Goods and Services at any time if in Franchisor's (or the applicable Affiliate) judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. Franchisor (or the applicable Affiliate) shall not be liable to Franchisee for unavailability of, or delay in shipment or receipt of, merchandise because of temporary product shortages, order backlogs, production difficulties, delays, unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Franchisor (or the applicable Affiliate). If any goods or products sold by Franchisor (or the applicable Affiliate) are not in sufficient supply to fully fulfill all orders therefor, Franchisor (or the applicable Affiliate) may allocate the available supply among itself, its Affiliates and others, including Franchisee and other franchisees, in any way Franchisor (or the applicable Affiliate) deems appropriate, which may result in Franchisee not receiving any allocation of certain goods or products as a result of a shortage. All product orders by Franchisee shall be subject to acceptance by Franchisor (or the applicable Affiliate) at Franchisor's (or the applicable Affiliate's) designated offices, and Franchisor (or the applicable Affiliate) reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Franchisee shall submit to Franchisor (or the applicable Affiliate), upon written request, financial statements which contain sufficient information to enable Franchisor to determine the credit limits, if any, to be extended to Franchisee. Franchisor (or the applicable Affiliate), in its sole discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis.

9.4.2 Each order placed by Franchisee, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as Franchisor (or the applicable Affiliate) may from time to time specify, and shall be submitted on such form of purchase order as may be prescribed by Franchisor from time to time. No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Franchisor (or the applicable Affiliate), nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by Franchisee. No new or additional term or condition contained in any order placed by Franchisee shall be deemed valid, effective or accepted by Franchisor unless such term or condition shall have been expressly accepted by Franchisor (or the applicable Affiliate) in writing.

9.4.3 Franchisor (or the applicable Affiliate) shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond Franchisor's (or the applicable Affiliate's) reasonable control including such events

as labor or material shortages, conditions of supply and demand, import/export restrictions, or disruptions in Franchisor's (or the applicable Affiliate's) supply sources.

9.4.4 Franchisor may collect rebates and credits in the form of cash or services or otherwise from Suppliers based on purchases or sales by Franchisee and Franchisor shall have the right to retain such sums for its own purposes, return such sums to be used by one or more franchisees, including for designated purposes, and use such sums for advertising the "Painting Masters" brand, or one or more of the foregoing purposes in Franchisor's discretion, notwithstanding any designation by the Supplier or otherwise.

9.4.5 Franchisor (or the applicable Affiliate) may act as a Supplier of goods, services, products, and/or supplies purchased by Franchisee, and Franchisor (or its Affiliate) may be designated as the sole Supplier of any such Goods or Services. On the expiration or termination of this Agreement, or in the event of any default by Franchisee of this Agreement, Franchisor (or the applicable Affiliate) shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee, and Franchisor may notify its approved Suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such Suppliers to deliver only such quantity of Proprietary Products and Services as is reasonably necessary to supply Franchisee's needs prior to the expiration or termination date of this Agreement.

9.4.6 From time to time upon Franchisor's (or the applicable Affiliate's) request, Franchisee shall promptly estimate the level of purchases that Franchisee expects to make from Franchisor (or the applicable Affiliate).

9.5 Test Marketing. Franchisor may, from time to time, authorize Franchisee to test market products and/or services in connection with the operation of the Licensed Business. Franchisee shall cooperate with Franchisor in connection with the conduct of such test marketing and shall comply with the Franchisor's rules and regulations established from time to time in connection herewith.

9.6 Customer Reporting and Comment Cards.

9.6.1 At Franchisor's request, Franchisee shall use reasonable efforts to secure the names, addresses and other information reasonably required by Franchisor, of Franchisee's customers at the Licensed Business and shall allow such information to be used by Franchisor. Franchisee may not divulge such customer names, addresses or other information, with or without remuneration, to any third party. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

9.6.2 At Franchisor's request, Franchisee shall use in the Licensed Business, in the manner specified in the Manuals, all physical and electronic methods to gather customer information and comments regarding their experience with the Licensed Business, or "Painting Masters" businesses in general.

ARTICLE 10
REPORTS, BOOKS AND RECORDS, INSPECTIONS

10.1 General Reporting. Franchisee shall, as and when specified by Franchisor, submit to Franchisor statistical control forms and such other financial, operational and statistical information (by paper, facsimile, email, or other method of transmission) as Franchisor may require to: (i) assist Franchisee in the operation of the Licensed Business in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's Gross Sales, purchases, costs and expenses; (iii) enable Franchisor to develop chain wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new authorized products or the removal of existing unsuccessful Authorized Painting Masters Products and Services; (v) enable Franchisor to refine existing Authorized Painting Masters Products and Services; (vi) generally improve chain-wide understanding of the System (collectively, the "**Information**"). Without limiting the generality of the foregoing:

10.1.1 Unless otherwise agreed by Franchisor in writing, Franchisee shall also submit condensed reports (by paper, facsimile, email, or other method of transmission) of daily Gross Sales to Franchisor on a weekly basis in accordance with the guidelines established by Franchisor. Franchisee will electronically link the Licensed Business to Franchisor and will allow Franchisor to poll on a daily basis at a time selected by the Franchisor the

Licensed Business Information Systems to retrieve Information including sales, sales mix, usage, and operations data.

10.1.2 On or before the 1st day following the close of each Accounting Period during the Term hereof, Franchisee shall submit a Gross Sales report signed by Franchisee, on a form prescribed by Franchisor, reporting all Gross Sales for the preceding Accounting Period, together with such additional financial information as Franchisor may from time to time request.

10.1.3 On or before the 15th day following each calendar quarter during the Term hereof, Franchisee shall submit to Franchisor financial statements for the preceding calendar quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by the Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete.

10.1.4 Within 90 days following the end of each calendar year, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in such form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Franchisee shall submit to Franchisor a copy of the original signed 1120 or 1120S tax form each and every year or any other forms which take the place of the 1120 or 1120S forms. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate state or local authority. Franchisor reserves the right to require such further information concerning the Licensed Business as Franchisor may from time to time reasonably request.

10.2 Inspections. Franchisor's authorized representatives shall have the right, from time to time, to enter job sites and the Office to confer with Franchisee's employees and/or customers, inspect and check operations, painting services, and determining whether the business is being conducted in accordance with this Agreement, the System and the Manuals. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Licensed Business. If any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including quality, cleanliness, service, health and authorized product and service line, Franchisor will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the System, or this Agreement and Franchisee shall promptly correct or repair such deficiency or unsatisfactory condition. In accordance with Section 7.4, Franchisor may require Franchisee to take and thereafter Franchisee shall take, immediate corrective action, which action may include temporarily closing the Licensed Business. If Franchisee does not achieve satisfactory results on any inspection, Franchisee must reimburse Franchisor for all costs of such inspection and any follow up inspections until the identified problems have been corrected.

10.3 Audits. Franchisee shall prepare, and keep for not less than 7 years following the end of each of its fiscal years, or such longer period required under Applicable Law, adequate books and records showing daily receipts in, at, and from the Licensed Business, applicable sales tax returns (if any), all sales and information systems records, and such other sales records as may be reasonably required by Franchisor from time to time to verify Gross Sales and purchases reported by Franchisee to Franchisor, in a form suitable for an audit of its records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods and services offered and sold, where possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. Franchisor may also conduct the audit at a site other than the Office and Franchisee shall provide all information to Franchisor, its agents or representatives, promptly upon demand (but not later than 5 days following the date of the request). If any audit or other investigation reveals an under-reporting or under-recording error, then upon demand Franchisee shall pay the amount determined to be owed, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of 18% percent per annum. In addition, if any such audit or other investigation reveals an under-reporting or under-recording error of 2% or more, then in addition to any other sums due and in addition to any other rights and remedies it may have, including the right to terminate this Agreement as provided in ARTICLE 14, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include Franchisor's travel, lodging, wage expense and reasonable accounting and legal expense. Without limiting the foregoing, if such audit or other investigation reveals an under-reporting or under-recording error of 5% percent or more, Franchisor, in addition to any other rights and remedies it may have, including the right to terminate this

Agreement as provided in ARTICLE 14, may require Franchisee to maintain and deliver to Franchisor from time to time, financial statements audited by an independent certified public accountant.

10.4 Books and Records. Franchisee shall maintain an accounting and record keeping system, in accordance with sound business practices, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger, and reports required by this Agreement and the Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to such accounting information.

ARTICLE 11
TRADEMARKS

11.1 Use of Marks. Franchisee acknowledges that as of the Effective Date neither Franchisor nor its Affiliates has secured registration of the "Painting Masters" and "Neighborhood Painting Masters" or other Marks in the United States, but has filed trademark registration applications for some or all of the Marks. Subject to Section 0 of this Agreement, the Licensed Business shall be named **"Painting Masters"** with only such additional prefix or suffix as may be required by Franchisor from time to time. Franchisee shall use and display such of Franchisor's trade dress, Marks, and such signs, advertising and slogans only as Franchisor may from time to time prescribe or approve. Upon expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of the trade dress and Marks and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do. Franchisee shall not imprint or authorize any person to imprint any of the Marks on any product without the express written approval of Franchisor. Franchisee shall not use the Marks in connection with any offering of securities or any request for credit without the prior express written approval of Franchisor. Franchisor may withhold or condition any approval related to the Marks, including those described in this Section, in its discretion. During the Term, Franchisee shall identify the Licensed Business as an independently owned and operated franchise of Franchisor, in the form and manner specified by Franchisor, including on all invoices, order forms, receipts, checks, business cards and in other media and advertisements as Franchisor may direct from time to time.

11.2 Non-Use of Trade Name. If Franchisee is an Entity, it shall not use Franchisor's Marks, or Franchisor's trade name, or any words or symbols which are confusingly phonetically or visually similar to the Marks, as all or part of Franchisee's name.

11.3 Use of Other Trademarks. Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Licensed Business without the express prior written consent of Franchisor.

11.4 Non-ownership of Marks. Nothing herein shall give Franchisee, and Franchisee shall not assert, any right, title or interest in Franchisor's trade dress, or to any of the Marks or the goodwill annexed thereto, except a mere privilege and license during the term hereof, to display and use the same according to the terms and conditions herein contained.

11.5 Defense of Marks. If Franchisee receives notice, or is informed, of any claim, suit or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter on account of its use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand. Thereupon, Franchisor shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party; Franchisor shall not be obligated to take any such action, however. Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Franchisor. Franchisor shall have the sole right to defend, compromise or settle any such claim, in its discretion, at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee may participate at its own expense in such defense or settlement, but Franchisor's decisions with regard thereto shall be final.

11.6 Prosecution of Infringers. If Franchisee shall receive notice or is informed or learns that any third party, which it believes to be unauthorized to use the Franchisor's trade dress or Marks, is using Franchisor's trade

dress or Marks or any variant thereof, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use. Thereupon, Franchisor shall, in its discretion, determine whether or not it wishes to take any action against such third person on account of such alleged infringement of the trade dress and/or Marks. Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement.

11.7 Modification of Marks. From time to time, in the Manuals or in directives or bulletins supplemental thereto, Franchisor may add to, delete or modify any or all of the Marks and trade dress. Franchisee shall, at its cost and expense, use, or cease using, as may be applicable, the Marks and/or trade dress, including any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the Manuals or in written directives issued by Franchisor to Franchisee, as though they were specifically set forth in this Agreement. Except as Franchisor may otherwise direct, Franchisee shall implement any such change within 60 days after notice thereof by Franchisor, at Franchisee's expense.

11.8 Acts in Derogation of the Marks. Franchisee agrees that Franchisor's trade dress and the Marks are the exclusive property of Franchisor and/or its Affiliates and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise. Franchisee further agrees that it is familiar with the standards and high quality of the use by Franchisor and others authorized by Franchisor of the trade dress and Marks in the operation of Businesses, and agrees that Franchisee will maintain this standard in its use of the Marks and trade dress. All use of the Marks and trade dress by Franchisee inures to the benefit of Franchisor. Franchisee shall not contest or assist anyone in contesting at any time during or after the Term, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its Affiliates in connection with the same, either during the Term of this Agreement or thereafter, and that it will use the Marks and Franchisor's trade dress only for the uses and in the manner licensed and/or franchised hereunder and as herein provided. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of Franchisor's trade dress and/or the Marks by any other franchisee or licensee of Franchisor; or (ii) divert or attempt to divert any business or any customers of the Licensed Business to any other person or Entity, 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.

11.9 Assumed Name Registration. If Franchisee is required to do so by Applicable Law, Franchisee shall promptly upon the execution of this Agreement file with applicable Governmental Authorities, a notice of its intent to conduct its business under the name "Painting Masters" with only such additional prefix or suffix as may be required by Franchisor from time to time. Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to do so for and on behalf of Franchisee.

ARTICLE 12
COVENANTS REGARDING OTHER BUSINESS INTERESTS

12.1 Non-Competition. Franchisee acknowledges that the System is distinctive and has been developed by Franchisor and/or its Affiliates at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and trade secrets regarding the System. Franchisee recognizes its obligations to keep confidential such information as set forth herein. Franchisee therefore agrees that, except to the extent such restriction is prohibited by Applicable Law:

12.1.1 During the Term, no Restricted Person or Designated Manager shall in any capacity, either directly or indirectly, through one or more affiliated Entities, (i) engage in any Competitive Activities at any location, unless Franchisor shall consent thereto in writing, or (ii) divert or attempt to divert any business or any customers of the Licensed Business to any other person or Entity, 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.

12.1.2 Upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cession of any Restricted Person's relationship with Franchisee, each person who was a Restricted Person before such event shall not for a period of 24 months thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any business engaged in Competitive Activities: (a) within the Territory, or (b) within an area within 10 miles from any then-existing Painting Masters Business, without the Franchisor's prior written consent. In applying for such consent, Franchisee will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other franchisees of the Franchisor.

12.2 Trade Secrets. Franchisor possesses and continues to develop, and during the course of the relationship established hereunder, Restricted Persons may have access to, proprietary and confidential information, including the Trade Secrets, proprietary software (and related documentation) formulas, specifications, procedures, concepts and methods and techniques of developing and operating a Painting Masters Business and producing Authorized Painting Masters Products and Services. Franchisor may disclose certain of its Trade Secrets to Restricted Persons in the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, and through the Franchisor's training program and other guidance and management assistance, and in performing Franchisor's other obligations and exercising Franchisor's rights under this Agreement. "Trade Secrets" shall not include information which: (a) has entered the public domain or was known to Franchisee prior to Franchisor's disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Franchisor or its Affiliates; (b) becomes known to the Restricted Persons from a source other than Franchisor or its Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Franchisor or its Affiliates; or (c) was independently developed by Franchisee without the use or benefit of any of the Franchisor's Trade Secrets. The burden of proving the applicability of the foregoing will reside with Franchisee.

12.2.1 Each Restricted Person shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating the Licensed Business during the Term of this Agreement. A Restricted Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Trade Secrets in any business or other endeavor other than in connection with the Licensed Business; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement; and (iii) make no unauthorized copy of any portion of the Trade Secrets, including the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Franchisee shall operate the Business and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use and disclosure of the Trade Secrets, including, implementing restrictions and limitations as Franchisor may prescribe on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Trade Secrets. Promptly upon Franchisor's request, Franchisee shall deliver executed copies of such agreements to Franchisor. If Franchisee has any reason to believe that any employee has violated the provisions of the confidentiality and noncompetition agreement, Franchisee shall promptly notify Franchisor and shall cooperate with Franchisor to protect Franchisor against infringement or other unlawful use including, but not limited to, the prosecution of any lawsuits if, in the judgment of Franchisor, such action is necessary or advisable. Without limiting the foregoing, Franchisor may also impose reasonable restrictions and conditions, from time to time, on the disclosure of financial or statistical information in connection with the sale or potential sale of the Licensed Business, including the execution of confidentiality agreements.

12.2.2 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party shall have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the U.S. federal courts sitting in Los Angeles, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in Los Angeles, California. Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the

dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

12.3 Confidentiality and Press Releases. Franchisee shall not disclose the substance of this Agreement to any third party except as necessary to obtain any Permits or other approvals, or to the extent required by the lawful order of any court of competent jurisdiction or federal, state, or local agency having jurisdiction over Franchisee, provided that Franchisee shall give Franchisor prior notice of such disclosure. Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Licensed Business or any Crisis Management Event shall be made by Franchisee without the written approval of Franchisor in advance of such press release announcement, or public communication.

12.4 Effect of Applicable Law. In the event any portion of the covenants in this Article violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice. The provisions of this Article shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

12.5 Business Practices. Franchisee represents, warrants and covenants to Franchisor that:

12.5.1 As of the date of this Agreement, Franchisee and each of its Owners (if Franchisee is an Entity) shall be and, during the Term shall remain, in full compliance with all applicable laws in each jurisdiction in which Franchisee or any of its Owners (if Franchisee is an Entity), as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official thereof, or candidate is an owner or has any investment interest in the revenues or profit of Franchisee;

(b) None of the property or interests of Franchisee or any of its Owners is subject to being "blocked" under any Anti-Terrorism Laws. Neither Franchisee, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Franchisee) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Franchisee and its Owners are in compliance with Applicable Law, including all such Anti-Terrorism Laws;

(c) Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(d) Franchisee is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

12.5.2 Franchisee has taken all necessary and proper action required by Applicable Law and has the right to execute this Agreement and perform under all of its terms. Franchisee shall implement and comply with anti-money laundering policies and procedures that incorporate "know-your-customer" verification programs and such other provisions as may be required by applicable law.

12.5.3 Franchisee shall implement procedures to confirm, and shall confirm, that (a) none of Franchisee, any person or entity that is at any time a legal or beneficial owner of any interest in Franchisee or that provides funding to Franchisee is identified by name or address on any Terrorist List or is an Affiliate of any person

so identified; and (b) none of the property or interests of Franchisee is subject to being "blocked" under any Anti-Terrorism Laws.

12.5.4 Franchisee shall promptly notify Franchisor upon becoming aware of any violation of this Section or of information to the effect that any person or entity whose status is subject to confirmation pursuant to Section 12.5.3 above is identified on any Terrorist List, any list maintained by OFAC or to being "blocked" under any Anti-Terrorism Laws, in which event Franchisee shall cooperate with Franchisor in an appropriate resolution of such matter.

12.5.5 In accordance with Applicable Law, none of Franchisee nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or entity acting in an official capacity on behalf of, the Governmental Authority, or any political party or official thereof or while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to any official, for the purpose of (a) influencing any action or decision of such official in his or its official capacity; (b) inducing such official to do or omit to do any act in violation of his or its lawful duty; or (c) inducing such official to use his or its influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority in order to obtain certain business for or with, or direct business to, any person.

12.6 Survival. The provisions of this Article shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or Franchisor's Marks, System, Trade Secrets, or any other proprietary aspects of Franchisor's business.

ARTICLE 13
NATURE OF INTEREST, ASSIGNMENT

13.1 Assignment by Franchisor. This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Franchisor's interests herein; provided, however, that such transferee and successor shall expressly agree to assume Franchisor's obligations under this Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate; (ii) sell its assets, its marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Franchisor shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof). Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment. In connection with any of the foregoing, at Franchisor's request, Franchisee shall deliver to Franchisor a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Franchisee is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Franchisor may reasonably request; and Franchisee agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor.

13.2 Assignment by Franchisee. The rights and duties created by this Agreement are personal to Franchisee. This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, its Owners who will actively and substantially participate in the development ownership and operation of the Licensed Business. Accordingly, except as otherwise may be permitted herein, neither Franchisee nor any Owner (other than Franchisor, if applicable) shall, without Franchisor's prior written consent, cause or permit any Assignment. Any such purported Assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee, and shall be null and void. Except in the instance of Franchisee advertising to sell the Licensed Business and assign this Agreement in accordance with the terms hereof, Franchisee shall not, without Franchisor's prior written consent,

offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, tools, supplies, equipment, or the real or personal property used in connection with the Licensed Business. Franchisee may not make any Assignment to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any Owner of Franchisee may be offered for sale through the public offering of securities. To the extent that any prohibition on the pledge, hypothecation, encumbrance or granting of a security interest in this Agreement or the assets of the Licensed Business may be ineffective under Applicable Law, Franchisee shall provide not less than 10 days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement or the assets of the Licensed Business.

13.2.2 If Franchisee is an Entity, Franchisee shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment".

13.2.3 Franchisor will not unreasonably withhold its consent to any Assignment which is subject to the restrictions of this Article, provided however, Franchisor may impose any reasonable condition to the granting of its consent, and requiring Franchisee to satisfy any or all of the following conditions shall be deemed reasonable:

(a) Franchisee's written request for Franchisor's consent to Assignment must be accompanied by a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Franchisor may reasonably request;

(b) Franchisor's receipt of an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Franchisor or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Franchisor may require;

(c) Franchisee's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party; provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Franchisee shall make representations and warranties to Franchisor customary for transactions of the type proposed (the "**ROFR**"). If Franchisor elects to exercise the ROFR, Franchisor or its nominee, as applicable, shall send written notice of such election to Franchisee within 60 days of receipt of Franchisee's request (the "**ROFR Period**"). If Franchisor accepts such offer, the training and transfer/administrative fees due by Franchisee in accordance with this Agreement shall be waived by Franchisor, and the closing of the transaction shall occur within 60 days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing (or the failure to close the transaction within 60 days following the written notice provided by Franchisee) shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer. Franchisor's failure to exercise such ROFR shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer. Without waiving any other rights provided for herein or otherwise, Franchisor hereby waives its ROFR if the proposed transferee/assignee is an immediate family member of Franchisee;

(d) The Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor shall have been paid in full;

(e) The Franchisee, and its Owners, if the Franchisee is an Entity, shall execute a general release under seal, in a form prescribed by Franchisor, of any and all claims against Franchisor, its Affiliates, Owner(s), directors, officers, agents and employees;

(f) The transferee/assignee shall have demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current requirements for new Business operators or for holders of an interest in a franchise or license, including possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the sale of Painting Masters Products and Services, and the ability to fully comply with the terms of this Agreement;

(g) The transferee/assignee shall have either (a) assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor; provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any such obligations; or (b) at Franchisor's option, shall have executed a replacement franchise agreement on the then-current standard form of franchise agreement used by Franchisor in the State in which the Licensed Business is being operated, provided, however, that the term of replacement franchise agreement shall be the remaining term of this Agreement, and, at the Franchisor's request, the transferor/assignor shall have executed a continuing guaranty in favor of Franchisor of the performance and payment by the transferee/assignee of all obligations and debts to Franchisor and its Affiliates under the replacement franchise agreement;

(h) The assignee shall agree to update the equipment, tools, vehicle(s) and supplies used in connection with the Licensed Business to comply with Franchisor's then-current System Standards as needed (in Franchisor's discretion);

(i) There shall not be any suit, action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the Licensed Business;

(j) Upon submission of Franchisee's request for Franchisor's consent to any proposed transfer or assignment, Franchisee shall pay to Franchisor a non-refundable administrative/transfer fee equal to $7,000; and

(k) The transferee/assignee, its manager and other employees responsible for the operation of the Licensed Business shall have satisfactorily completed Franchisor's Initial Training Program, executed and delivered a written guaranty in a form prescribed by Franchisor on behalf each of the transferee's/assignee's 10% or greater Owners in accordance with Section 13.3.3 of this Agreement, and paid all fees related thereto.

13.2.4 Franchisor's consent to an Assignment shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (a) any payment or other duty owed by Franchisee to Franchisor under this Agreement before such Assignment; or (b) Franchisee's duty of indemnification and defense as set forth in Section 17.2 of this Agreement, whether before or after such Assignment, or (c) the obligation to obtain Franchisor's consent to any subsequent transfer.

13.3 Entity Franchisee. If a Franchisee is an Entity, the following provisions will apply:

13.3.1 Franchisee represents and warrants that the information set forth in Exhibit C, which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Franchisee shall notify Franchisor in writing within 10 days of any change in the information set forth in Exhibit C, and shall submit to Franchisor a revised Exhibit C, certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Exhibit C. Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

13.3.2 All of Franchisee's organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Business, pursuant to one or more franchise agreements from Franchisor. Franchisee shall submit to Franchisor, upon the execution of this Agreement and

thereafter from time to time upon Franchisor's request, a resolution of Franchisee (or its governing body) confirming that Franchisee is in compliance with this provision.

13.3.3 All present and future Owners of a 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee, will execute a written guaranty in a form prescribed by Franchisor, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Franchisor and to Franchisor's Affiliates. For purposes of determining whether said 10% threshold is satisfied, holdings of spouses (and family members who live in the same household) and Affiliates shall be aggregated. Upon each transfer or assignment of an interest in Franchisee, or other change in ownership interests in Franchisee, and at any other time upon Franchisor's request, said holders shall re-execute a written guaranty in a form prescribed by Franchisor.

13.3.4 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay, in addition to any transfer fee required under Section 13.2.3(j) of this Agreement, to Franchisor a non-refundable fee of $5,000, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees. Franchisee shall give Franchisor written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section.

13.4 Assignment to a Controlled Entity. If Franchisee is one or more individuals, and in the event that Franchisee proposes to transfer all of its interest in this Agreement and the assets of the Business operated hereunder to an Entity formed by Franchisee solely for the convenience of ownership, Franchisee may (without paying the transfer fee specified in Section 13.2.3(j) of this Agreement), with Franchisor's written consent, transfer such interest and assets, provided, and on condition that:

(a) Upon Franchisor's request, Franchisee delivering to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents, and Franchisor has accepted the same;

(b) the transferee Entity's articles of incorporation or articles of organization, bylaws, and operating agreement, as applicable, shall provide that its activities are confined exclusively to operating the Business operated hereunder;

(c) Franchisee directly owns not less than 100% of the Equity and voting rights of the transferee Entity;

(d) such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified;

(e) the person designated by Franchisee as the Designated Manager has exclusive day-to-day operational control of the Licensed Business;

(f) such Entity conducts no other business than the operation of the Business;

(g) such Entity assumes all of the obligations under this Agreement pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor;

(h) Each individual comprising Franchisee, and all present and future owners of 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights of Franchisee shall execute a written guaranty, in a form prescribed by Franchisor, personally, irrevocably and unconditional guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Franchisor and its Affiliates under this Agreement;

(i) That none of the Owners of the Equity of the transferee Entity is, directly or indirectly, engaged in a Competitive Activity;

(j) At Franchisor's request, Franchisee shall, and shall cause each of its Affiliates who have executed a franchise agreement and each direct or indirect parent or subsidiary of such Affiliate, to execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees; and

(k) Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection with the transfer, including attorney's fees.

13.4.2 In the event that Franchisee exercises its rights under Section 13.4.1 of this Agreement then Franchisee and such assignee Entity shall affirmatively covenant to continue to satisfy each of the conditions set forth in Section 13.4.1 of this Agreement throughout the term of this Agreement.

ARTICLE 14
DEFAULT AND TERMINATION

14.1 General. Franchisor shall have the right to terminate this Agreement only for "cause". **"Cause"** is hereby defined as a default of this Agreement. Franchisor shall exercise its right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners.

14.2 Automatic Termination Without Notice. Subject to Applicable Laws of the jurisdiction in which the Licensed Business operated hereunder is located to the contrary, Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall at Franchisor's election automatically terminate without notice to Franchisee if: (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Franchisee shall allow a judgment against him in the amount of more than $25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) the Licensed Business, or the Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against the Franchisee remains unsatisfied for (30) days (unless a supersedeas or other appeal bond has been filed); (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Licensed Business, and it is not discharged within 5 days of such levy or attachment; (v) Franchisee permits any recordation of a notice of mechanics lien against the Licensed Business or any equipment at the Licensed Business which is not released within 60 days, or if any person commences any action to foreclose on the Licensed Business or said equipment; (vi) Franchisee allows or permits any judgment to be entered against Franchisor or any of its Affiliates, arising out of or relating to the operation of the Licensed Business ; (vii) a condemnation or transfer in lieu of condemnation has occurred; (viii) Franchisee or any of its Owners, officers, directors, or key employees is convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the Franchisor's reputation, System, Marks or the goodwill associated therewith, or Franchisor's interest therein; provided, however that if the crime or offense is committed by an Owner other than an Designated Manager, then Franchisor may only terminate on account thereof if such Owner fails within 30 days

after the conviction or guilty plea, whichever first occurs, to sell its interest in Franchisee to Franchisee's other Owners; or (ix) Franchisee's failure to comply with ARTICLE 12 or ARTICLE 21 of this Agreement.

14.3 Option to Terminate Without Opportunity to Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events:

14.3.1 Abandonment. If Franchisee shall abandon the Licensed Business. For purposes of this Agreement, "abandon" shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Licensed Business open and operating for business for a period of 3 consecutive days, except as provided in the Manuals, (ii) Franchisee's failure to keep the Licensed Business open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Licensed Business, unless such failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Licensed Business solely with the "Painting Masters" name (as the same may be modified in accordance with this Agreement); or (iv) closing of the Licensed Business required by Applicable Law if such closing was not the result of a violation of this Agreement by Franchisor.

14.3.2 Assignment, Death or Incapacity. If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor; provided, however, that if the Licensed Business continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Franchisor shall allow up to 9 months after such death or legal incapacity for the heirs, personal representatives, or conservators (the "**Heirs**") of Franchisee either to enter into a new Franchise Agreement upon Franchisor's then current form (except that no initial franchise fee or transfer fee shall be charged), if Franchisor is subjectively satisfied that the Heirs meet the Franchisor's standards and qualifications, or if not so satisfied to allow the Heirs to sell the Licensed Business to a person approved by Franchisor, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning 20% or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 20% or more of any of the Partnership Rights of a Franchisee which is a Partnership, Franchisor shall allow a period of up to 9 months after such death or legal incapacity for the Heirs to seek and obtain Franchisor's consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable by Franchisor. If, within said 9 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Licensed Business to a person approved by Franchisor pursuant to this Agreement, or fail either to receive Franchisor's consent to the Assignment of such Equity to the Heirs or to another person acceptable by Franchisor, as provided in this Agreement, this Agreement shall thereupon automatically terminate;

14.3.3 Repeated Defaults. If Franchisee shall default in any obligation as to which Franchisee has previously received 2 or more written notices of default from Franchisor setting forth the default complained of within the preceding 12 months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure;

14.3.4 Violation of Law. If Franchisee fails, for a period of 10 days after having received notification of noncompliance from Franchisor or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Licensed Business;

14.3.5 Sale of Unauthorized Products. If Franchisee sells unauthorized products to the public after notice of default and thereafter sells such products, whether or not Franchisee has cured the default after one or more notices;

14.3.6 Under Reporting. If an audit or investigation conducted by Franchisor hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of same as herein provided; and, without limiting the foregoing, if, on 3 or more occasions in any single 36 month period, any audits or other investigations reveals an under-reporting or under-recording error of 2% or more, or on any single occasion any audit or other investigation reveals an under-reporting or under-recording of 5% or more;

14.3.7 Intellectual Property Misuse. If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Licensed Business, the System, or the "Painting Masters" brand generally. Franchisee's unauthorized use, disclosure, or duplication of the "Trade Secrets", excluding independent acts of employees or others if Franchisee shall have exercised its best efforts to prevent such disclosures or use;

14.3.8 Misrepresentation. If Franchisee makes any material misrepresentations relating to the acquisition of this Agreement;

14.3.9 Health or Safety Violations. Franchisee's conduct of the Licensed Business is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health (for example, using unauthorized paint or chemicals, or allowing a dangerous condition arising from a failure to strictly comply with any health code or ordinance or other Applicable Law to continue despite Franchisee's knowledge of such condition), or selling expired or other unauthorized products to the public after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices; and

14.3.10 Failure to Complete Training. If Franchisee, or the initial Designated Manager fails to complete all phases of the Initial Training Program to Franchisor's satisfaction prior to the opening of the Licensed Business.

14.4 Termination With Notice and Opportunity To Cure. Except for any default by Franchisee under Sections 14.2 or 14.3 of this Agreement, and as otherwise expressly provided elsewhere in this Agreement, Franchisee shall have 10 days (5 days in the case of any default in the timely payment of sums due to Franchisor or its Affiliates) after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

14.5 Reimbursement of Franchisor Costs. In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within 5 days after cure or upon demand by Franchisor if such default is not cured.

14.6 Cross-Default. Any default by Franchisee under the terms and conditions of this Agreement, or any other agreement between Franchisor (or its Affiliate), and Franchisee (or any Affiliate of Franchisee), or any default by Franchisee (or any Affiliate of Franchisee) of its obligations to any Co-Op Advertising Region of which it is a member, shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Franchisor may, at its option, terminate any or all said agreements.

14.7 Notice Required By Law. Notwithstanding anything to the contrary contained in this Article, in the event any valid, Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

14.8 Termination by Franchisee. Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder, which default is not cured by Franchisor within 60 days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, Franchisor shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion. This is a material term of this Agreement and an arbitrator shall not, and shall

not have the power or authority to, waive, modify or change this requirement in any arbitration proceeding or otherwise. If Franchisee terminates this Agreement pursuant to this Section, Franchisee shall comply with all of the terms and conditions of ARTICLE 15 of this Agreement.

14.9 Operation after Termination — Holdover Status. If this Agreement expires without execution of a Successor Franchise Agreement (or other written extension signed by the parties), or is terminated, and Franchisee continues to operate Franchisee's Painting Masters Business, Franchisee will be bound by all of the terms of this Agreement (including, but not limited to, all operational requirements and mandatory marketing expenditures) provided, however, that Franchisee will pay Franchisor a minimum continuing royalty amount of Six Hundred Dollars ($650.00) per week or thirteen and one-half percent (13.5%) of Gross Receipts each week, whichever is greater, in lieu of the minimum continuing royalty amount specified above. Franchisor's acceptance of any amounts paid by Franchisee during the Holdover Status does not constitute a waiver of any of Franchisor's rights upon termination of the Agreement.

ARTICLE 15
RIGHTS AND OBLIGATIONS UPON TERMINATION

15.1 General. Upon the expiration or termination of Franchisee's rights granted under this Agreement:

15.1.1 Franchisee shall immediately cease to use all Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall immediately return the Manual, all training materials, CD ROMs, DVDs, records, customer lists, files, advertising and promotional materials and all other written materials incorporating Trade Secrets and all copies of the whole or any part thereof to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Office or Vehicle so that it no longer contains or resembles Franchisor's proprietary designs, including: Franchisee shall remove all materials that would identify the Office or Vehicle as part of a Painting Masters Business operated under the Marks and System, and remove distinctive cosmetic features and finishes, decals and colors and signage from the Office or Vehicle, as Franchisor may reasonably direct.

15.1.2 If Franchisor so elects, at its sole option, upon any termination or expiration of this Agreement, Franchisee will sell to Franchisor such equipment and furnishings as Franchisor may designate that are associated with the Licensed Business at its net book value, using a 5-year straight line amortization period. Franchisor shall have no other payment obligations to Franchisee, and Franchisee specifically waives any and all claims to be paid for other equipment, furnishings, fixtures, products, supplies or the goodwill associated with the terminated Licensed Business (which goodwill Franchisee acknowledges is owned exclusively by Franchisor). Franchisor may offset against any obligations it may have pursuant to this Section any amounts owed by Franchisee to Franchisor.

15.1.3 Franchisor may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Franchisor, its Affiliates, and/or suppliers.

15.1.4 Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate.

15.1.5 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate, and Franchisee shall immediately cease and thereafter refrain from representing itself as then or formerly a Franchisee or other Affiliate of Franchisor.

15.1.6 Franchisee shall transfer and assign to Franchisor or its designee all telephone numbers, white and yellow page listings, on-line telephone listings and all other associated listings for the Licensed Business, and Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Licensed Business, and authorize and instruct their transfer to Franchisor. Franchisee shall deliver all goods and materials containing the Marks to Franchisor and Franchisor shall have the sole and exclusive use of any items containing the Marks. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option.

15.1.7 If Franchisor shall have authorized Franchisee to use the Marks, or any of them in connection with the Internet, any website, or e-mail address, Franchisee shall cancel or assign to Franchisor or its designate, as Franchisor determines, all of Franchisee's right, title and interest in any Internet websites or web pages, e-mail addresses, domain name listings and registrations which contain the Marks, or any of them, in whole or in part, and Franchisee shall notify Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies, upon the termination or expiration hereof, of the termination of Franchisee's right to use any domain name, web page and other Internet devise associated with Franchisor or the Licensed Business, and authorize and instruct their cancellation or transfer to Franchisor, as directed by Franchisor. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises its said rights or options. For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks, or any of them in connection with the Internet, except with the prior consent of Franchisor as provided in this Agreement.

15.2 Survival of Obligations. Termination or expiration shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration) covenants and agreements including the obligation of Franchisor and Franchisee to arbitrate any and all disputes shall survive the termination or expiration of this Agreement.

15.3 No Ownership of Marks. Franchisee acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor.

15.4 Government Filings. In the event Franchisee has registered any of Franchisor's Marks or the name "Painting Masters" as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete Franchisor's Marks and any confusingly similar marks or names therefrom.

ARTICLE 16
INSURANCE

16.1 Insurance.Franchisee shall obtain, from a broker the Franchisor designates, and maintain (at all times during the Term) insurance coverage in the types and amounts of coverage and deductibles specified in the Manuals which shall in each instance designate Franchisor and its designated Affiliates as additional named insureds, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld.

16.2 Use of Proceeds.In the event of damage to the Licensed Business or Vehicle(s) covered by insurance, the proceeds of any such insurance shall be used to restore the Licensed Business or Vehicle(s), as applicable, to its original condition as soon as possible, unless Franchisor has otherwise consented to in writing. Upon the obtaining of such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage.

16.3 Proof of Insurance.Franchisee shall, prior to opening the Licensed Business, (and from time to time, within 10 days after a request therefor from Franchisor, and annually thereafter provide evidence of the renewal or extension of each insurance policy) file with Franchisor, certificates of such insurance and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums and Franchisor's costs in taking such action.

ARTICLE 17
RELATIONSHIP OF PARTIES, DISCLOSURE

17.1 Relationship of Franchisee to Franchisor.It is expressly agreed that 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 or co-venturer of or with the other, each being independent. Franchisee agrees that it shall not under any circumstances hold itself out as the agent, representative, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is one of independent contractor and not a fiduciary relationship.

17.2 Indemnity. Franchisee shall protect, defend and indemnify Franchisor, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Entity or to any property arising out of or in connection with Franchisee's development, construction (including any latent or patent defects), maintenance or operation of the Vehicle and the Licensed Business.

17.2.2 Franchisor shall give Franchisee prompt written notice of any claim for which Franchisor demands indemnity (provided that such obligation shall not constitute a condition to Franchisee's indemnification obligation unless Franchisee has been materially harmed by such delay). Franchisor shall retain the full right and power to direct, manage, control and settle the litigation of any claim. Franchisor shall submit all indemnifiable claims to its insurers in a timely manner. Any payments made to an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims.

ARTICLE 18
PURCHASE OPTION

18.1 Option to Purchase Licensed Business.

18.1.1 Franchisor shall have an option, exercisable by written notice to Franchisee within 30 days of the effective date of expiration or termination of this Agreement, to purchase or assume Franchisee's interest in all or part of the tangible personal property used in the operation of the Licensed Business and any other material, equipment or supplies.

18.1.2 The purchase price for the Assets shall be Franchisee's cost and for other personal property shall be the lesser of fair market value or Franchisee's cost. Franchisee must provide Franchisor will clear title and possession to the Assets which means that those Assets are not subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by franchisee's vendors or suppliers; or (v) tax liens. Franchisor can deduct the full amount of all accrued obligations owing to Franchisor or its principals or affiliates from the purchase price payable to Franchisee.

18.1.3 In determining fair market value, the parties shall exclude any factor or increment for goodwill or going-concern value and fair market value shall in no event exceed the actual depreciated value claimed by Franchisee on its federal income tax returns or as computed on a 5 year straight-line basis, whichever results in a greater depreciation deduction. Franchisor shall be permitted to deduct and set off against the purchase price to be paid to Franchisee all sums due and owing Franchisor.

18.1.4 The purchase price will be paid in cash, or as agreed between the parties, at the closing of any such purchase.

ARTICLE 19
ARBITRATION

19.1 Arbitration. Except as precluded by Applicable Law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged breach hereof, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration. Said arbitration shall be conducted before and will be heard by three arbitrators in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("**AAA**"). Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, the proceedings shall be held in the City of Los Angeles, State of California. All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee. The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 20.7 of this Agreement. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

19.2 Awards. The arbitrator will have the right to award or include in his award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Section 20.13 of this Agreement, provided that the arbitrator will not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties shall be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counter-claim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

19.2.1 Permissible Parties. Franchisee and company agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between Franchisee and company will not be consolidated with any other arbitration proceeding involving company and any other person or entity.

19.2.2 Survival. The provisions of this Section 19.1 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19.3 Injunctive Relief. Notwithstanding anything to the contrary contained in Section 20.7 of this Agreement, Franchisor and Franchisee will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Marks of Franchisor; or any claim or dispute involving or contesting the validity of any of the Marks. However, the parties will contemporaneously submit their dispute for arbitration on the merits. Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

ARTICLE 20
MISCELLANEOUS PROVISIONS

20.1 Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one business day after transmission by facsimile or other electronic system expressly approved in the Manuals as appropriate for delivery of notices hereunder (with confirmation copy sent by regular U.S. mail), or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Franchisor: Painting Masters Franchise Corporation
12800 South Broadway
Los Angeles, California 90061
Attn:

With copy (which shall not constitute notice) to:

Kenneth R. Costello, Esq.
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, California 90401
Facsimile No.: (310) 576-2200

If to Franchisee: See Section 1.1

Any party may change his or its address by giving 10 days prior written notice of such change to all other parties.

20.2 Franchisor's Right To Cure Defaults. In addition to all other remedies herein granted if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for default or breach hereunder and without notice to Franchisee, cure such default or breach for the account and on behalf of Franchisee, and the cost to Franchisor thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Franchisor hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Franchisor.

20.3 Waiver and Delay. No waiver by Franchisor of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Licensed Business) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Licensed Business) or the Manuals, shall constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Franchisor will consider written requests by Franchisee for Franchisor's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Franchisor is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's discretion, at any time and for any reason, effective upon 10 days prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

20.4 Survival of Covenants. The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

20.5 Successors and Assigns; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained herein. This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party hereto.

20.6 Joint and Several Liability. If Franchisee consists of more than one person or Entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several, and such person(s) and/or Entities shall be deemed to be a general partnership.

20.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws principles, except that (a) the provisions in Sections 12.1 through and including 12.4 of this Agreement, which shall be governed by the laws of the state in which the Business operated hereunder is located, and (b) and state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

20.8 Entire Agreement. This Agreement and the Manuals contain 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, understandings and representations are merged herein and superseded hereby. Franchisee represents that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained herein. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any Franchise Disclosure Document for prospective franchisees required by Applicable Law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

20.9 Titles For Convenience. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

20.10 Gender And Construction. The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section hereof may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, acceptance, approval or authorization of Franchisor which Franchisee may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion, and on any occasion where Franchisor is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets System Standards, Franchisor may do so in its sole subjective judgment and discretion. No provision herein expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

20.11 Severability. Nothing contained in this Agreement shall 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 Manuals and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Manuals thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Manuals shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

20.12 Counterparts. This Agreement may be executed in any number of counterparts, 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.

20.13 Fees and Expenses. If any party to this Agreement shall bring any arbitration, action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy, and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

20.14 Waiver of Jury Trial; Venue. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES: (1) HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND (2) THEY AGREE THAT LOS ANGELES, CALIFORNIA SHALL BE THE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

_____	_____
FRANCHISEE INITIALS	FRANCHISOR INITIALS

ARTICLE 21
FINANCIAL COVENANT

21.1 Debt to Capital Employed. Unless Franchisor otherwise agrees in writing, at no time during the Term shall Franchisee's ratio of debt to capital employed be greater than 50%; and Franchisee shall promptly notify Franchisor if at any time such ratio is greater than 50%.

ARTICLE 22
SUBMISSION OF AGREEMENT

22.1 General. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor.

ARTICLE 23
ACKNOWLEDGMENT

23.1 General. Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof; that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Except as set forth in the Franchise Disclosure Document, if any such representation was made, Franchisor expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date of execution by

"Franchisor"

Painting Masters Franchise Corporation

_____
Date of Execution

Name:_____
Its:_____

"Franchisee"

_____
Date of Execution

[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

_____
Name:_____
Its: _____, and individually

APPENDIX 1

"AAA" shall have the meaning set forth in Section 19.1 of this Agreement.

"Accounting Period" means each of the fifty-two weeks in a calendar year.

"Additional Training" shall have the meaning set forth in Section 6.3.3 of this Agreement.

"Marketing Contribution" shall have the meaning set forth in Section 4.3 of this Agreement.

"Marketing Fund" shall have the meaning set forth in Section 4.3 of this Agreement.

"Affiliate" when used herein in connection with Franchisor or Franchisee, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Franchisor or Franchisee, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Franchisee includes any Entity 10% or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold 10% or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Franchisee, the term "Affiliate" shall not include or refer to the Franchisor or that Affiliate, and no obligation or restriction upon an "Affiliate" of Franchisee, shall bind Franchisor, or said Affiliate or their respective direct and indirect parents or subsidiaries, or their respective officers, directors, or managers.

"Agreement" means this Franchise Agreement.

"Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

"Applicable Law" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, governing the development, construction and operation of the Licensed Business, including all labor, immigration, food and drug laws and regulations, as in effect on the Effective Date hereof, and as may be amended, supplemented or enacted from time to time.

"Assets" means all of the following personal property and assets owned by Franchisee or in which Franchisee otherwise has any rights, and located at, or used in connection with the Licensed Business: (a) all accounts, licenses, permits, and contract rights, including this Agreement, leasehold interests, all telephone and fax numbers, email addresses, telephone and other directory listings, general intangibles, receivables, claims of Franchisee, all guaranties and security therefor and all of Franchisor's right, title and interest in the goods purchased and represented by any of the foregoing; (b) all chattel paper including electronic chattel paper and tangible chattel paper; (c) all documents and instruments; (d) all letters of credit and letter-of-credit rights and all supporting obligations; (e) all deposit accounts; (f) all investment property and financial assets; (g) all inventory and products thereof and documents therefor; (h) all furniture, fixtures, equipment, leasehold improvements and machinery, wherever located and all documents and general intangibles covering or relating thereto; (i) all books and records pertaining to the foregoing, including computer programs, data, certificates, records, circulation lists, subscriber lists, advertiser lists, supplier lists, customer lists, customer and supplier contracts, sales orders, and purchasing records; (j) all software including computer programs and supporting information; (k) all commercial tort claims; (l) all other personal property of Franchisee of any kind used in connection with the Licensed Business ; and (m) all proceeds of the foregoing, including proceeds of insurance policies.

"Assignment" shall mean and refer to any assignment, transfer, gift or other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise, of any interest in this Agreement or

any of Franchisee's rights or privileges hereunder, or all or any substantial portion of the assets of the Licensed, including the Lease; provided, further, however, that if Franchisee is an Entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, hypothecation or other encumbrance of more than 49% in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee; (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than 51% of the outstanding Equity or voting power of Franchisee; (iii) if Franchisee is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than 49% of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning more than 49% of the Equity or voting power of Franchisee; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected.

"**Authorized Painting Masters Products and Services**" means those products and services designated or approved by Franchisor in the Manuals or otherwise in writing, for Franchisee to advertise, promote, offer, sell and provide to customers of the Licensed Business from time to time.

"**Competitive Activities**" means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any Business that specializes in the preparation, production or sale, at retail or wholesale, of any product or featured service which is now or in the future any Authorized Painting Masters Product and Service, other than a Painting Masters Business operated pursuant to a validly subsisting franchise agreement with Franchisor. Notwithstanding the foregoing, "**Competitive Activities**" shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Entity.

"**Continuing Royalty**" shall have the meaning set forth in Section 4.2 of this Agreement.

"**Co-op Advertising Regions**" shall have the meaning set forth in Section 8.4 of this Agreement.

"**Crisis Management Event**" means any event that occurs at or about the Licensed Business that has caused or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of Businesses or Franchisor or its Affiliates.

"**Default**" or "**default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"**EFT**" shall have the meaning set forth in Section 4.5.1 of this Agreement.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity which is not an individual.

"**Equity**" means capital stock, membership interests, Partnership Rights, or other equity ownership interests of an Entity.

"**Force Majeure**" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force

Majeure. For the avoidance of doubt, Franchisee's financial inability to perform or Franchisee's insolvency shall not be an event of Force Majeure hereunder.

"**Goods and Services**" shall have the meaning set forth in Section 9.4.1 of this Agreement.

"**Governmental Authority**" means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Sales**" means the total of all revenues received or receivable by Franchisee as payment, whether in cash or for credit or barter, or other means of exchange (and, if for credit or barter, whether or not payment is received therefor), on account of any and all goods, merchandise, services or products sold in or from the Licensed Business or which are promoted or sold under any of the Marks, during each Accounting Period of the Term, whether or not Franchisor offers such services or products in its other locations, including; (a) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Entity (including Franchisee's Affiliate(s)) from the Licensed Business; (b) sales of Authorized Painting Masters Products and Services in contravention of this Agreement; (c) the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible; and (d) revenues services provided by Franchisee to Special Accounts assigned to Franchisee, if any. Notwithstanding the foregoing, "Gross Sales" shall exclude the following: (i) sums representing sales taxes collected directly from customers by Franchisee in the operation of the Licensed Business, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided by the Licensed Business, provided that such taxes are actually transmitted to the appropriate Governmental Authority; (ii) sums representing tips, gratuities or service charges paid directly by customers to employees of Franchisee or paid to Franchisee and promptly and to the extent turned over to such employees by Franchisee in lieu of direct tips or gratuities; (iii) proceeds from isolated sales of used equipment and trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Licensed Business nor having any material effect upon the ongoing operation of the Licensed Business required under this Agreement; and (iv) revenues received on account of sales of pre-paid gift cards and certificates; provided, however, that revenues received on redemption of such pre-paid gift cards and certificates shall be included as part of "Gross Sales." For purposes of clarity, with respect to goods, merchandise, services or products sold pursuant to coupons or other discounts, Gross Sales shall not include the amount discounted from the purchase price of such goods, merchandise, services or products.

"**Heirs**" shall have the meaning set forth in Section 14.3.2 of this Agreement.

"**Holdover Status**" shall mean the continued operation of a Painting Masters Business after the expiration or termination of this Agreement.

"**Information**" shall have the meaning set forth in Section 10.1 of this Agreement.

"**Information Systems**" means all electronic based hardware, software, middleware, web-based solutions, wireless, electronic interfaces, cabling, and other electronic devices, including, computer systems, point of sale and cash collection systems, data systems, network systems, printer systems, internet systems, telecommunication systems, systems, security systems, digital media systems, video and still digital cameras, power systems, music systems, and required service and support systems and programs.

"**Internet**" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of transmission.

"**Licensed Business**" means, as context requires, the Painting Masters Business to be developed, or already developed by Franchisee pursuant to this Agreement.

"**Local Advertising Expenditure**" shall have the meaning set forth in Section 8.2 of this Agreement.

"**Manuals**" means Franchisor's library of operations and training manuals, including start-up manual and franchise unit operation manual, and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"**Marks**" shall have the meaning set forth in Recital A above.

"**Non-Proprietary Products and Services**" shall have the meaning set forth in Section 9.3 of this Agreement.

"**Notice of Election**" shall have the meaning set forth in Section 3.4.1 of this Agreement.

"**On-Site Training**" shall have the meaning set forth in Section 6.2 of this Agreement.

"**Owner**" means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Franchisee, the term "Owner" shall not include or refer to the Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the "Franchisee", or its Owners shall bind Franchisor, or said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

"**Partnership Rights**" means voting power, property, profits or losses, or partnership interests of a Partnership.

"**Partnership**" means any general partnership, limited partnership, or limited liability partnership.

"**Permits**" means and includes all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

"**Policies**" means the standards, specifications, policies, rules, regulations, procedures, protocols, restrictions, recommendations and guidelines as Franchisor may establish and revise from time to time, whether contained in the Manuals or as Franchisor may otherwise direct in writing.

"**Proprietary Products and Services**" shall have the meaning set forth in Section 9.2 of this Agreement.

"**Restricted Persons**" means the Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, the Designated Manager, and the spouse and family members who live in the same household of each of the foregoing who are individuals.

"**ROFR**" shall have the meaning set forth in Section 13.2.3(c) of this Agreement.

"**ROFR Period**" shall have the meaning set forth in Section 13.2.3(c) of this Agreement.

"**Special Accounts**" means classes of special customers (which may include national accounts, retail chains, large builders, other large businesses, government agencies, and/or otherwise) as designated by Franchisor from time to time in Franchisor's sole discretion. A Special Account includes, but is not limited to, any customer or potential customer who has multiple locations, at least one of which is outside Franchisee's territory.

"**Successor Franchise Agreement**" means the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as the context requires.

"**Successor Franchise Right**" shall have the meaning set forth in Section 3.2 of this Agreement.

"**Successor Term**" means the First Successor Term or Second Successor Term, as the context requires.

"**Supplier**" shall have the meaning set forth in Section 9.3 of this Agreement.

"**System**" means the Franchisor's operating methods and business practices related to its Business, and the relationship between Franchisor and its franchisees, including defined product offerings, formulas, and preparation methods; distinctive interior and exterior Business designs, including architectural designs, layout plans; other items of trade dress; specifications for equipment, fixtures, and uniforms; signs; Trade Secrets and other confidential information; restrictions on ownership; inventory techniques, standard operating and administrative procedures; management and technical training programs; and marketing and public relations programs; all as Franchisor may modify the same from time to time.

"**System Standards**" means the specifications, standards, operating procedures and rules Franchisor requires for the operation of Painting Masters Businesses, as modified by Franchisor from time to time in writing.

"**Term**" shall have the meaning set forth in Section 3.1 of this Agreement including any extensions thereof.

"**Territory**" shall have the meaning set forth in Section 2.3 of this Agreement.

"**Terrorist Lists**" means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department's Office of Foreign Asset Control ("**OFAC**"), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

"**Trade Secrets**" means proprietary and confidential information, including, formulas, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, and methods and techniques of operating the Licensed Business and the provision of Authorized Painting Masters Products and Services, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor.

"**Travel Expenses**" means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to Franchisor's employees', agents' and/or representatives' expenses, a per diem charge determined by Franchisor in advance, with respect to other incidental expenses incurred, including, without limitation, laundry and/or telephone expenses.

EXHIBIT A

Territory

The Territory shall be as follows:

[ ] A radius of _____ miles surrounding _____.

[ ] The area outlined on the attached map and described as follows:

_____

_____

_____

_____

_____

_____

* If the Territory is defined by streets, highways, freeways, or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to the center of each such street, highway, freeway, or other roadway, or river, stream or tributary.

EXHIBIT B

Electronic Funds Transfer

Authorization To Honor Charges Drawn By and Payable To

Painting Masters Franchise Corporation

Bank Name	Account No.	ABA#	FEIN
_____	_____	_____	_____

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as it if were a check drawn and signed by the Depositor. It is further agreed that is any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization.

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions takes by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository:_____

Name of Depositor:_____

Designated Bank Account:_____
(Please attach one voided check for the above account)

Store Business Address:_____

Store #:_____

For information call:_____

Address:_____

Phone #:_____

Fax #:_____

_____
Name of Franchisee/Depositor (please print)

By:_____
Signature and Title of Authorized Representative

Date:_____

EXHIBIT C
Entity Information

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): _____

(2) Franchisee shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ("Entity Documents").

(3) Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

(4) The name and address of each of Franchisee's Owners, members, or general and limited partner:

Name	Address	Number of Shares / % Interest

(5) There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business:

Name & Title	Address

(6) The address where Franchisee's Financial Records, and Entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

_____
_____
_____

EXHIBIT D
Addendum to Lease

THIS ADDENDUM TO LEASE ("**Addendum**") is made this __ day of _____, 200__ by and between _____ ("**Landlord**") and _____ ("**Franchisee**") and PAINTING MASTERS FRANCHISE CORPORATION, a California corporation ("**Franchisor**") with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the "**Franchise Agreement**").

B. Landlord and Franchisee desire to enter into a lease (the "**Lease**") pursuant to which Franchisee will occupy the premises located at _____ (the "**Premises**") for a **"Painting Masters Business"** Business (the "Business") licensed under the Franchise Agreement.

C. Franchisee is required to execute and to cause Landlord to execute this Addendum.

NOW, THEREFORE, the parties agree as follows:

1. Notwithstanding anything to the contrary contained in the Lease:

(a) Landlord shall not change the traffic flow around the Premises;

(b) Landlord shall not permit the erection of signs or structures which obstruct the view of the Premises or its signage;

(c) Landlord shall maintain the common areas on a consistent basis;

(d) Franchisee shall be the only facility, specializing in painting, wall finishing and decorating services to residential and commercial customers in the center (or nearby centers owned by the same Landlord);

(e) The Premises shall be constructed and improved pursuant to the Franchise Agreement;

(f) Franchisor or its designee shall have an option, but not the obligation, without cost or expense to Franchisor or such designee, to assume the Lease, or execute a substitute lease on the same terms for the then remaining term of the Lease plus all remaining option/renewal terms, in the event of termination or expiration of the Franchise Agreement for any reason;

(g) Franchisor or its designee shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease,

(h) Upon Franchisee's default under the Lease, or upon any alleged default thereof by Franchisee, the Landlord shall notify Franchisor in writing at least 15 days prior to the date of termination or non-renewal of the Lease and, in the case of a default, Franchisor or its designee shall have the right, but not the obligation, without liability to Franchisee, to cure the default and to succeed to Franchisee's rights under said Lease or request that the Landlord terminate the Lease and enter into a substitute Lease with Franchisor or said designee on the same terms by giving written notice of such election to Franchisee and such Landlord;

(i) Franchisee shall have the unrestricted right, without Landlord consent, payment to Landlord or modification of any term of the Lease, during the entire term of the Lease (including any renewal terms) to assign or sublet the Premises to Franchisor, its designee, or any franchisee or licensee approved by Franchisor and who meets Landlord's reasonable financial suitability requirements;

(j) Except as permitted in (i) above, the Lease may not be assigned, subleased, modified or amended without Franchisor's prior written consent and that Franchisor shall be provided with copies of all such assignments, subleases, modifications and amendments;

(k) Landlord must disclose to Franchisor, upon Franchisor's request, all sales and other information furnished to the Landlord by Franchisee; and

(l) Upon expiration or termination of the Lease for any reason, Franchisee shall, upon Franchisor's demand, remove all of the Marks from the Business Address and Premises and modify the decor of the Business Address so that it no longer resembles, in whole or in part, a Painting Masters Business, and otherwise comply with ARTICLE 15 of the Franchise Agreement. If Franchisee shall fail do so, Franchisor will be given written notice and the right to enter the Business Address and Premises to make such alterations, in which event Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection therewith, including attorneys' fees.

2. Nothing in the Lease or this Addendum shall neither create or purport to create any obligations on behalf of Franchisor to Landlord or Franchisee and nothing in the Lease or this Addendum shall grant or purport to grant to Landlord any right to pursue any claim against Franchisor arising out of Tenant's breach or default under the Lease.

3. In the event of any conflict or inconsistency between the Lease and this Addendum, this Addendum shall control.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first set forth above.

"Landlord"

_____

By:_____
Name:_____
Its:_____

"Tenant"

_____

By:_____
Name:_____
Its:_____

"Franchisor"

PAINTING MASTERS FRANCHISE CORPORATION, a California corporation

By:_____
Name:_____
Its:_____

Exhibit B
General Release

GENERAL RELEASE

THIS GENERAL RELEASE (**"Release Agreement"**) is effective as of the ____ day of _____, 20___ (**"Effective Date"**) by and among PAINTING MASTERS FRANCHISE CORPORATION, a California corporation (**"Franchisor"**), _____ (**"Franchisee"**), _____ (**"Affiliate[s]"**) and _____ (**"Owner"** and together with Franchisee and Affiliate**[s]**, jointly and severally, **"Releasor"**).

RECITALS

A. Franchisor and Franchisee are parties to **[that][those]** certain Franchise Agreement**[s]**, dated _____ (the **"Transaction Document[s]"**);

B. Franchisee desires to **[assign the Transaction Document[s]] [enter into a Franchise agreement with Franchisor]**; and

C. This Release Agreement has been requested at a juncture in the relationship of the parties where the Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. The Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasor, therefore, gives this Release Agreement as consideration for receiving the agreement of the Franchisor to an anticipated change or expansion of the relationship between the parties. Releasor acknowledges that this Release Agreement is intended to wipe the slate clean.

AGREEMENT

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Releasor and Franchisor hereby agree as follows:

1. Definitions. As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them.

1.1 **"Claims"** means all actual and alleged claims, demands, Losses, charges, covenants, responsibilities, warranties, obligations, oral and written agreements, debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, which in any way relate to or arise from or in connection with the Transaction Documents.

1.2 **"Franchisor Released Parties"** means Franchisor and each of its Constituents.

1.3 **"Constituents"** means past, present and future affiliates, parents, subsidiaries, divisions, partners, owners, shareholders, members, trustees, receivers, executors, representatives, administrators, and the respective officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of them.

1.4 **"Excluded Matters"** means **[(i)]** Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Transaction Document**[s]** on and after the date of this Release Agreement**[; and (ii) if this Release Agreement is entered into in connection with the grant of a franchise or license, this Release Agreement is not intended to release or waive the provisions of any applicable franchise registration or disclosure law in connection with the grant of that franchise or license.]**

1.5 **"Losses"** means all damages, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, including interest, costs and expenses of investigating and prosecuting any Claim, reference proceeding, lawsuit, arbitration or any appeal; all associated actual attorneys' fees, whether or not the Claim, reference proceeding, lawsuit or arbitration is

ultimately defeated and, all amounts paid to compromise or settle of any Claim, reference proceeding, lawsuit or arbitration.

2. General Release. Releasor for itself and its Constituents, hereby releases and forever discharges the Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and the obligations under this Release Agreement.

3. Waiver of California Civil Code Section 1542.

3.1 Releasor, for itself and its Constituents, acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

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

3.2 With respect to those Claims being released pursuant to Section 2, Releasor, for itself and its Constituents, acknowledges that it is releasing unknown claims and waives all rights it has or may have under California Civil Code Section 1542 or any similar state or local statute or ordinance under applicable law or other common law principle of similar effect. For purposes of this Section 3, Releasor shall be considered to be a creditor of the Franchisor Released Parties, and each of them.

3.3 Releasor acknowledges that this general release extends to claims which Releasor does not know or suspect to exist in favor of Releasor at the time of executing this Release Agreement, which if known by Releasor may have materially affected its decision to enter into this Release Agreement. It is understood by Releasor that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. Releasor therefore, expressly assumes the risk of the facts turning out to be so different and agrees that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

4. Representations and Warranties. Releasor represents and warrants to Franchisor that, in entering into this Release Agreement, it (i) is doing so freely and voluntarily upon the advice of counsel and business advisor of its own choosing (or declined to do so, free from coercion, duress or fraud); (ii) has read and fully understands the terms and scope of this Release Agreement; (iii) realizes that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are called for to be released by this Release Agreement, that it is aware of no third party who contends or claims otherwise, and that it shall not purport to assign, transfer, or convey any such claim in the future.

5. Covenants Not to Sue. Releasor irrevocably covenants to refrain and cause each of its Constituents to refrain from asserting any Claim, or commencing, initiating or causing to be commenced, any proceeding of any kind against any Franchisor Released Party, based upon any matter purported to be released pursuant to this Release Agreement.

6. Indemnity. Without in any way limiting any of the rights and remedies otherwise available to any Franchisor Released Party, Releasor shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasor or its Constituents of any Claim or other matter purported to be released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim against any Franchisor Released Party which Claim arises from, or in connection with, any Claim or other matter purported to be released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants by Releasor.

7. Miscellaneous.

7.1 This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.

7.2 This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement. This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties is relying upon any representation, warranty, agreement or covenant not set forth in this Release Agreement.

7.3 This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

7.4 This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.

7.5 All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Release Agreement may require. Neither this Release Agreement nor any uncertainty or ambiguity in this Release Agreement shall be construed or resolved against the drafter, whether under any rule of construction or otherwise. On the contrary, this Release Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties. If any provision of this Release Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

7.6 Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

7.7 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8 This Release Agreement shall be governed by and construed in accordance with the laws of the State of California.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the date set forth above.

"**Franchisor**":

PAINTING MASTERS FRANCHISE CORPORATION

By:_____
Name:_____
Title:_____

"**Releasor**":

"Franchisee"

_____

By:_____
Name:_____
Title:_____

"**Affiliate**"

_____

By:_____
Name:_____
Title:_____

"**Owner**":

_____
_____, an individual

[Others:]

_____
_____, an individual

Exhibit C

Guaranty

CONTINUING GUARANTY

FOR VALUE RECEIVED, and in consideration of PAINTING MASTERS FRANCHISE CORPORATION, a California corporation ("**Franchisor**"), **[granting a franchise][or][_____]** to _____; a _____ ("**Franchisee**"), the undersigned, _____ and _____ (**[jointly and severally,] "Guarantor"**), agree as follows:

1. Guaranty of Obligations.

1.1 Guarantor unconditionally, absolutely and irrevocably guarantees the full and prompt payment and performance when due, of all obligations of Franchisee to Franchisor and its affiliates, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or in the future existing or due or to become due, including, without limitation, under or in connection with that certain Franchise Agreement dated _____, 20___ (the "**FA**") and each of the documents, instruments and agreements executed and delivered in connection with the FA or this continuing guaranty, as each may be modified, amended, supplemented or replaced from time to time (all such obligations are referred to collectively as the "**Obligations**"), and all documents evidencing or securing any of the Obligations. This continuing guaranty (this "**Continuing Guaranty**") is a guaranty of payment and performance when due and not of collection.

1.2 In the event of any default by Franchisee in making payment of, or default by Franchisee in performance of, any of the Obligations, Guarantor agrees on demand by Franchisor to pay and perform all of the Obligations as are then or thereafter become due and owing or are to be performed under the terms of the Obligations. Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and expenses) paid or incurred by Franchisor in endeavoring to collect the Obligations, or any part thereof, and in enforcing this Continuing Guaranty.

2. Continuing Nature Of Guaranty And Obligations. This Continuing Guaranty shall be continuing and shall not be discharged, impaired or affected by: (1) the insolvency of Franchisee or the payment in full of all of the Obligations at any time or from time to time; (2) the power or authority or lack thereof of Franchisee to incur the Obligations; (3) the validity or invalidity of any of the Obligations; (4) the existence or non-existence of Franchisee as a legal entity; (5) any statute of limitations affecting the liability of Guarantor or the ability of Franchisor to enforce this Continuing Guaranty, the Obligations or any provision of the Obligations; or (6) any right of offset, counterclaim or defense of Guarantor, including, without limitation, those which have been waived by Guarantor pursuant to Paragraph 4 of this Continuing Guaranty.

3. Permitted Actions Of Franchisor. Franchisor may from time to time, in its sole discretion and without notice to Guarantor, take any or all of the following actions: (1) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to Guarantor, with respect to any of the Obligations; (2) extend or renew for one or more periods (whether or not longer than the original period), alter, amend or exchange any of the Obligations; (3) waive, ignore or forbear from taking action or otherwise exercising any of its default rights or remedies with respect to any default by Franchisee under the Obligations; (4) release, waive or compromise any obligation of Guarantor under this Continuing Guaranty or any obligation of any nature of any other obligor primarily or secondarily obligated with respect to any of the Obligations; (5) demand payment or performance of any of the Obligations from Guarantor at any time or from time to time, whether or not Franchisor shall have exercised any of its rights or remedies with respect to any property securing any of the Obligations or any obligation under this Continuing Guaranty; or (6) proceed against any other obligor primarily or secondarily liable for payment or performance of any of the Obligations.

4. Specific Waivers.

4.1 Without limiting the generality of any other provision of this Continuing Guaranty, Guarantor expressly waives: (i) notice of the acceptance by Franchisor of this Continuing Guaranty; (ii) notice of the existence, creation, payment, nonpayment, performance or nonperformance of all or any of the Obligations; (iii) presentment, demand, notice of dishonor, protest, notice of protest and all other notices whatsoever with respect to the payment or performance of the Obligations or the amount thereof or any payment or performance by Guarantor under this Agreement; (iv) all diligence in collection or protection of or realization upon the Obligations or any thereof, any obligation under this Agreement or any security for or guaranty of any of the foregoing; (v) any right to direct or

affect the manner or timing of Franchisor's enforcement of its rights or remedies; (vi) any and all defenses which would otherwise arise upon the occurrence of any event or contingency described in Paragraph 1 hereof or upon the taking of any action by Franchisor permitted under this Agreement; (vii) any defense, right of set-off, claim or counterclaim whatsoever and any and all other rights, benefits, protections and other defenses available to Guarantor now or at any time hereafter, including, without limitation, under any suretyship statute of the State of **[STATE]**; and (viii) all other principles or provisions of law, if any, that conflict with the terms of this Continuing Guaranty, including, without limitation, the effect of any circumstances that may or might constitute a legal or equitable discharge of a guarantor or surety.

4.2. Guarantor waives all rights and defenses arising out of an election of remedies by Franchisor.

4.3 Guarantor further waives all rights to revoke this Continuing Guaranty at any time, and all rights to revoke any agreement executed by Guarantor at any time to secure the payment and performance of Guarantor's obligations under this Continuing Guaranty.

5. Subordination; Subrogation. Guarantor subordinates any and all indebtedness of Franchisee to Guarantor to the full and prompt payment and performance of all of the Obligations. Franchisor shall be entitled to receive payment of all Obligations prior to Guarantor's receipt of payment of any amount of any indebtedness of Franchisee to Guarantor. Guarantor will not exercise any rights which it may acquire by way of subrogation under this Continuing Guaranty, by any payment hereunder or otherwise, until all of the Obligations have been paid in full, in cash, and Franchisor shall have no further obligations to Franchisee under the Obligations or otherwise.

6. Non-Competition; Trade Secrets; Interference with Employment Relations; etc.. Sections 12.1 (Non-Competition), 12.2 (Trade Secrets), 12.4 (Interference With Employment Relations), and 12.5 (Effect of Applicable Law) of the FA, are incorporated into this Guaranty of Agreements by reference, and Guarantor agrees to comply with and perform each of such covenants as though fully set forth in this Guaranty of Agreements as a direct and primary obligation of Guarantor.

7. Assignment Of Franchisor's Rights. Franchisor may, from time to time, without notice to Guarantor, assign or transfer any or all of the Obligations or any interest therein and, notwithstanding any assignment(s) or transfer(s), the Obligations shall be and remain Obligations for the purpose of this Continuing Guaranty. Each and every immediate and successive assignee or transferee of any of the Obligations or of any interest therein shall, to the extent of such party's interest in the Obligations, be entitled to the benefits of this Continuing Guaranty to the same extent as if such assignee or transferee were Franchisor.

8. Indulgences Not Waivers. No delay in the exercise of any right or remedy shall operate as a waiver of the such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude other or further exercise of such right or remedy or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Continuing Guaranty be binding upon Franchisor, except as expressly set forth in a writing signed by Franchisor. No action of Franchisor permitted under this Continuing Guaranty shall in any way affect or impair the rights of Franchisor or the obligations of Guarantor under this Continuing Guaranty.

9. Financial Condition Of Franchisee. Guarantor represents and warrants that it is fully aware of the financial condition of Franchisee, and Guarantor delivers this Continuing Guaranty based solely upon its own independent investigation of Franchisee's financial condition. Guarantor waives any duty on the part of Franchisor to disclose to Guarantor any facts it may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor. Guarantor knowingly accepts the full range of risk encompassed within a contract of "Continuing Guaranty" which includes, without limitation, the possibility that Franchisee will contract for additional obligations and indebtedness for which Guarantor may be liable hereunder.

10. Representation and Warranty. Guarantor represents and warrants to Franchisor that this Continuing Guaranty has been duly executed and delivered by Guarantor and constitutes a legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms.

11. Binding Upon Successors; Death Of Guarantor; Joint And Several.

11.1 This Continuing Guaranty shall inure to the benefit of Franchisor and its successors and assigns.

11.2 All references herein to Franchisee shall be deemed to include its successors and permitted assigns, and all references herein to Guarantor shall be deemed to include Guarantor and Guarantor's successors and permitted assigns and, upon the death of a Guarantor, the duly appointed representative, executor or administrator of the Guarantor's estate. This Continuing Guaranty shall not terminate or be revoked upon the death of a Guarantor, notwithstanding any knowledge by Franchisor of a Guarantor's death.

11.3 If there shall be more than one Guarantor (or more than one person or entity comprises Guarantor) under this Agreement, all of the Guarantor's obligations and the other obligations, representations, warranties, covenants and other agreements of any Guarantor under this Agreement shall be joint and several obligations and liabilities of each Guarantor.

11.4 In addition and notwithstanding anything to the contrary contained in this Continuing Guaranty or in any other document, instrument or agreement between or among any of Franchisor, Franchisee, Guarantor or any third party, the obligations of Guarantor with respect to the Obligations shall be joint and several with each and every other person or entity that now or hereafter executes a guaranty of any of the Obligations separate from this Continuing Guaranty.

12. Governing Law. This Continuing Guaranty shall be governed by and construed in accordance with the laws of the State of California. Wherever possible each provision of this Continuing Guaranty shall be interpreted as to be effective and valid under applicable law, but if any provision of this Continuing Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Continuing Guaranty.

13. ADVICE OF COUNSEL. GUARANTOR ACKNOWLEDGES THAT GUARANTOR HAS EITHER OBTAINED THE ADVICE OF COUNSEL OR HAS HAD THE OPPORTUNITY TO OBTAIN SUCH ADVICE IN CONNECTION WITH THE TERMS AND PROVISIONS OF THIS CONTINUING GUARANTY.

14. Entire Agreement. This Continuing Guaranty contains the complete understanding of the parties hereto with respect to the subject matter herein. Guarantor acknowledges that Guarantor is not relying upon any statements or representations of Franchisor not contained in this Continuing Guaranty and that such statements or representations, if any, are of no force or effect and are fully superseded by this Continuing Guaranty. This Continuing Guaranty may only be modified by a writing executed by Guarantor and Franchisor.

IN WITNESS WHEREOF, Guarantor has executed this Continuing Guaranty this ____ day of _____, 20__.

"Guarantor"

Signature: _____
Name: _____
Social Security Number: _____
Percentage of Ownership of Franchisee: _____

Signature: _____
Name: _____
Social Security Number: _____
Percentage of Ownership of Franchisee: _____

Franchisee: _____ a _____
By: _____
Its: _____
FEIN: _____

Exhibit D

Confidentiality Agreement

PAINTING MASTERS FRANCHISE CORPORATION
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for persons holding positions with franchisees)

In consideration of his or her position as _____ of _____ ("**Franchisee**"), and One Dollar, the receipt of which is acknowledged, the undersigned ("**Receiver**") hereby acknowledges and agrees that:

1. General. PAINTING MASTERS FRANCHISE CORPORATION ("**Franchisor**"), has developed a distinctive system relating to the establishment and operation of business that provide a full range of painting and wall finishing services for residential and commercial properties, which are established and operated by others under Franchise Agreements with Franchisor.

2. Confidential Information.

(a) General Definition. Receiver will receive valuable proprietary and confidential information, disclosure of which would be detrimental to Franchisor and Franchisee, which may include, without limitation, methodologies, preparation techniques, financial data, product plans, price lists, prices, names, business or marketing plans, manufacturing processes, technical data, computer programs, machinery and equipment, systems, products, projects, research and development data, customer identities and technical and business materials (collectively, the "**Confidential Information**"). Confidential Information may include information in written, oral or machine readable form, and shall be deemed confidential hereunder regardless of the presence or absence of any stamp or other designation of confidentiality accompanying such information. This list of Confidential Information is illustrative only, and does not include all matters considered confidential by Franchisor and Franchisee.

(b) Exclusions. Confidential Information does not include information that:

(i) is in, or becomes in, the public domain without violation of any agreement by the Receiver or any other person, or

(ii) was known to Receiver prior to disclosure thereof to Receiver as evidenced by written records; provided Receiver gives Franchisor written notice and evidence of such prior knowledge within thirty (30) days after receiving otherwise Confidential Information, or

(iii) is disclosed to the Receiver by a third party under no obligation of confidentiality to Franchisor or Franchisee and without violation of any agreement by Receiver or any other person, including the third party.

3. Term. This Agreement shall remain in full force and effect and shall survive the termination of Receiver's employment (or other position or capacity) with Franchisee.

4. Disclosure; Copies. Receiver shall not: (a) disclose such Confidential Information to any person, company or entity, other than as required by Receiver's duties in his or her position with Franchisee; or (b) copy, photograph or make other facsimiles or drawings of the Confidential Information.

5. Use. Receiver will not sell, utilize, implement, appropriate or otherwise use the Confidential Information for any purpose whatsoever, or permit the use of the Confidential Information by others for any purpose whatsoever, without the express written permission of Franchisor.

6. Forced Disclosure. Notwithstanding any other provisions in this Agreement, Receiver may disclose Confidential Information to the extent required by any applicable law, regulation, or court or governmental order; provided that Receiver gives Franchisor and Franchisee reasonable advance written notice of any request or demand for such disclosure and the opportunity to contest such law, regulation or order.

7. Return of Information. Receiver acknowledges and agrees that all Confidential Information furnished hereunder shall be and remain the property of Franchisor. Upon demand, any and all Confidential Information and copies thereof must be returned to Franchisor, or to Franchisee at Franchisor's direction.

8. Non-Competition. While in his or her position with Franchisee, and for a period of 24 months after Receiver ceases to be in that position, Receiver will not:

(a) do anything which may injure Franchisee or Franchisor, such as: (a) divert or attempt to divert actual or prospective customers to a competitor business selling competitive services; (b) employ or seek to employ anyone employed by Franchisee, Franchisor or other franchisees of Franchisor; or (c) cause or encourage any employee of Franchisee, Franchisor or other franchisees of Franchisor to leave his or her employment, other than in the normal course of my duties with Franchisee, or

(b) own, operate, lend to, advise, be employed by, or have any financial interest in any business that specializes in the offering, promotion, provision, production or sale, at retail or wholesale, of any service or product which is now or in the future an authorized PAINTING MASTERS product or service, and which is located, or intended to be located, within a ten mile radius of any then-existing PAINTING MASTERS business. This restriction does not apply to Receiver's ownership of less than a five percent (5%) beneficial interest in the outstanding securities of any publicly-held corporation.

9. Enforcement. Receiver acknowledges and agrees that disclosure or misappropriation of Confidential Information in violation of this Agreement may cause Franchisor and/or Franchisee irreparable harm, the effect of which may be difficult to ascertain, and agrees therefore that Franchisor and/or Franchisee shall be entitled to injunction and/or specific performance in addition to all other remedies otherwise available at law or equity. If it becomes necessary to enforce the terms of this Agreement, Receiver shall be obligated to pay any and all costs reasonably incurred by Franchisor and/or Franchisee in pursuing such enforcement, including attorneys' fees and court costs.

10. Waiver. The failure of Franchisor or Franchisee in any one or more instances to insist upon strict performance of any of the terms or provisions of this Agreement, or to exercise any option herein conferred, shall not be construed as a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms, provisions or options on any future occasion.

11. Severability. Any provision of this Agreement which is rendered unenforceable by a court of competent jurisdiction shall be ineffective only to the extent of such prohibition or

invalidity and shall not invalidate or otherwise render ineffective any or all of the remaining provisions of this Agreement.

12. Choice of Law. This Agreement shall be construed under the laws of the State in which Franchisee's business is located. The only way this Agreement can be changed is in a writing signed by both Franchisee and Receiver.

13. Successors. This Agreement shall be binding upon and inure to the benefit of Franchisor, Franchisee, Receiver, and their respective successors and assigns.

14. Entire Agreement. This Agreement constitutes the entire agreement by Receiver in regard to the confidentiality of matters disclosed pursuant to this Agreement, and supersedes any prior oral or written representations in regard to said matters.

"RECEIVER"

By:_____

Name:_____

Position:_____

Address:_____

_____

_____

_____

ACKNOWLEDGED BY FRANCHISEE:

By:_____

Name:_____

Title:_____

Exhibit E

System Information

SYSTEM INFORMATION AS OF DECEMBER 31, 2018

Franchisees

None

Franchise Agreements Signed for Outlets Not Open as of December 31, 2018

Stephen and Lori Newman
1650 S. Powerline Road, Unit E
Deerfield Beach, Florida 33443
954-979-5150
(began operating February 2019)

Former Franchisees

None

Company-Owned Outlets

12800 S. Broadway
Los Angeles, California 90061
310-715-1000

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

Exhibit G

State Administrators

STATE ADMINISTRATORS

Commissioner of Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677 Toll Free

Hawaii Commissioner of Securities
Department of Commerce & Consumer Affairs
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 280
St. Paul, Minnesota 55101
(651) 539-1638

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
120 Broadway, 23rd Floor
New York, New York 10271
(212) 416-8211

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
Cranston, Rhode Island 02920
(401) 462-9500

Registration Specialist, Securities Regulation
Department of Labor and Regulation
Division of Insurance
124 S. Euclid Avenue 2nd Floor
Pierre, South Dakota 57501-3185
(605) 773-3563

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
150 Israel Rd. SW
Tumwater, Washington 98501
(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 the Department of
Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814

Hawaii 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 Securities Division
302 West Washington Street
Room E-111
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 Suite 280
St. Paul, Minnesota 55101

New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510

Director of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920

Director of the Division of Insurance
Securities Regulation
Department of Labor and Regulation
124 S. Euclid Avenue Second Floor
Pierre, South Dakota 57501-3185

Clerk, State Corporation Commission
1300 East Main Street, First Floor
Richmond, Virginia 23219

Administrator of Securities
Department of Financial Institutions
150 Israel Rd. SW,
Tumwater, WA 98501 98504

Commissioner of Securities
Office of the Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

In all other states:

Greg Stein
12800 South Broadway
Los Angeles, California 90061

Exhibit H

Table of Contents of Manuals

IN PROCESS

Exhibit I

Closing / Franchisee Questionnaire

PAINTING MASTERS FRANCHISE CORPORATION

CLOSING QUESTIONNAIRE

The undersigned ("**Franchisee**") desires to enter into a franchise agreement with PAINTING MASTERS FRANCHISE CORPORATION ("**Company**"). Company requires that Franchisee complete this questionnaire in order to enable Company to confirm that it and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1. Full name of Franchisee:

   _____

2. Franchisee Address:

   _____

3. Franchisee is: (Check applicable box)

   [ ] An individual

   [ ] A corporation

   [ ] A limited liability company

   [ ] A general partnership

   [ ] A limited partnership

4. If Franchisee is not an individual, indicate the capacity in which the individual signing this questionnaire on behalf of Franchisee is authorized to act on behalf of Franchisee: (Check applicable box)

   [ ] Officer (insert title):_____

   [ ] Manager: _____

   [ ] General Partner: _____

   [ ] Other (please explain):_____

5. Did Franchisee receive Company's Franchise Disclosure Document? [ ] Yes [ ] No

6. Did Franchisee receive a copy of Company's Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement or making any payment to Company? [ ] Yes [ ] No. If "No", please comment:

   _____

   _____

   _____

7. Did Franchisee give Company a signed receipt for the copy of the Franchise Disclosure Document? [ ] Yes [ ] No.

If "Yes", on what date? _____

8. Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Franchise Agreement (collectively referred to as the "**Agreements**"):

	Agreement
[ ]	Franchise Agreement
[ ]	Personal Guaranty
[ ]	General Release
[ ]	_____
[ ]	_____

9. If any changes to the Agreements were made by us, other that at Franchisee's request, did Franchisee receive a copy of the final form of each Agreement that Franchisee is signing at least 7 calendar days prior to the date on which each Agreement was executed? [ ] Yes [ ] No. If "No", please comment:

_____

_____

_____

10. Did Franchisee carefully review and understand the Franchise Disclosure Document, the Franchise Agreement, and the other Agreements? [ ] Yes [ ] No. If "No", please explain:

_____

_____

_____

_____

11. Did Franchisee ask Company any questions concerning the Franchise Disclosure Document or Agreements that were not satisfactorily answered? [ ] Yes [ ] No
If "Yes", please explain:

_____

_____

_____

12. Did Franchisee request a copy of Company's Franchise Disclosure Document before its was provided to Franchisee by Company? [ ] Yes [ ] No

If "Yes", did Company provide Franchisee a copy of Company's Franchise Disclosure Document within a reasonable amount of time? [ ] Yes [ ] No
If "No", please explain:

_____

_____

_____

13. Has any employee, representative or other person speaking on behalf of Company made any statement or promise to Franchisee (or to the best of Franchisee's knowledge, information and belief, to any person or entity on Franchisee's behalf) concerning:

A. The actual or possible revenues, profits or operating costs of a PAINTING MASTERS business that is contrary to, or different from, the information contained in the Franchise Disclosure Document? [ ] Yes [ ] No

B. The amount of money Franchisee may earn in operating a PAINTING MASTERS business, that is contrary to, or different from, the information contained in the Franchise Disclosure Document? [ ] Yes [ ] No

C. The total amount of revenue a PAINTING MASTERS business will or may generate, that is contrary to, or different from, the information contained in the Franchise Disclosure Document? [ ] Yes [ ] No

D. The costs Franchisee may incur in operating a PAINTING MASTERS business, that is contrary to, or different from, the information contained in the Franchise Disclosure Document? [ ] Yes [ ] No

E. The likelihood of success that Franchisee should or might expect to achieve from operating a PAINTING MASTERS business? [ ] Yes [ ] No

14. If the answer to any part of question 13 is "Yes", who made the statement or representation, when, and where? Please provide full details in the following space (attach additional pages if necessary).

_____

_____

_____

15. Has any employee, representative or other person speaking on behalf of Company made any statement, agreement or promise to Franchisee (or, to the best or Franchisee's knowledge, information and belief, to any person or entity on Franchisee's behalf) concerning the advertising, marketing, training, support, service or assistance that Company will furnish to Franchisee that is contrary to, or different from, the information contained in the Franchise Disclosure Document? [ ] Yes [ ] No

16. Prior to today, has Franchisee entered into any binding agreement with Company concerning Franchisee's investment in the PAINTING MASTERS franchise?
[ ] Yes [ ] No

17. Prior to today, has Franchisee paid any money to Company relating to Franchisee's investment in the PAINTING MASTERS franchise? [ ] Yes [ ] No

18. If Franchisee answered "Yes" to any of questions 15-17, provide a full explanation of each "Yes" answer in the following space (attach additional pages if necessary).

_____

_____

_____

_____

19. Does Franchisee understand that the territorial rights granted by the Franchise Agreement are subject to limitations and exceptions? [ ] Yes [ ] No

20. Does Franchisee understand that Company and its affiliates may conduct, own, and operate, and license others to conduct, own and operate PAINTING MASTERS businesses outside of Franchisee's Territory? [ ] Yes [ ] No

21. Does Franchisee understand that Company and its affiliates may conduct, own and operate, and license others to conduct, own and operate businesses that offer services similar to the services Franchisee will provide under names other than "PAINTING MASTERS" inside or outside of Franchisee's Territory? [ ] Yes [ ] No

22. Does Franchisee understand that Company and its affiliates and other franchisees may advertise within and pass through Franchisee's Territory? [ ] Yes [ ] No

23. Does Franchisee understand that Company and its affiliates may manufacture, produce, licenses, distribute and/or market products and equipment through any outlet (whether within or outside of Franchisee's Territory) and through any distribution channel?
[ ] Yes [ ] No

24. Does Franchisee understand that Company and its affiliates and others may operate businesses identified by PAINTING MASTERS (or other Marks) which offer and sell products and services through other channels of distribution, including at or through physical locations, including home improvement stores, garden centers, trade shows, department stores, specialty stores, and kiosks, even though these business may complete with Franchisee? [ ] Yes [ ] No

25. Does Franchisee understand that the Agreements contains the entire agreement between Franchisee and Company concerning the franchise rights for the PAINTING MASTERS franchise, meaning that any prior or written statements not set out in the Agreements will not be binding (except that Company may not disclaim statements made in its Franchise Disclosure Document)? [ ] Yes [ ] No

26. If Franchisee answered "No" to any of questions 19-26, provide a full explanation of each "No" answer in the following space (attach additional pages if necessary).

_____

_____

_____

_____

27. Did Franchisee contact other franchisees of Company to discuss Franchisee's possible execution of the franchise agreement? [ ] Yes [ ] No

28. If the answer to question 28 was "Yes", please identify such franchisee(s) (attach additional pages if necessary):

_____

_____

_____

Franchisee understands that Company is acting in reliance on the truthfulness and completeness of Franchisee's responses to the questions above in entering into the Franchise Agreement with Franchisee. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION OR ARBITRATION PROCEEDING, AND FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE. HOWEVER, NOTHING IN THIS DOCUMENT IS INTENDED TO DISCLAIM THE REPRESENTATIONS COMPANY MADE IN THE FRANCHISE DISCLOSURE DOCUMENT THAT WAS FURNISHED TO YOU.

FRANCHISEE

DATED: _____ _____

_____

(Print name)

Individually and on behalf of:

_____

Exhibit J

State Addenda

ADDENDUM TO PAINTING MASTERS FRANCHISE CORPORATION DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination 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 which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31505). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

Neither Painting Masters Franchise Corporation, nor any person in Item 2 of the 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 these persons from membership in this association or exchange.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

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

Exhibit K – Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Painting Masters Franchise Corporation offers you a franchise, it 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.

Several states, including New York, require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Several states, including Michigan and Oregon, require that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Painting Masters Franchise Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 G.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise:

- ☐ John La Barbera 12800 South Broadway Los Angeles, California 90061 (310)516-7000
- ☐ Greg Stein 12800 South Broadway Los Angeles, California 90061 (310)516-7000
- ☐ Dan Grandon 12800 South Broadway Los Angeles, California 90061 (310)516-7000
- ☐ Katherine La Barbera 12800 South Broadway Los Angeles, California 90061 (310)516-7000
- ☐ Robert Love 12800 South Broadway Los Angeles, California 90061 (310)516-7000
- ☐ See attached list.

Date of Issuance: April 3, 2019.

See Item 1 for our registered agent authorized to receive service of process.

I have received a disclosure document dated April 3, 2019, that included the following Exhibits:

A. Franchise Agreement
B. General Release
C. Guaranty
D. Confidentiality Agreement
E. Franchisee Information
F. Financial Statements
G. State Administrators and Agents for Service of Process
H. Manual Table of Contents
I. Closing / Franchisee Questionnaire
J. State Addenda
K. Receipts

Date:_____

Prospective Franchisee:

By:_____
Name:_____
Individually and on behalf of the following entity:
Company Name:_____
Title:_____

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