

2016 FRANCHISE DISCLOSURE DOCUMENT

Painting With A Twist, L.L.C. d/b/a Painting With A Twist
2121 N. Causeway Blvd., Suite 200
Mandeville, LA 70471
Telephone: 985-626-3292
Facsimile: 985-626-3296
E-mail: corporate@paintingwithatwist.com
Website: www.paintingwithatwist.com



The franchise offered is for the operation of an art studio business that offers painting classes and instruction in a social setting using artworks approved and authorized by us. The total investment necessary to begin operation of a Painting With A Twist Painting Soiree and Art Studio ranges from \$89,300.00 to \$188,300.00. This includes \$28,300.00 that must be paid to the franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our corporate office at 2121 N. Causeway Blvd., Suite 200, Mandeville, Louisiana 70471, 985-626-3292, or corporate@paintingwithatwist.com.

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

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

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

Issuance Date: _____, 2017

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 of 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 franchise administrator listed in **Exhibit E** for information about the franchisor, 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 MEDIATION/LITIGATION ONLY IN LOUISIANA. OUT OF STATE MEDIATION/LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE/LITIGATE WITH US IN LOUISIANA THAN YOUR OWN HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT LOUISIANA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. IF A FRANCHISEE TERMINATES THE FRANCHISE AGREEMENT, THE FRANCHISEE MUST PAY AN EARLY TERMINATION FEE. SEE ITEM 6.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.
5. AS PER THE AUDITED BALANCE SHEET DATED DECEMBER 31, 2016, THE FRANCHISOR HAD A WORKING CAPITAL DEFICIENCY OF (\$64,598).

We do not use the services of FRANCHISE BROKERS or referral sources to assist us in selling our franchise.

The effective dates of this Franchise Disclosure Document in the states with franchise registration laws in which we have sought registration to appear on the following page.

STATE EFFECTIVE DATES

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

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

California	Pending Registration
Florida (exemption)	Effective March 13, 2016
Illinois	Pending Registration
Indiana	Pending Registration
Hawaii	Pending Registration
Kentucky (exemption)	Effective January 24, 2011
Maryland	Pending Registration
Michigan	Effective May 11, 2016
Minnesota	Pending Registration
Nebraska	Pending Registration
New York	Pending Registration
North Dakota	Pending Registration
Rhode Island	Not Registered
South Dakota	Not Registered
Texas (exemption)	Effective April 29, 2009
Utah (exemption)	Effective March 13, 2016
Virginia	Pending Registration
Washington	Pending Registration
Wisconsin	Pending Registration

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ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

The Franchisor:

To simplify the language in this disclosure document, "PWAT" or "we" or "our" or "us" means Painting With A Twist, L.L.C., the Franchisor. "You" means the person who buys the franchise, including a corporation, partnership, limited liability company or other legal business entity.

PWAT is a Louisiana limited liability company organized in February 2009. Our corporate address is 2121 N. Causeway Blvd, Suite 200, Mandeville, LA 70471 and our telephone number is (985) 626-3292. We are doing business under the name "Painting With A Twist." Our agents for service of process are disclosed in Exhibit B of this disclosure document. PWAT began offering franchises as of March 6, 2009.

PWAT's concept was started in November 2007 by Catherine L. Deano and Renee Maloney, who initially opened a studio in Mandeville, Louisiana, that offered painting classes in a social setting under the business name "Corks N Canvas." During the past five years, Mrs. Deano and Mrs. Maloney have operated a total of four studios that are similar to the franchise being offered. The second studio was opened in Metairie, Louisiana, in August 2008, the third studio was opened in Baton Rouge, Louisiana, in April 2009, and the fourth studio was opened in New Orleans, Louisiana, in October 2009. As of April 2014, all four studios are now operating under the name and service mark "Painting With A Twist."

We have not offered franchises in any other line of business.

Our Parent, Predecessors and Affiliates:

We have no parent or predecessors. Louisiana Art Supply, LLC is an affiliate of PWAT through common ownership. Its principal business address is 1205 McKaskle Drive, Hammond, Louisiana 70403. Louisiana Art Supply, LLC provides canvases and other art supplies to our franchisees and other art related businesses. You must purchase your canvases required for the operation of your PWAT Business from Louisiana Art Supply, LLC. Louisiana Art Supply, LLC does not offer franchises for this business or franchises in any other line of business.

The Franchise Offered:

PWAT offers you a franchise whose primary business offers painting classes and instruction in a social setting under the name and service mark "Painting With A Twist". The type of business that you will operate will be referred to in this franchise disclosure document as a "PWAT Business" or "PWAT Unit". PWAT has developed its unique system ("System") which allows its customers to bring their own wine or beverage of choice while enjoying a painting class in a social setting and completing an artwork in a 2 to 3 hour time frame. Our franchisees are also permitted to offer painting classes for children and painting classes outside of their accepted PWAT Business location ("Offsite Event").

PWAT developed and owns the System which you will utilize in your PWAT Business. This System includes specialized training, methods of operation, uniform standards, distinctive decor and design, advertising and promotional programs to assist you in operating your PWAT Business. PWAT will also provide you with certain franchisor owned artworks, supplier lists, operations manuals ("Manual"), access to an internet-based franchise administrative/management system ("FAM System"), and other confidential information and methods for managing your PWAT Business. A PWAT Business is identified by certain

trade names, service marks, trademarks, logos, emblems, and indicia of origin, such as “Painting With A Twist, Painting Soiree and Art Studio,” and “Painting With A Twist” (“Proprietary Marks”).

A typical PWAT Business occupies approximately 1,200 to 2,200 square feet of space. The space may be either owned by you or leased from a third party. All locations must be constructed to our specifications. We prefer the PWAT Business to be located in either a freestanding building or an in-line retail plaza space with ample parking, good visibility and visible signage. A typical PWAT Business will employ approximately 5 to 7 people.

You will operate the PWAT Business as your independent business utilizing our business format, procedures, designs, trade dress, standards, specifications and methods of operation. You must use the PWAT franchise system at your Unit, which includes, without limitation, the common use and promotion of the name “Painting With A Twist” and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and other commercial symbols we may designate (collectively known as the “Marks”). You must also use franchisor approved supplies and products, procedures, training manuals, advertising/ promotional programs and ongoing assistance. We may add or delete products and/or services and change specifications, standards, procedures and methods of operation, and you will be expected to follow suit. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential Manual that will be loaned to you at the time of training. You may only offer services and products with our prior approval.

Market and Competition:

The market for the products and/or services offered in your PWAT Business is the general public. We have found that painting classes offered to customers allowing them to bring their own wine or beverage of choice targets the specific market segments of women over the age of twenty-one. Your PWAT Business may also offer painting classes for children, which targets the specific market segment of children. As a PWAT franchisee, you will compete with: (1) other national franchises that offer similar products and/or services and (2) other local privately owned art instruction studios. The market for offering painting classes similar to that offered by PWAT is continuing to grow and may be affected by general economic conditions.

Government Regulation:

Local, state and federal laws and regulations will apply to the business operations of your PWAT Business. Some states and local municipalities require PWAT franchisees to obtain a “liquor” license or permit. In addition, you must comply with all local, state, and federal laws that apply to your PWAT Business including health, sanitation, non-smoking, EEOC, OSHA, discrimination, employment and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and, therefore, may affect your building construction, entrance ramps, doors, seating, bathrooms and parking. You must obtain building permits, other licenses, and operational permits and certifications.

We have not investigated the laws or regulations applicable to your PWAT Business. You are solely responsible for investigating all applicable federal, state, and local laws and regulations, and your cost to comply with such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

ITEM 2

BUSINESS EXPERIENCE

Managing Member/Chief Financial Officer: Renee Maloney

Since November 2007, Mrs. Maloney has served as Managing Member of Corks N Canvas, L.L.C. in Mandeville, Louisiana. Since February 2009, she also has served as the Managing Member and Chief Financial Officer for Painting with a Twist, L.L.C. in Mandeville, Louisiana.

Managing Member/Chief Operations Officer: Catherine L. Deano

Since November 2007, Mrs. Deano has served as Managing Member of Corks N Canvas, L.L.C. in Mandeville, Louisiana. Since February 2009, Mrs. Deano also has served as Managing Member and Chief Operations Officer for Painting With A Twist, L.L.C. in Mandeville, Louisiana.

Managing Director: Michael Powers

From December 2011 through April 2013, Mr. Powers served as the Managing Member for Bittersweet Brands, LLC. In April 2013, Mr. Powers was retained as Managing Director for Painting With A Twist, L.L.C. in Mandeville, Louisiana.

Finance Director: John V. Callegari, Jr.

Since December 2005, Mr. Callegari has served as Chief Financial Officer of Maloney Cinque, L.L.C. in New Orleans, Louisiana. Mr. Callegari also has served as Finance Director for Painting With A Twist, L.L.C. in Mandeville, Louisiana, since May 2012.

Director of Business Systems and Projects: Mary Mierl

From 2010 until April 2015, Mary Mierl served as the Marketing, Training and Operations Director for Painting With A Twist, L.L.C. in Mandeville, Louisiana. Ms. Mierl has served as the Director of Business Systems and Projects for Painting With A Twist, L.L.C. in Mandeville, Louisiana, since April 2015.

Information Technology Director: Gustave “Trey” Manthey, III

Since January 2011, Gustave “Trey” Manthey has served as Information Technology Director for Painting With A Twist, L.L.C. in Mandeville, Louisiana.

Operations Project Manager: Jamie Webb

Jamie Webb was Operations Manager for Blue Sky, LLC in Miami, Florida, which operated multi-unit franchises for Smoothie King Franchises, Inc., from May 2008 until January 2013. From February 2013 until February 2015, Mrs. Webb served as Retail Manager for Smoothie King Franchises, Inc. in Metairie, Louisiana. From February 2015 until April 2016, Mrs. Webb served as Operations Consultant for Painting With A Twist, L.L.C. in Mandeville, LA. Since April 2016, Mrs. Webb has served as Operations Project Manager for Painting With A Twist, L.L.C.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Initial Fee: The initial fee is \$25,000.00. The initial fee is payable at the time you sign the Franchise Agreement. PWAT will refund \$6,250.00 of this fee if you do not secure an approved location and open your PWAT Business within twelve (12) months of signing your Franchise Agreement. Other than this refund, no additional refunds are available under any other circumstances. The initial fee is uniformly imposed and deemed fully earned upon payment by you. You will also have to pay PWAT a design fee of \$300.00 for a design plan generated by PWAT that depicts the interior design, trade dress décor, and color scheme of your PWAT Unit. The design fee is payable before you start construction or renovations to your PWAT Unit or undertake any leasehold improvements at the location for your PWAT Unit. The design fee is not refundable under any circumstances. In addition, you will have to pay PWAT's affiliate, Louisiana Art Supply, LLC, approximately \$3,000.00 for your opening canvas inventory before opening your PWAT Business. Payment made to Louisiana Art Supply, LLC for canvases and supplies that are ordered is refundable upon the return of the purchased products and subject to a 20% restocking charge.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee ^{FN1}	6% of Gross Sales	Automatically withdrawn within five business days after prior week's end	Payable to franchisor; uniformly imposed
System Advertising Fee ^{FN2}	2% of Gross Sales	Automatically withdrawn within five business days after prior week's end	Payable to franchisor; uniformly imposed

Type of Fee	Amount	Due Date	Remarks
Local Advertising ^{FN3}	\$1,000 per month	As determined by the vendors you choose	Payable to third parties.
Cooperative Fee ^{FN4}	1% up to 3% of Gross Sales	Established by cooperative	Payable as designated by your cooperative
Additional Training Fees ^{FN5}	\$1,500 per day	2 weeks before the commencement of the scheduled additional training session	Payable to franchisor
Relocation Fee ^{FN6}	\$2,500	Before the franchisor will review the lease for the proposed relocation site	Payable to franchisor
Interest on late payments	Prime plus 2% per annum or the maximum rate allowed by the applicable federal and/or state law	Immediately	Payable to franchisor
Audit Fees ^{FN7}	\$2,500 - \$4,000	Immediately after billing by franchisor if audit and gross sales are determined to be understated	Payable to franchisor only if audit reveals an under-reporting or under-recording record of 2% or more
Transfer Fee ^{FN8}	\$7,500-\$15,000	30 days before transfer	Payable to franchisor when, and if, you transfer your franchise
Insufficient Funds ^{FN9}	Prime plus 2.5% per annum or the maximum rate allowed by the applicable federal and/or state law, plus expenses incurred by franchisor	As incurred	Payable to franchisor

Type of Fee	Amount	Due Date	Remarks
Charge for Inspection and Testing of Proposed Suppliers FN10	\$0 -\$1,000	As incurred	Payable to franchisor
Replacement Fee for Manuals	\$250 for each other Manual	Upon replacement of manual for loss, theft or destruction	Payable to franchisor
FAM System Maintenance Fee FN11	\$105 per month	Monthly-automatically withdrawn on or before the 15 th day of the month for the prior month	Payable to franchisor; pays for the maintenance and optimization of the FAM System
Early Termination Fee	The average monthly Royalty and Marketing Fees during the preceding 12 month period multiplied by the number of months remaining in the term of the franchise agreement, and the product is divided by 2.	30 days prior to the early closing of the store.	You must provide PWAT with 90 days written notice of the termination of your franchise agreement
Annual Conference Registration Fee FN12	\$300-\$500	60 days before the commencement of the scheduled conference date	Payable to franchisor; uniformly imposed
Canvas Inventory FN13	Varies depending on extent of canvas/supply order	30 days from shipping date	Payable to Louisiana Art Supply, LLC
Late Fee of Delinquent Monthly and Annual Profit and Loss Statements FN14	\$50 per day	10 days after written notice by Franchisor	Payable to franchisor; uniformly imposed

Type of Fee	Amount	Due Date	Remarks
Site Evaluation Fee ^{FN15}	Costs and expenses associated with obtaining the Location of the PWAT Business	When incurred.	Payable to franchisor
Financial Records and Reports ^{FN16}	Cost of preparing Gross Sales Reports and other reports required by us	As required by bookkeeper and/or certified public accountant.	Payable to third parties
Taxes on Payments to Us ^{FN17}	Amount of tax or assessment	When imposed by taxing authority	Payable to franchisor

NOTES:

General Comments:

Unless otherwise stated, all fees must be payable to PWAT and are non-refundable.

(1) **Royalty Fee:** You must pay the appropriate percentage of your weekly gross sales to PWAT beginning the date you open for business. This payment or withdrawal will be made within five business days of week's end. The term "Gross Sales" shall mean the amount of sales of any and all products and services sold in, on, about, from, or from such other place for your PWAT Business, whether for cash or on a charge, credit or time basis, including the reasonable market value of any goods or services sold or traded in any barter or trade transaction, without reserve or deduction for inability or failure to collect. "Gross Sales" is intended to include income of every kind and nature related to your PWAT Business. "Gross Sales" shall not include the amount of any excise or sales tax levied on retail sales and payable over to the appropriate governmental authority. In computing Gross Sales, you may deduct the amount of over-rings or refunds if these amounts have been included in gross sales and if you comply with the requirements, including time limits, established by PWAT, in writing, regarding reporting and taking credits against gross sales. In computing Gross Sales, you may not deduct allowances or discounts to customers (including coupon sales).

(2) **System Advertising Fee:** You must spend a minimum of \$1,000.00 per month on local advertising through mediums approved by PWAT. This includes the requirement that your products and services must be marketed by approved brochure formats to be used in your PWAT Business. In addition, you must pay 2% of your weekly gross sales to PWAT beginning the date you open for business for the System Advertising Fee. This payment or withdrawal will be made within five (5) business days of week's end.

(3) **Local Advertising:** You must spend a minimum of \$1,000.00 per month on local advertising through mediums approved by PWAT. This includes the requirement that your products and services must be marketed by approved brochure formats to be used in your PWAT Business.

(4) **Cooperative Fee:** You may be required to participate in a cooperative ("Cooperative") with other PWAT franchisees. Upon becoming a member of a Cooperative, you must pay 1% up to 3% of your weekly

gross sales to the Cooperative. All activities and contributions to the Cooperative shall be determined by a majority vote of the members in the Cooperative. Affiliates of PWAT that operate PWAT franchised businesses must contribute to the Cooperative on the same basis as other members.

(5) Additional Training Fees: There is no fee for the initial training program. After the initial training program, additional training sessions maybe either requested by the franchisee or mandated by the franchisor. You must pay an Additional Training Fee of \$1,500 per day for additional training sessions. The Additional Training Fee must be paid two (2) weeks before the commencement of the scheduled additional training session. Additional training sessions shall not extend beyond three (3) days. You must pay all personal expenses incurred by you or your employees for all training programs, including costs and expenses of transportation, lodging, meals, wages, and employee benefits.

(6) Relocation Fees: If your lease for your PWAT Business location expires or terminates without it being your fault, or if in the judgment of you and PWAT, there is a change in the character of the location of your PWAT Business sufficiently detrimental to your PWAT Business's potential to warrant its relocation, we will allow you to relocate your PWAT Business to a location approved by us. The Relocation Fee is paid to us for services we provide in connection with the relocation of your PWAT Business.

(7) Audit Fees: PWAT has the right to review the financial statements submitted by you. If it is determined by an independent certified public accountant that you provided false information and the amount of gross sales was understated by more than two (2%) percent, then you are responsible to pay any and all accountant's fees incurred by PWAT. The cost of this audit is estimated to be \$2,500.00 - \$4,000.00 but the cost will vary depending on the amount of work performed by the accountant.

(8) Transfer Fee: If your transfer of your PWAT Business results in a transfer of control, you must pay PWAT a nonrefundable Transfer Fee. The Transfer Fee will be calculated as follows: (a) for the transfer of a controlling interest to (i) a person whose full-time occupation during the two (2) years immediately preceding the proposed transfer has been serving as the manager of a PWAT Unit, or (ii) a current PWAT franchisee who has satisfied all obligations and substantially complied with all material requirements under its agreements with franchisor, its subsidiaries, affiliates, and divisions up to and including the time of the proposed transfer: a fee that is the lesser \$7,500.00 or thirty percent (30%) of the then-current Initial Fee if the transfer does not involve a relocation, or a fee that is the lesser of \$10,000.00 or forty percent (40%) of the then-current Initial Fee if the transfer will require a new location for the PWAT Unit; and (b) for any other transfer of a controlling interest to a person other than those specified in subsection (a) of this sentence, a fee that is the lesser of \$12,500.00 or fifty percent (50%) of the then-current Initial Fee if the transfer does not involve a relocation, or a fee that is the lesser of \$15,000.00 or sixty percent (60%) of the then-current Initial Fee if the transfer will require a new location for the PWAT Unit. The Transfer Fee will not be due for any transfer that does not result in the transfer of control of Franchisee.

(9) Insufficient Funds: If any draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then you must pay PWAT interest on the unpaid sum at a rate of prime plus 2.5% per annum or the maximum rate allowed by federal and/or state law, and PWAT's expenses resulting from such non-payment, including bank fees in the amount of at least \$50.00, hourly staff charges and other related expenses incurred by PWAT.

(10) Charge for Inspection and Testing of Proposed Suppliers. If you desire to purchase any items from an unapproved supplier that you believe meets the specifications of PWAT, you and the supplier must submit to PWAT a written request for approval. PWAT must advise you within ninety (90) days whether or not these items meet its specifications. PWAT may require that samples from the supplier be delivered to PWAT or its designee for inspection. PWAT may impose a charge not to exceed \$1,000.00 to cover

the costs of inspection and testing, which must be paid by you or the supplier. PWAT reserves the right to re-inspect the products of any previously approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of PWAT's standards and specifications.

(11) FAM System Maintenance Fee: The Franchise Agreement and the Manuals require the submission of weekly statistical control forms as well as other financial, operational, and statistical information. To achieve these results, Franchisor created an internet-based franchise administrative/management system ("FAM System"). You must pay the FAM System Maintenance Fee in connection with the use of the FAM System. PWAT may increase the FAM System Maintenance Fee; however, the total amount paid by you per year for the FAM System Maintenance Fee shall not exceed \$2,500.00.

(12) National Conference Registration Fee: You must attend PWAT's annual national conference. We reserve the right to charge you a registration fee up to \$500.00. Since 2011, PWAT has held an annual national conference. There was no registration fee collected for the annual national conferences held in 2011 and 2012. However, a registration fee in the amount of \$375.00 was collected for the national conference held at the beginning of 2013 to help defray the costs of conducting the conference. The registration fee covers all meals associated with the conference and all conference materials. You must pay all personal expenses incurred by you or your attendees, including costs and expenses of transportation, lodging, some meals, and entertainment.

(13) Canvas Inventory. You must purchase your canvases required for the operation of your PWAT Business from Louisiana Art Supply, LLC. The current cost per canvas from Louisiana Art Supply, LLC is \$2.87. However, this rate is subject to change due to outside market factors such as raw material costs, taxes, and shipping rates. You may order your canvases and other supplies from Louisiana Art Supply, LLC via its website, email or telephone. All orders must be a minimum of \$150.00 to qualify for free shipping. Payment for product orders is due within thirty (30) days from the date the product is shipped to you. Payment made to Louisiana Art Supply, LLC for canvases and supplies that are ordered is refundable upon the return of the purchased products and subject to a 20% restocking charge.

(14) Late Fee for Delinquent Monthly and Annual Profit and Loss Statements. You must submit to PWAT a monthly Profit and Loss Statement within fifteen (15) calendar days after the end of each calendar month, signed and certified by you, and you must also provide your sales, expenses and financial status with respect to your PWAT Business. In addition, you must submit to PWAT an annual Profit and Loss Statement prepared by a Certified Public Accountant within sixty (60) calendar days after the end of each calendar year. If you are late submitting your monthly and annual Profit and Loss Statements, you must pay to PWAT a late fee in the amount of \$50.00 per day for each day that you are late. If a late fee is assessed against you, you must pay all amounts due to PWAT within ten (10) days after written notice to you by PWAT.

(15) Site Evaluation Fee: You must pay the reasonable costs associated with us coming to a proposed site and evaluating your compliance with our System standards and specifications.

(16) Financial Records and Reports: You must maintain for at least five (5) fiscal years from their preparation adequate records of revenues, books, records, tax returns, financial statements, annual financial reports and operating statements, cash receipts records, weekly and monthly control forms, accounts payable records including all payments to your suppliers in the form we specify, and such other reports as we may from time to time require.

(17) Taxes on Payments to Us: If any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment you make to us, in addition to all payments due us, you must pay the tax, levy or assessment.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Initial Fee ^{FN1}	\$25,000	Lump Sum	At signing of franchise agreement	Franchisor
Real Estate Lease for Premises— 3 months ^{FN2}	\$4,500 - \$17,000	As arranged	As arranged	Landlord
Construction and Equipment ^{FN3}	\$10,000 - \$20,000	As arranged	Before opening	Approved Suppliers
“Grand Opening” Advertising ^{FN4}	\$2,000	As arranged	Within first month of opening	Approved Vendors
Training Expenses ^{FN5}	No charge for initial training of three employees			
Travel and living Expenses while Training ^{FN6}	\$1,000 - \$3,000	As arranged	Before opening	Airlines, hotels and restaurants
Insurance ^{FN7}	\$1,000 - \$3,000	As arranged	Yearly	Agent/company of your choice
Furniture ^{FN8}	\$4,000	As arranged	Before opening	Suppliers
Other Prepaid Expenses, such as	\$1,000 - \$3,500	As arranged	Before opening	

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Deposits, Licenses and Various Permits ^{FN9}				Suppliers and Government Agencies
Opening Inventory ^{FN10}	\$3,000 - \$5,000	As arranged	Before opening	Suppliers, including Louisiana Art Supply, L.L.C.
Signage	\$4,000 - \$8,000	As arranged	Before opening	Suppliers
Leasehold Improvements ^{FN11}	\$15,000 – \$50,000	As arranged	Before opening	Suppliers
Computer Hardware & Software ^{FN12}	\$1,500 – 4,500	As arranged	Before opening	Suppliers
Legal, Accounting & Organizational Costs	\$2,000 - \$8,000	As arranged	As arranged	Government, Attorneys, Accountants
Additional Funds ^{FN13} - - 3 months	\$15,000 - \$35,000	As arranged	As arranged	Suppliers. Employees
Design Fee ^{FN14}	\$300	Lump sum	Before opening	Franchisor
TOTAL ^{FN15}	\$89,300 - \$188,300			

NOTES:

General Comments. The above figures are estimates of the complete investment in establishing your PWAT Business and it is possible to significantly exceed these costs in any of the areas listed above. Your actual investment will depend upon many different factors like location, amount of space leased, amount of leasehold improvements, and your ability to efficiently manage and coordinate the construction and opening of your Business. The estimates above are for a standard PWAT Business that operates as a BYOB

and does not include fees or buildout necessary for a bar, liquor license, or related costs. The above figures assume that the site falls into the recommended range of square footage and is delivered in the standard white box/vanilla box condition. The amounts paid to PWAT are non-refundable unless otherwise stated. The refund ability of amounts paid to third parties depends upon your negotiations with these parties. The following notes are integral to the understanding of the financial commitment required to successfully establish and operate your PWAT Business. You should review the notes thoroughly.

(1) Initial Fee: See Item 5 for the conditions when this fee is partly refundable. We do not finance any fee. PWAT participates in the International Franchise Association's VetFran program and offers a \$5,000.00 discount on the Initial Fee to eligible PWAT franchisees. To be eligible for the VetFran discount, (1) you must be an active member or honorably discharged veteran of the United States Armed Forces, or (2) if franchisee is a business entity, an active member or honorably discharged veteran of the United States Armed Forces must hold in excess of 15% of the total voting power of the business entity's ownership interests.

(2) Real Estate Lease for PWAT Premises. Locations for PWAT Businesses are typically within either a freestanding building or an in-line retail plaza space with ample parking, good visibility and visible signage. Typically, you would lease an existing location in a shopping strip center or other freestanding building and remodel the location to conform to the current design specifications of PWAT. You may also lease the land and an existing facility and convert the facility to your PWAT Business or enter into a build-to-suit lease under which lease the landlord agrees to construct a structure which is used as your PWAT Business and lease the land and the building back to you. You may also purchase the land and build the facility yourself. The cost of land may vary dramatically depending upon a multitude of factors and it varies by city and region. PWAT has not included costs for land acquisition. You must perform a thorough investigation in your local area concerning land, site, leasehold and construction costs. These costs may vary significantly from location to location and are dependent upon factors like the general cost, location and availability of commercial real estate in your market area and the amount of space desired.

This amount reflects the amount of lease payments for the first three months that you operate your PWAT Business. Lease payments vary considerably depending upon regional and local factors and the type of lease negotiated by you. For a typical PWAT Unit, you must lease approximately 1,200 to 2,200 square feet of space. Lease payments for a typical PWAT Unit usually range from \$1,500.00 to \$5,666.66 per month depending upon the size, location and market demand for the property. The rate may be higher for regional mall sites, locations in high demand, or metropolitan area.

(3) Construction and Equipment. PWAT will provide a complete list of equipment needs and specifications. PWAT estimates that the range given will also be enough to purchase the initial decor package and other miscellaneous equipment. The decor package and equipment must comply exactly with the designer and/or architectural plans specified by PWAT.

(4) "Grand Opening" Advertising: You must spend a minimum of \$2,000.00 for the "Grand Opening" promotion of your PWAT Business. You must use advertising mediums designated and/or approved by PWAT. The "Grand Opening" event is required for all franchisees and functions to introduce your PWAT Business to the public. The application and use of the "Grand Opening" advertising funds shall be controlled by you.

(5) Training Expenses. PWAT provides instructors and instructional materials for up to three employees at no cost. However, you must arrange for your own transportation, lodging, and meals for yourself and for any costs incurred by associates. You or your manager must attend approximately three days of training in Mandeville, Louisiana.

(6) Travel and Living Expenses while Training. These costs will depend on the distance you must travel, the type of accommodations, the number of attendees and any wages paid by you to the associates attending training. The costs listed include estimates for reasonably priced transportation, lodging and meals for three people. The costs do not include wages paid for associates or employees attending training, local restaurants or other attractions in the New Orleans area, which can significantly increase your costs and affect the quality of your training.

(7) Insurance. You must procure comprehensive liability (including products liability coverage, sexual harassment coverage, host liquor liability coverage, and off-premises events coverage), property and other types of insurance coverage as provided in your Franchise Agreement, your lease and as may be required by law. The estimate given in the chart is for the first year's premium for a customary insurance coverage as set forth in this note.

(8) Furniture. PWAT will provide a complete list of furniture needed for your PWAT Unit. It is estimated that you will need nine (9) tables six feet in length and fifty (50) stools.

(9) Other Prepaid Expenses. These costs include installation charges and deposits for a business telephone line, utilities, occupational licensing, health and other permits, and, in some areas, zoning or impact fees. Some states and local municipalities require PWAT franchisees to obtain a "liquor" license or permit.

(10) Opening Inventory. PWAT estimates that the range given will be sufficient to cover a supply of canvases, paints, brushes, and other supplies for the opening of your PWAT Business.

(11) Leasehold Improvements. You must obtain architectural drawings and make certain improvements and modifications to the particular building you will lease or own to conform to the decor and design of other PWAT Businesses. The cost of the leasehold improvement typically ranges from \$15,000.00 to \$30,000.00, depending upon the requirements of the city and/or state in which you are building. The cost of the improvements will vary depending upon the condition and type of building leased and the willingness of the lessor or owner to contribute to the construction or remodeling of your PWAT Business. Costs could exceed the estimates provided if remodeling is extensive and the lessor or owner does not contribute significantly to the costs of remodeling your Business. PWAT will provide a complete list of improvements and design and decor criteria for your Business.

(12) Computer Hardware and Software. You must use a computer system (including both hardware and software) that meets our specifications. The personal computers you own or lease (and which may be obtained from any source) must have the following minimum requirements: 1 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor; 1 GB RAM; 16 GB available hard disk space; and wired Ethernet or Wireless internet capable of connecting to your internet service provider. In addition, the personal computers you lease or own must be capable of running the following software: Microsoft Windows XP (or higher) or MAC OS 10.6 (or higher); current available Web Browser (Google Chrome or Mozilla Firefox); Adobe Acrobat Reader 10.0 (or higher); standard desktop publishing software (Microsoft Office, OpenOffice, etc.); graphical editing software (Picasa, GIMP, etc.); Quickbooks Pro (2011 or higher); and Photoshop Elements (or higher).

(13) Additional Funds. This amount reflects the minimum suggested amount of additional funds you will need for the first three months you operate your PWAT Business. This amount includes the following items: salaries and wages, payroll taxes, advertising, product purchases, payment of royalties, uniforms, utility bills, ongoing professional fees, freight and other miscellaneous administrative and operating expenses. In formulating the amount of additional funds, PWAT relied on its prior experience in this

business as well as certain historical data submitted by its franchisees, including, certain average operating expenses for PWAT Units during the period from January 1, 2016 to December 31, 2016.

(14) Design Fee. Before starting any construction or renovations to your PWAT Unit or undertaking any leasehold improvements at the location accepted by PWAT, you must submit a drawing of the physical layout of your PWAT Unit to PWAT for review. PWAT will utilize the drawing submitted by you to generate a design plan depicting the interior design, trade dress décor, and color scheme (“Design Plan”) that Franchisee must follow to ensure that the design of its PWAT Unit conforms to PWAT’s then- current standards, plans and specifications. If the renovations, construction, or remodeling of your PWAT Unit varies in any way from those specifications set forth in the Design Plan, you must notify Franchisor immediately and PWAT must approve any difference in writing. The Design Plan is solely for complying with PWAT’s system standards, and not for determining compliances with codes, ordinances or the legal requirements of the Americans With Disabilities Act (the “ADA”). You are solely responsible for ensuring that your PWAT Unit conforms to all codes and ordinances, including the ADA. You must also pay PWAT a one-time fee of \$300.00 for services that PWAT will provide in connection with generating the Design Plan (“Design Fee”). The Design Fee shall be paid to PWAT at the same time that you submit the drawing of the physical layout of your PWAT Unit to PWAT.

(15) Total Investment. PWAT relied on its prior experience in this business to compile these estimates.

(16) Financing. PWAT does not offer, either directly or indirectly, financing to you for any items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Designated Suppliers and Specifications.

To maintain the reputation, goodwill, high standards, quality and uniformity of our System, you must purchase products and supplies which meet certain specifications. These specifications may include minimum standards for building size, leasehold improvements, zoning, lease provisions, location criteria, qualifications of architects or contractors, signs, equipment, quality, quantity, delivery, performance, design, appearance, durability, style and other related restrictions. You must also use only the standard forms approved by PWAT and use the display sales, marketing and promotional material provided in the manner and for the time periods designated by PWAT. You must ensure that all items and printed materials used in your PWAT Business bears the Proprietary Marks in the manner required by PWAT. PWAT considers these specifications to be of critical importance to the success of the System. These specifications are listed in the Manuals or are otherwise provided to you in writing. These specifications may be revised by PWAT. If a supplier does not meet our specifications stated in the Manual or as provided to you in other written materials, we may require you to stop using that supplier.

Purchases from Designated and/or Approved Suppliers or Distributors.

You must purchase or lease all equipment, inventory, supplies, products and materials required for the operation of your PWAT Business in accordance with specifications set by PWAT and from approved suppliers, except for general office supplies/equipment and other general business items. These items must be purchased from the designated and/or approved suppliers as listed in the Manuals.

You must purchase your canvases required for the operation of your PWAT Business from Louisiana Art Supply, L.L.C. or other supplier designated by PWAT. Currently, Louisiana Art Supply, LLC is the only approved supplier for canvases required for the operation of your PWAT Business.

Also, you must use a computer system (including both hardware and software) that meets our specifications.

You are required to access and use the FAM System for which you must pay us the monthly FAM System Maintenance Fee. You are required to book all class reservations, and input all sales information using the FAM System (See Item 6 and Item 11 for more information about the FAM System).

Designating suppliers and vendors allows for the ability to obtain discounts on volume purchasing from manufacturer sources. PWAT considers your use of the designated products essential to the success of the System. PWAT may, at any time, change the source of these designated products. PWAT estimates that your purchases from designated suppliers will be approximately 16% of your total investment and 13% of your ongoing expenses in the operation of your PWAT Business. For your benefit, PWAT negotiates purchase arrangements, including favorable pricing and/or terms, with designated suppliers. You do not receive material benefits from PWAT if you use designated or approved suppliers. However, purchasing or leasing from unapproved suppliers or using products that do not meet PWAT's specifications is a default of your Franchise Agreement, and PWAT may terminate your Franchise Agreement and/or pursue its other remedies available to it under the Franchise Agreement.

You should be aware that there might be price increases in any or all of the items you must purchase from our suppliers or distributors. Costs of goods from designated or approved suppliers may fluctuate from month to month. The volume of purchases, usage, vendor minimums, inventory turns, market demand and other similar factors determines prices charged to you. Additionally, freight charges may not be uniform for all locations. Freight charges will depend upon the location of your Business from supplier or distributor's warehouse and the number of other PWAT Businesses in your area. When entering new markets you should be aware that your freight costs may be higher than PWAT franchises in other markets and adjust your cost projections accordingly. PWAT does not know of any pending price increases, but PWAT cannot guarantee that increases will not occur.

Approval of Alternative Suppliers/Compliance with Specifications.

If you desire to purchase any items from an unapproved supplier that you believe meets the specifications of PWAT, you and the supplier must submit to PWAT a written request for approval. PWAT must advise you within ninety (90) days whether or not these items meet its specifications. PWAT may require that samples from the supplier be delivered to PWAT or its designee for inspection. PWAT may impose a charge not to exceed \$1,000.00 to cover the costs of inspection and testing, which must be paid by you or the supplier. PWAT reserves the right to re-inspect the products of any previously approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of PWAT standards and specifications.

If you obtain services from third-party providers, PWAT will have the right to review the terms and conditions of your arrangements and require additional information about the business background and qualifications of the providers, including personal interviews with individuals providing the services. If any third party obtains access to confidential information, PWAT may require, as a condition of approval of the provider, the signing of confidentiality and non-competition agreements in a form satisfactory to PWAT. PWAT may disapprove any provider, upon written notice to you, which does not demonstrate an ability to comply with the standards established for the System and to meet our needs promptly and reliably. PWAT considers the following general criteria in determining whether a supplier will be approved: ability to produce or deliver the products, services, supplies or equipment in accordance with PWAT standards

and specifications for quality and uniformity; production and delivery capabilities and ability to meet supply commitments; integrity of ownership (to ensure that the supplier's association with PWAT would not be inconsistent with PWAT's image or damage PWAT's goodwill); meets PWAT's reporting requirements for orders/sales by franchisees; financial stability; meets minimum standards of licensing, insurance and regulatory requirements; and the negotiation of a mutually satisfactory agreement to protect PWAT's intellectual property. PWAT's criteria for specific types of suppliers are either made available to you in the Manual or will be made available to you upon written request.

PWAT maintains a written list of approved supplies (generally identified by brand name) and suppliers, which is updated and issued to you on a regular basis. PWAT does not provide confidential specifications to you or suppliers, except on a limited basis; however, if a product, equipment or other item does not meet PWAT's specifications, PWAT will provide a written explanation within ninety (90) as to why the product or equipment does not meet PWAT's specifications. PWAT formulates and modifies specifications and standards by periodically performing tests on its products and equipment in relation to new products and equipment.

Revenues from Franchisee Purchases.

We do not receive any revenue or benefit, directly or indirectly, from designated suppliers based on purchases by PWAT's franchisees, though we reserve the right to derive revenue from franchisee purchases in the future.

Cooperatives.

We do not have any purchasing or distribution cooperatives.

Computer Hardware and Software Components.

You must purchase the computer hardware and software we designate for use in connection with the operation of your PWAT Business. Please see Items 6, 7, and 11 for more information regarding required computer hardware and software purchases.

Insurance.

Your Franchise Agreement requires you to obtain and maintain insurance coverage with an insurance company approved by PWAT as follows: (i) comprehensive general liability insurance (including products liability coverage, sexual harassment coverage, host liquor liability coverage, and off-premises events coverage) with coverage of at least \$1,000,000 per occurrence, and \$1,000,000 aggregate with full replacement value of business contents property coverage (PWAT must be listed as an additional insured); (ii) business interruption insurance, including location rentals and additional rental for 12 months after casualty, in amounts equal to at least \$100,000 (The business interruption insurance shall include an endorsement providing coverage for off-premise power failure or utility interruption caused by any covered cause of loss as stated in the policy); (iii) workers' compensation insurance as required by applicable law; (iv) fire, and extended coverage insurance, insuring the construction of improvements and completed PWAT Business operated by the franchisee, for the full replacement value thereof; and (v) if you conduct an Offsite Event, you shall obtain separate non-owned auto coverage insurance and general liability insurance coverage. You may not directly or indirectly conduct an Offsite Event until the required insurance is obtained and PWAT is named as an additional insured.

Advertising.

We must approve all advertising before first publication or use. Our advertising requirements are discussed more fully in Item 11 of this Disclosure Document.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement or Addendum	Disclosure Document Item
a. Site selection and acquisition/lease	Articles 1.2, 1.3 and 1.4	Item 11
b. Pre-opening purchases/leases	Articles 8.2, and 8.4	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Articles 2 and 3.2	Items 6, 7, 8 and 11
d. Initial and ongoing training	Articles 3 and 14.2	Items 6, 7 and 11
e. Opening	Articles 1 and 2	Items 7, 8 and 11
f. Fees	Articles 1.1, 1.6, 3.6, 6, 9.1, 10.11 and 14.1	Items 5, 6, and 7
g. Compliance with standards and policies/Operating Manual	Articles 4 and 5.2	Items 8, 9, 16 and 17
h. Trademarks and proprietary information	Article 7	Items 13 and 14
i. Restrictions on products/services offered	Articles 4.3, 4.5, 4.6, 5.1 and 5.2	Items 8 and 16
j. Warranty and customer service requirements	Articles 4.5 and 5.2	N/A
k. Territorial development and sales quotas	Article 1	Item 12
l. Ongoing product/service purchases	Article 8	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Articles 4.4 and 5.4	Items 6, 8 and 11
n. Insurance	Article 17	Items 6 and 7
o. Advertising	Article 6	Items 6 and 11

Obligation	Section in Franchise Agreement or Addendum	Disclosure Document Item
p. Indemnification	Articles 4.8, 7.4 and 19.1	Items 6 and 13
q. Owner's participation/management/ staffing	Article 3.2	Item 15
r. Records and reports	Articles 9.2 and 10	Items 8 and 17
s. Inspections and audits	Articles 4.7, 5.6, 9.2 and 19	Items 6 and 11
t. Transfer	Article 14	Item 17
u. Renewal	Article 15	Item 17
v. Post-termination obligations	Article 16	Item 17
w. Non-competition covenants	Article 11	Item 17
x. Dispute resolution	Article 20	Item 17
y. Personal Guaranty of all obligations of agreement	Articles 1.1, 14.1 and Attachment A	Item 15

ITEM 10

FINANCING

PWAT does not offer direct or indirect financing. PWAT does not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING

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

Pre-Opening Obligations

Before you open your PWAT Business, PWAT may provide you with the following assistance, which it will provide in its discretion:

Site Location Assistance and Approval: PWAT will provide you with general site selection criteria and guidance in the selection of an acceptable site. PWAT does not own any of the location premises currently leased and has no present intention to do so. (Franchise Agreement—Article 1.3).

The franchise is granted for a location to be approved by PWAT. You alone must locate a site for your PWAT Business that must be accepted by PWAT. PWAT will evaluate and accept the location for your Business if it meets PWAT minimum site and lease requirements (Franchise Agreement - Article 1.4). PWAT's acceptance will not be unreasonably withheld. PWAT will evaluate your proposed locations as soon as reasonably possible in accordance with the procedures in the Manual or as may be provided in other writings by PWAT. Factors considered by PWAT in reviewing and accepting proposed sites include

population density, demographics, size of the space, rent, available parking, traffic count and patterns, ease of access, economic and population growth trends, PWAT market penetration and proximity to other businesses, including other PWAT Businesses. PWAT also considers whether the lessor will agree to the PWAT permitted use language and other required lease provisions. If PWAT determines that the location is not acceptable at that time or is too close to another PWAT Business, the site will not be accepted and you must locate a new site for your Business.

PWAT must approve or disapprove the proposed site within 30 days after you submit a written summary of the lease terms and other information available for the proposed site. Failure to acquire a site acceptable to PWAT for your PWAT Business and open the Business within one year of the Effective Date of your Franchise Agreement will result in the cancellation your Franchise Agreement and PWAT will refund you \$6,250.00 (25% of your Initial Fee). (Franchise Agreement – Articles 1.3, 1.4).

You, at your own expense, shall: (i) renovate the location into a PWAT Business; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of your location into a PWAT Business. You shall commence operation of your PWAT Business no later than 30 days following substantial completion of the renovation and equipment installation at your location, and shall give us ten (10) days written notice before commencing business operations. (Franchise Agreement—Article 2).

Review of Lease: PWAT will review the lease for the location of your PWAT Business to ensure that provisions required by PWAT are included in the lease and that the terms of the lease are generally acceptable to PWAT. You alone must negotiate the business and financial terms of your lease (Franchise Agreement - Article 1.4). PWAT recommends that you have your own legal counsel review your lease.

Approved Plans and Specifications: PWAT will provide you with the specifications and layouts for the structures, equipment, furnishings, decor and signs identified with PWAT Businesses and approved suppliers and specifications for products and supplies (Franchise Agreement – Articles 2. 8, 18.1). PWAT may provide or deliver some of these items directly to you.

Review of Final Site and Construction Plans: PWAT will review your final site plans and approve the decor and layout for conformity to the construction standards and specifications of the System (Franchise Agreement - Articles 1.4, 2, 18.1).

Manuals: PWAT will give you one copy of the confidential PWAT Operations Manual and other manuals that PWAT makes available to all franchisees (Franchise Agreement – Articles 4.2 and 18.1). The PWAT Operations Manual consists of approximately 127 pages.

Training: PWAT will provide initial training to operate your PWAT Business (Franchise Agreement - Articles 3, 18.1). This training is described in detail later in this Item.

Artworks in PWAT's Inventory: PWAT will give you at least 50 artworks to decorate your PWAT Business. These are samples of artwork that you will be able to access and use in the operation of your PWAT Business together with PWAT's entire inventory of artwork. (Franchise Agreement—Article 4.5).

The typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the franchise and the opening of a PWAT Business is three to eight months. Factors affecting this length of time include identification of a satisfactory site, lease negotiations, financing, zoning, building and other permits, construction delays (weather, labor, materials), and delivery and installation of equipment and signs. Problems or delays caused by any of these factors could delay the opening of the business beyond eight months. You must have the PWAT Business open and operating no later than twelve (12) months after you sign the Franchise Agreement. If you are unable to secure an

approved site and open a PWAT Unit within this twelve (12) month period, you must notify us in writing within sixty (60) days prior to the expiration of this period. Upon receipt of this notice, we shall extend the twelve (12) month period for one additional ninety (90) day period. Afterwards, you must secure and open a PWAT Unit within this ninety (90) day extension or the Franchise Agreement shall be cancelled without any further action on the part of us (Franchise Agreement—Article 1.3).

Post-Opening Obligations

During the operation of your PWAT Business, PWAT may provide you with the following assistance, which it will provide in its discretion:

On-Site Assistance: PWAT will provide you with on-site assistance upon the opening of your PWAT Business. During the opening of your Business, PWAT, at its expense, will provide at least one PWAT representative to you at your Business location to facilitate the opening of your Business. This onsite visit is typically two (2) day, but a PWAT representative will stay onsite for a third day upon request by Franchisee. Requests by Franchisee that a PWAT representative stay onsite for a second day must be made in writing to Franchisor at least fourteen (14) calendar days before the scheduled opening of Franchisee's Unit (Franchise Agreement – Article 3.5, Article 18.1).

Marketing and Advertising Guidance and Approval: PWAT will provide you with materials and advice to support your marketing and advertising efforts (Franchise Agreement - Article 6). PWAT will also approve or disapprove all advertising and promotional materials you propose to use. Advertising is explained in more detail below.

Consultation: You may contact PWAT representatives on a periodic or as-needed basis to receive consultation and guidance concerning the operation of your Business (Franchise Agreement - Article 18.1). PWAT will also provide information to you about changes and modifications to the System and Manuals, advertising & marketing activities and provide you with forms for required reports you must submit to PWAT (Franchise Agreement – Articles 4.2, 18.1). PWAT will periodically, as it considers necessary, inspect your supplies, merchandise, methods of service and merchandising and speak with you and your employees to ensure you are complying with your agreements, Manuals and the standards established for the System (Franchise Agreement - Article 4.7). PWAT will not provide any legal or accounting services or advice at any time.

Additional Training: PWAT will periodically, as it considers necessary, provide you with advanced training in operating your PWAT Business (Franchise Agreement - Article 3.6). You are solely responsible for hiring and training the employees of the PWAT Business.

New Products and Services: PWAT will evaluate and consider for approval the products or services you submit for approval for use in your Business (Franchise Agreement - Articles 8.2, 8.3).

Use of the FAM System: PWAT will provide you with access to the FAM System for your use in developing and operating your PWAT Business. (Franchise Agreement—Article 10).

Advertising

Local Advertising: For the grand opening of your PWAT Business, you must spend a minimum of \$2,000.00 in local advertising and marketing. Afterwards, you must expend a minimum of \$1,000.00 per month on local advertising through mediums approved by the PWAT. You shall submit copies of any and all receipts, invoices, etc. to us within fifteen (15) calendar days after the end of each calendar month as verification of your compliance with this requirement. (Franchise Agreement – Article 6.2).

All advertising, promotional and marketing activities conducted by you in your local market area will be subject to the prior approval of PWAT. You must submit to PWAT (by personal delivery, facsimile or certified mail, return receipt requested) all local advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by PWAT. If you do not receive written disapproval within fifteen (15) business days after the date of receipt by PWAT, your plans and materials will be deemed approved. If any plans or materials previously approved by PWAT are later disapproved, you must discontinue their use promptly upon notice from PWAT.

Advertising Program: Franchisor has implemented a system-wide advertising program under the following terms and conditions:

(i) System Advertising Fund: You must pay 2% of your weekly gross sales to PWAT system advertising fund ("System Advertising Fund"). (Franchise Agreement- Article 6.3). Outside vendors and suppliers may contribute to the System Advertising Fund or a Cooperative in exchange for promoting their products or using their services. These agreements are negotiated on an individual basis as the opportunity arises by PWAT or a representative of the System Advertising Fund or Cooperative.

We will use System Advertising Fund contributions, in our sole discretion, to develop, produce and distribute national, regional and/or local marketing and to create advertising materials and public relations programs which promote, in our sole judgment, the services offered by System franchisees. We have the sole right to determine contributions and expenditures from the System Advertising Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend System Advertising Fund contributions in the general best interests of the System. We may use the System Advertising Fund contributions to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertisements and other marketing, including the cost of preparing and producing television, radio, magazine, Internet and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet website; and personnel and other departmental costs for advertising that we internally administer or prepare. Nevertheless, you acknowledge that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. While we do not anticipate any part of the System Advertising Fund contributions will be used for advertising that is principally a solicitation for franchisees, we reserve the right to use the System Advertising Fund contributions for public relations or recognition of the Painting With a Twist brand and for the creation and maintenance of a website, a portion of which may be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating the availability of franchises. Sales materials, if developed, may be sold to franchisees at a reasonable cost.

We may periodically assist franchisees to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the System Advertising Fund. The cost of these programs may be charged directly to you if your results from a Survey fall below System-established minimum standards for such Surveys.

We have the right to reimburse ourselves from the System Advertising Fund Contributions for such reasonable costs and overhead, if any, that we may incur in activities reasonably related to the direction and implementation of the System Advertising Fund.

We will prepare, on an annual basis, and will have available for you within one hundred twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the System Advertising Fund.

The statement will be presented to you upon your written request. The System Advertising Fund is not required to be independently audited.

All sums paid by you into the System Advertising Fund shall be kept in accounts separate from the other monies of PWAT and shall not be used to defray any of PWAT general expenses, except for reasonable administrative costs and overhead as PWAT may incur in activities reasonably included in the administration and direction of the System Advertising Fund and advertising programs for you and the System. PWAT or its designees shall maintain separate bookkeeping accounts for the System Advertising Fund.

Although the System Advertising Fund is intended to be of perpetual duration, PWAT maintains the right to terminate the System Advertising Fund. The System Advertising Fund will not be terminated until all monies in the System Advertising Fund have been expended for the purpose described above or returned to contributors on a prorated basis of their contributions. All Franchisor-owned PWAT Units will contribute to the System Advertising Fund on the same basis as other franchisees.

We implemented the System Advertising Fund on January 1, 2014. During the last fiscal year of the System Advertising Fund (ending on December 31, 2016), the System Advertising Fund spent 20% of its income on Facebook promotions and advertising, 27% for Yodle Centermark dashboard access, 16% for Bluetooth canvases, 10% for PPC advertising (Google Adwords), 15% for online display advertising, 1% for video production/photography, 2% for creative development, 3% for consulting fees paid to Innovative Advertising, 3% for Yelp enhanced profile pages, 1% for Nielsen research, and 1% for franchise support material.

We may create a National Franchise Advisory Council (“Council”) made up of franchisees elected by the franchisee community. The Council will serve in an advisory capacity role only to provide input on advertising programs and policies and other new and existing programs of PWAT. We will have the authority to change or dissolve the Council at any time without reason.

(ii) Local Advertising Cooperatives: PWAT may establish local marketing cooperatives for the common benefit of all PWAT franchisees. (Franchise Agreement- Article 6.3). PWAT has the right, in its sole discretion, to designate any geographical area for purposes of establishing a regional marketing and promotional cooperative (“Cooperative”), and to determine whether you must participate in a Cooperative. If a Cooperative has been established applicable to your PWAT Unit at the time you begin operating, you must immediately become a member of that Cooperative. If a Cooperative applicable to your PWAT Unit is established at any time during the term of your franchise agreement, you must become a member of that Cooperative no later than 30 days after the date on which the Cooperative begins operation. If the Painting With A Twist Unit is within the territory of more than one Cooperative, you are required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

- a) Each member of the Cooperative must contribute one (1%) percent up to three (3%) percent of its weekly gross sales for each and every week of its operations to the Cooperative (“Cooperative Fee”);
- b) Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by PWAT;
- c) Each Cooperative will be organized for the exclusive purpose of administering regional marketing and advertising programs and developing, subject to PWAT’s approval, standardized marketing materials for use by the members in local marketing;

- d) All activities and contributions to the Cooperative shall be determined by a majority vote of the members in the Cooperatives; and
- e) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without PWAT's prior written approval. All such plans and materials shall be submitted to our Marketing Department, Attention: Marketing Director, 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471.

PWAT may elect to pay all or a portion of the System Advertising Fund to a Cooperative. If PWAT elects to do so and if one of the following events occurs and is not resolved by the Cooperative, then PWAT reserves the right to exercise sole decision-making power over the marketing funds: (1) if a Cooperative ceases functioning; or (ii) an impasse arises because of the inability or failure of the Cooperative members to resolve any issue affecting the establishment or effective functioning of an individual Cooperative; or (iii) a Cooperative fails to function in a productive or harmonious manner; or (iv) a Cooperative is unable to approve any advertising program within a reasonable time not to exceed 30 days.

Affiliates of PWAT that operate PWAT franchised businesses must contribute to the Cooperative on the same basis as other members.

It is anticipated that all contributions to and earnings of the System Advertising Fund and Cooperatives will be expending during the taxable year in which the contributions and earnings are received. If excess amounts remain in the System Advertising Fund or any Cooperative at the end of the taxable year, all expenditures in the following taxable year shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. (Franchise Agreement—Article 6.3).

As of the date of this disclosure document, PWAT has not established local marketing cooperatives.

Computer System

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a computer system that complies with our standards and specifications and is capable of operating our designated software; (ii) a custom point of sale system, if applicable; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System"). Currently, the Computer System must have the following minimum requirements: 1 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor; 1 GB RAM; 16 GB available hard disk space; and wired Ethernet or Wireless internet capable of connecting to your internet service provider. In addition, the personal computers you lease or own must be capable of running the following software: Microsoft Windows XP (or higher) or MAC OS 10.6 (or higher); current available Web Browser (Google Chrome or Mozilla Firefox); Adobe Acrobat Reader 10.0 (or higher); standard desktop publishing software (Microsoft Office, OpenOffice, etc.); graphical editing software (Picasa, GIMP, etc.); and Quickbooks Pro (2011 or higher).

You must acquire a Computer System and required software that meets our specifications. The amount you must spend on the Computer System will vary based on the type of computer and software you already have, if any. We estimate the cost of purchasing the required Computer System at \$1,500 to \$4,500. The high range of these estimates assumes you purchase new computers and all required software, with specifications greater than what we require at a minimum.

Your payment of the Initial Fee and the FAM System Maintenance Fee constitutes payment to us for your use of the FAM System (a proprietary online software application developed specifically for the PWAT franchise system). The FAM System Maintenance Fee is a monthly fee of \$105.00. PWAT reserves the right to increase the FAM System Maintenance Fee; however, the total amount paid by you per year for the FAM System Maintenance Fee shall not exceed \$2,500.00 (Franchise Agreement—Article 10.11). PWAT will have unlimited independent access to your data inputted into the FAM System, including reservations, receipts and sales information. You will be provided with specifications and initial training for use of the FAM System. We will provide assistance to you through email and in some instances, by telephone, in connection with the use of the FAM System we require you to use. (Franchise Agreement - Article 10.2). We reserve the right to change the software used with the PWAT System in our sole discretion and you must comply with any such change at your sole costs.

In addition, you must also purchase or lease all equipment necessary to accept designated credit or debit cards. The credit/debit card processor you own or lease (and which may be obtained from any source) must be capable of supporting the “Authorize.net” gateway.

Internet

You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. We may, but are not obligated to, establish an Internet website that provides information about the System and the products and services offered by PWAT Businesses. In the event we exercise our right to create such a website, we have sole discretion and control over the website (including timing, design, contents and continuation). We may, but are not obligated to, create interior pages on our website(s) that contain information about your PWAT Business and other PWAT Businesses. If we do create these pages, we may require you to prepare all or a portion of the page for your PWAT Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. (Franchise Agreement – Article 10.15).

Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the PWAT Business, including any profile on Facebook, Pinterest, Twitter, LinkedIn, Instagram, YouTube or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement – Article 10.15).

We have the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System. You acknowledge that we and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name www.paintingwithatwist.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any considerably similar Internet domain names. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words. (Franchise Agreement – Article 10.15).

Computer Network, Intranet or Extranet Participation

You are required to participate in any System-wide computer network, intranet system or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us on- line;

(ii) view and print portions of or updates to the Operations Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete training. You agree to use the facilities of any computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. (Franchise Agreement – Article 10.13).

Manuals

Our Manual contains the current System standards and information relating to your obligations as a franchisee. The content of the Manual belongs to us and you will have no ownership interest in the Manual. The Manual may be modified, updated and revised periodically to reflect changes in the System standards and other policies affecting PWAT franchisees. The table of contents of the Manual is attached to this disclosure document as Exhibit D.

Initial Training

Before you open your PWAT Business, we will assist you with the interview and hiring process at your franchise location. You and your designees (minimum of 3 persons) must also attend and complete, to PWAT's exclusive satisfaction, a training program in Mandeville, Louisiana before you open your Business. (Franchise Agreement – Article 3.1, 3.2). This initial training program is mandatory and conducted on an as-needed basis, depending upon the number of attendees, at PWAT headquarters in Mandeville, Louisiana, and will last at least four (4) days. You will be scheduled to attend the program after you complete site selection and within a reasonable time before your scheduled opening date. The training program will include training in all phases of the operation of a PWAT Business, including staff/instructor training and shop management. When you open your PWAT Business, PWAT will send one PWAT representative to your Business location, at no cost to you, for on-site training and assistance. (Franchise Agreement – Article 3.5, 18.1). This onsite visit is typically two (2) days, but a PWAT representative will stay onsite for a third (3rd) day upon request by Franchisee. Requests by Franchisee that a PWAT representative stay onsite for a third (3rd) day must be made in writing to Franchisor at least fourteen (14) calendar days before the scheduled opening of Franchisee's Unit. PWAT may require any of your principals or employees who become actively involved in the management of your PWAT Business to attend and satisfactorily complete the required training programs. (Franchise Agreement – Article 3.2). If at any time Franchisee's trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend or carry out the training course to the reasonable satisfaction of PWAT, then PWAT shall have the right to require Franchisee's trainee to attend other training class(es) or to perform additional training until PWAT is reasonably satisfied that Franchisee's trainee has satisfactorily completed the training course. You may not open your PWAT Business until training is completed to PWAT's reasonable satisfaction.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-job Training	Location
Pre-Opening	0	6	Your Franchise Location (via phone or skype)
Interview and Hiring	0	20	Your Franchise Location
Management Training	40	0	Mandeville, Louisiana
Shop Opening/On-Site Training	0	20	Your Franchise Location
Additional Training	10-20	10-20	Franchisee's State or Mandeville, Louisiana

All aspects of training are integrated. There is no definite starting and stopping times for each subject, and the timing depends on the progress the students make each day. Our training programs are under the direction of Jamie Webb, or any other representative designated by Franchisor. Mrs. Webb is also responsible for the overall supervision of the training program, and has over thirteen years of experience in all of the subjects and over one year of experience with PWAT. Other instructors will include corporate artists. Our corporate artists include Augusto Abarca, Denise Hopkins, Melissa Vandiver, Jane Schauer, Kama Fischer, Therese Baldo, and Katie Champagne, who each have over four years in staff/instructor training and over four years of experience with PWAT. All instructors have extensive knowledge of the PWAT System and experience in all of the subjects.

The instructional materials for our training programs include videos, handouts, the Manual, and written tests.

As discussed in Item 6, you must pay all personal expenses incurred by you or your employees attending the initial training program, including costs and expenses of transportation, lodging, meals, wages and employee benefits. (Franchise Agreement – Article 3).

Your other employees may be trained by you, or at your request, and subject to the availability of our personnel, we will train your additional personnel at our corporate office at a fee of \$1,500 per person per day. (Franchise Agreement – Article 3.6). All training related expenses for your additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. We will provide you with training materials for you to use in training your personnel. You may only use the training materials that we provide to you to train your personnel. Updated training materials will be provided to you as they are developed. All training materials provided to you are our property, and you agree not to challenge our or our affiliates' title or rights in or to the training materials. You may not make any disclosure, duplication or other unauthorized use of any portion of the training materials. (Franchise Agreement – Article 3.7).

Additional Training

If you request any additional assistance from PWAT or any member of our team, we will provide such training subject to our availability and otherwise in our sole discretion. PWAT also offers additional optional training programs, including both advanced and refresher training, for you and your employees.

Currently, the optional training programs offered by PWAT include regular online webinars that provide franchisees with instruction and guidance relating to unit operations and upgrades to the FAM System. PWAT may designate certain additional training courses for you or your employees as mandatory (Franchise Agreement – Article 3.6). PWAT may designate certain additional management and field training courses for you or your employees as mandatory either in franchisee’s state or in Mandeville, Louisiana. PWAT may not mandate more than two additional training sessions in a twelve (12) month period. Additional training sessions shall not extend beyond three (3) days. We reserve the right to charge a fee of \$1,500 per day for additional training sessions. (Franchise Agreement – Article 3.5). As discussed in Item 6, you must pay all personal expenses incurred by you or your employees attending additional training sessions, including costs and expenses of transportation, lodging, meals, wages and employee benefits and any training materials. (Franchise Agreement – Article 3). At this time, there are no required additional training programs or refresher courses but we reserve the right to change that at any time in the future.

Payment of Fees

You are required to pay all fees due under the Franchise Agreement by automated bank draft. You must sign the Direct Debit Authorization form (Attachment C to the Franchise Agreement) before opening for business. This form allows us to draft royalty payments, advertising fees, training fees or other fees due under your Franchise Agreement directly from your bank account. (Franchise Agreement-Article 9).

ITEM 12

TERRITORY

You will receive an exclusive territory that will be described in an amendment to your Franchise Agreement (your “Protected Territory”). You shall operate your PWAT Business only from a specified location approved by PWAT. PWAT will designate a general geographic area, such as a city or sector of a city (“General Area”) solely for the purpose of limiting the area within which you may seek a site location for your PWAT Business. Upon securing a lease for your PWAT Business and prior to the opening of your PWAT Business, we will designate a geographical area defining your Protected Territory. The size of the Protected Territory will be determined by general demographics of the area with a minimum residential population of 30,000, the scope of the geographic boundaries, and other similar criteria in order to ensure that you can realistically service the Protected Territory. The boundaries of the Protected Territory may be shaped, at our sole discretion, to match the population criteria and natural geographic features. As long as you are not in default of your Franchise Agreement, we will not establish, nor license another party or entity to establish a PWAT Unit within the Protected Territory.

Under the Franchise Agreement, you may sell proprietary products and services to retail customers who live anywhere but who choose use your PWAT Business. You may conduct an Offsite Event in accordance with the terms and conditions set forth in the Manual. However, you may not conduct an Offsite Event within the Protected Territory of another PWAT Business. Without prior approval by PWAT, you may not engage in any promotional activities or sell proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, directed to or received from customers or prospective customers located anywhere. You must obtain the prior approval of PWAT for all advertising, promotional and marketing activities conducted by you in your local market area.

PWAT further reserves the right to negotiate options, rights of first refusal, and other similar rights to acquire additional franchises upon request by a franchisee. You should not rely on any oral representations that you will be offered the first opportunity to expand in an area or that you have any other expansion rights. If you desire to obtain expansion rights to an area, you should consider applying to PWAT for the rights to that area. PWAT will consider a franchisee's request for the establishment of additional franchised PWAT Businesses as long as franchisee is not in default of its current franchise agreement and PWAT determines that it is in its best interest to do so.

Relocation of your PWAT Business requires the prior written approval of PWAT. PWAT will approve the relocation of your Business only if you lose the right to do business at your location through no fault of your own or PWAT determines that it is in its best interest to allow the Business to be relocated. You must enter into a new franchise agreement to establish additional PWAT Businesses. The Protected Territory will not be changed or altered if you relocate your PWAT Business for any reason.

There is no minimum sales quota. You maintain right to your Protected Territory even if the population increases. The exclusivity of your Protected Territory is not dependent upon achievement of certain sales volume, market penetration, or any other contingency.

PWAT retains the right, in its sole discretion, to own and operate PWAT Units at any location(s) outside your Protected Territory under the same or different marks, or to license others the right to own and operate a PWAT Unit at any location(s) outside Franchisee's Protected Territory under the same or different marks.

PWAT further reserves the right to use its Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail or wholesale stores, and via the Internet and mail order catalogs, without regard to location. PWAT also retains the right to sell products and services through alternative channels of distribution, such as mail order, catalog sales, telemarketing, Internet, television, newspaper, and any other advertising media to consumers located anywhere, including within your Protected Territory. You have no right to share in any revenue generated from these activities.

ITEM 13

TRADEMARKS

PWAT identifies its System by means of certain trade names, service marks, trademarks, and logos ("Proprietary Mark(s)"). The Franchise Agreement grants you the non-exclusive right to use the Proprietary Marks and any other Proprietary Marks that we may use during the term of the Franchise Agreement in operation the System. Your use of the Proprietary Marks is limited solely to the operation of the PWAT Business at its approved location and only in accordance with the System. The following Proprietary Marks are currently registered or pending registration on the Principal Register of the United States Patent and Trademark Office (USPTO):

Trademark, Service Mark or Design	U.S. Application or Registration No.	Date of Application or Registration	Comment
PAINTING WITH A TWIST	3,703,428	October 27, 2009	Registered

Trademark, Service Mark or Design	U.S. Application or Registration No.	Date of Application or Registration	Comment
PAINTING WITH A TWIST (stacked logo)	4,324,165	April 23, 2013	Registered
IT'S A LITTLE BIT OF PAINT, A LITTLE BIT OF WINE, AND A WHOLE LOT OF FUN!	4,324,168	April 23, 2013	Registered
PAINT BRUSHES IN WINE GLASS (logo)	4,659,525	December 23, 2014	Registered
PAINTING WITH A TWIST (horizontal logo)	4,734,304	May 12, 2015	Registered
PAINTING WITH A TWIST (stacked logo with paint brushes in wine glass)	4,734,305	May 12, 2015	Registered
PAINTING WITH A TWIST (horizontal logo with paint brushes in wine glass)	4,734,306	May 12, 2015	Registered
PAINTING WITH A PURPOSE	5,003,128	July 19, 2016	Registered
IT'S FUN ART, NOT FINE ART!	5,146,270	February 21, 2017	Registered
LOOKS LIKE ART FEELS LIKE FUN	5,146,640	February 21, 2017	Registered
PAINTING WITH A PURPOSE (logo)	5,160,569	March 14, 2017	Registered
PAINTING WITH A TWIST	87301498	January 14, 2017	Pending
PAINTING WITH A TWIST	87301772	January 13, 2017	Pending
PAINTING WITH A TWIST	87304030	January 17, 2017	Pending
PAINTING WITH A TWIST	87304072	January 17, 2017	Pending
PAINTING WITH A TWIST	87304108	January 17, 2017	Pending
PAINTING WITH A TWIST	87304183	January 17, 2017	Pending
PAINTING WITH A TWIST	87304232	January 17, 2017	Pending

All required affidavits have been filed for the Proprietary Marks listed in this Item. No registrations have come up for renewal. PWAT also claims common law rights to all of its Proprietary Marks on the basis of use.

There are currently no effective material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court and there is no pending interference, opposition or cancellation proceeding or any material litigation involving the Proprietary Marks listed in this Item which are relevant to their use in your PWAT Business.

There are currently no agreements in effect, which significantly limit the rights of PWAT to use or license the use of its Proprietary Marks in any manner material to your PWAT Business.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the right to settle the proceedings or litigation. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Proprietary Marks.

We have the right, though not the obligation, to defend you against any third-party claim, suit, or demand arising solely out of your use of the Proprietary Marks in a manner expressly authorized by us. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement and the Operations Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement and the Operations Manual, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner not in accordance with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

We are the lawful and sole owner of the domain name www.paintingwithatwist.com. You cannot register any of the Proprietary Marks owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of a website using the Proprietary Marks. You may access our website. Except as we may authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; and (iii) create or register any Internet domain name in connection with your franchise.

You may use only the Proprietary Marks which we designate, and may use them only in the manner we authorize and permit. Any goodwill associated with Proprietary Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Marks only for the operation of the PWAT Business and only at the Location or in advertising for the PWAT Business. You will use all Proprietary Marks without prefix or suffix and in conjunction with the symbols “SM,” “TM,” or “R,” as applicable. You may not use the Proprietary Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. You may not use the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use.

All of your advertising must prominently display the Proprietary Marks and must comply with our standards for using the Proprietary Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms,

and other materials and supplies bearing the Proprietary Marks. You may use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Proprietary Marks, or related marks, before first publication or use. You must identify yourself as the owner of the PWAT Business (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the PWAT Business premises.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. You must discontinue using all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Proprietary Marks at your expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise.

We claim copyrights in all artworks used by and in connection with the operation of PWAT Businesses (“Copyrights”). The following copyrights are registered or pending registration with the United States Registrar of Copyrights:

Title of Work	U.S. Application or Registration No.	Date of Application or Registration	Comment
Abigail's Blossom Tree 1	VAu 1-225-705	November 24, 2014	Registered
Abigail's Blossom Tree 2	VA 1-977-720	November 24, 2014	Registered
A Girl Should Be . . . Red II	VA 1-915-499	April 29, 2014	Registered
Afternoon by the Lighthouse	VA 1-915-548	April 29, 2014	Registered
Anchor of Love	VA 1-987-210	June 5, 2015	Registered
Anchor of Love II	VA-1-997-197	June 5, 2015	Registered
Baby Penguin	VA 1-915-543	April 29, 2014	Registered
Cabernet Cascade	VA 1-922-561	June 27, 2014	Registered
Cheers	VA 1-915-496	April 29, 2014	Registered
Cosmic Reflections	VA 2-023-586	November 30, 2016	Registered
Cracked Cross	VA 1-868-899	March 28, 2013	Registered

Title of Work	U.S. Application or Registration No.	Date of Application or Registration	Comment
Cracked Fleur de Lis	VA 1-868-898	March 28, 2013	Registered
Essence of a Woman	VA 1-915-634	April 29, 2014	Registered
Fall in Golds	VA 2-001-688	August 19, 2015	Registered
Flamingo Fun	VA 1-915-659	April 29, 2014	Registered
Friends . . .	VA 1-915-555	April 29, 2014	Registered
Girlfriends	VA 1-915-502	April 29, 2014	Registered
Girlfriends Party	VA 1-915-578	April 29, 2014	Registered
Group Therapy	VA 1-915-627	April 29, 2014	Registered
High Five	VA 1-915-635	April 29, 2014	Registered
Love Letters in the Sand	VA 1-915-562	April 29, 2014	Registered
Mahogany	VA 1-915-603	April 29, 2014	Registered
Neon Stiletto	VA 1-915-505	April 29, 2014	Registered
Our Love Tree	VA 2-001-690	August 19, 2015	Registered
Painting with a Twist	VA 1-821-647	May 16, 2012	Registered
Passion	VA 1-903-949	May 29, 2013	Registered
Peace Party	VA 1-915-612	April 29, 2014	Registered
Peacock	VA 1-861-575	June 3, 2013	Registered
Peacock	VA 2-001-589	June 10, 2015	Registered
Peacock 2	VA 1-851-495 VA 1-433-275* *supplement to VA 1-851-495	March 25, 2013	Registered
Pensacola Pinot Noir	VA 1-915-568	April 29, 2014	Registered
Red Hat Gala	VA 1-868-897	March 28, 2013	Registered
Sass	VA 1-915-607	April 29, 2014	Registered
Space Case	VA 1-915-492	April 29, 2014	Registered

Title of Work	U.S. Application or Registration No.	Date of Application or Registration	Comment
Spirits	VA 1-899-007	May 29, 2013	Registered
St. Aug Lighthouse	VA 1-978-258	January 14, 2015	Registered
The Colors of Music	VA 1-915-504	April 29, 2014	Registered
The Key to My Heart	VA 1-915-660	April 29, 2014	Registered
Tiffany's	VA 1-915-558	April 29, 2014	Registered
To The Moon	VA 1-915-658	April 29, 2014	Registered
To the Moon & Back	VA 2-001-689	August 19, 2015	Registered
White Coat Set	VA 1-915-509	April 29, 2014	Registered
Yum Yum	VA 1-868-900	March 28, 2013	Registered
Crazy Reindeer	1-3482614711	May 26, 2016	Pending
Georgia Love	1-3490250188	May 27, 2016	Pending
Happy Hydrangeas	1-4257516351	December 22, 2016	Pending
Horizontal Painting With A Twist	1-4379970681	February 24, 2017	Pending
Painting With A Twist Horizontal With Stemless Wine Glass	1-4397969412	February 24, 2017	Pending
Painting With A Twist Vertical With Stemless Wine Glass	1-4379970707	February 24, 2017	Pending
Stemless wine glass with paintbrushes	1-4359013671	February 27, 2017	Pending
Sunset of Love - Couples	1-3516214341	May 31, 2016	Pending
Texas Love	1-3482854507	May 26, 2016	Pending
Walk By Faith	1-3482854803	May 26, 2016	Pending
Wet Kiss Set	1-3482614737	May 27, 2016	Pending

None of these registrations are subject to renewal terms.

There are currently no effective material determinations of the United States Copyright Office or any court and there is no pending material administrative proceeding or litigation involving the Copyrights listed in this Item which is relevant to their use in your PWAT Business.

There are currently no agreements in effect, which significantly limit the rights of PWAT to use or license the use of its Copyrights in any manner material to your PWAT Business.

PWAT will defend and hold you harmless from any claims of copyright infringement for the use of the Copyrights if you promptly give written notice to PWAT and tender the full defense of the claims against you to PWAT. PWAT shall have complete control of the legal action and may settle the claims at any time without providing notice to you. PWAT has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Copyrights. You must sign any documents deemed necessary by PWAT or its counsel to obtain protection for the Copyrights or to maintain their continued validity and enforceability. You may not contest the validity or ownership of the Copyrights. If litigation involving the Copyrights is instituted or threatened against you, you must promptly notify PWAT and must cooperate fully with PWAT in defending or settling the litigation.

PWAT does not warrant or guarantee that it has the exclusive right to use the Copyrights. If for any reason it becomes necessary or desirable for PWAT to quit using the Copyrights, PWAT is not obligated to provide you with any other remedy.

PWAT does not actually know of any superior prior rights or of any infringing uses that could materially affect your use of the Copyrights.

Confidential and Proprietary Information

During the term of the Franchise Agreement, you will receive information which we consider our trade secret and confidential information (“Confidential Information”), including operating procedures, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, class offerings, pricing for classes, any information contained in the Operations Manual, trade secrets, and other methods, techniques and know-how concerning the operation of the PWAT Unit that may be communicated to you or of which you may be apprised by virtue of your operation of the PWAT Unit. You will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information. You may divulge Confidential Information only to those of your employees as must have access to it in order to operate the PWAT Unit. You acknowledge and agree that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i)-(iv) collectively “Customer Lists”), and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute our trade secrets and Confidential Information. You may divulge such Confidential Information only to such of your employees as must have access to it in order to operate the PWAT Unit. Any and all information, knowledge, know-how, techniques, and other data that we designate as confidential will be deemed Confidential Information for purposes of the Franchise Agreement. You acknowledge and agree that we have expended considerable time, effort, and money to develop the System, that the enumerated Confidential Information is not well known outside of the System, that the Confidential Information is of great value to us, and that we are implementing this non-disclosure policy in an effort to protect its trade secrets and Confidential Information. You acknowledge that in the event of the actual or threatened breach of the section of the Franchise Agreement governing confidentiality, our harm will be irreparable and that we have no adequate remedy at law to prevent such harm.

You must require all of your employees and artists to execute covenants promising to maintain the confidentiality of information they receive in connection with their employment by Franchisee at the PWAT Unit and to restrict their ability to compete with the PWAT Unit during their employment with Franchisee. Such covenants will be in a form satisfactory to Franchisor and substantially similar to the Confidentiality Agreement attached as Attachment B to the Franchise Agreement. These covenants must, without limitation, specifically identify Franchisor as a third party beneficiary of such covenants with independent rights to enforce those covenants.

If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the PWAT Unit, including, but not limited to, any modifications or additions to the services offered by the PWAT Unit, you must promptly notify us and provide us with all necessary related information, without receiving compensation in return. Any such concept, process or improvement will become our sole property, and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. You and your principals and agents hereby assign to us any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. You and your principals and agents agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentations for obtaining and enforcing such rights. You and your principals and agents hereby irrevocably designate and appoint us as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions are found to be invalid or otherwise unenforceable, you and your principals and agents hereby grant to us a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe your rights.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Participation in Business: As an owner of your PWAT Business, you do not have to conduct on-premises supervision or to personally participate in the direct operation of your Business. However, PWAT recommends that you are actively involved in the operation of your Business. You or your designated manager must devote full-time to the development of your PWAT Business, unless otherwise approved in writing by PWAT. Your PWAT Business must at all times be under the direct, full-time, on-location supervision of you or a trained and competent employee acting as a full-time manager who has satisfactorily completed PWAT initial management training program. Your manager must sign a confidentiality agreement to maintain the confidentiality of the information described in Item 14 and may have to sign an agreement that conforms with the covenants not to compete described in Item 17. If you are a business entity, your manager need not have an ownership interest.

Other Written Agreements: If you are a business entity, each individual holding in excess of 15% of the total voting power of your ownership interests (including each individual holding in excess of 20% of the total voting power of any business entity having a controlling interest in you) must personally guarantee your obligations under your Franchise Agreement. If you have personally signed the Franchise Agreement and wish to transfer your Agreement to a business entity, you must enter into a personal guaranty regardless of your ownership interest in the business entity. A personal guaranty is attached to the Franchise Agreement as Attachment B. Any person holding an ownership interest in your business entity will have to sign a confidentiality agreement and non-compete as described in Items 14 and 17.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those products and services that PWAT has approved.

You must offer all product and services at retail that PWAT designates as required for all PWAT locations, including new products or services that PWAT develops in the future. There are no limits on PWAT's right to change the types of products and services or add new products and services, which you must comply with at your own expense. You have thirty (30) days after receipt of written notice by PWAT to implement any change to the types of products and services designated by PWAT. You may not offer or sell any other products or services without the prior written consent of PWAT. You must provide for equipment or other items reasonably necessary to support new products or services introduced to enhance the value of the System. You are not restricted as to customers to whom you may offer goods and services; however, you must abide by all local, state, and federal regulations that apply to the operation of your PWAT Business, including but not limited to, any regulations governing the consumption of alcohol.

All PWAT Businesses must offer PWAT approved products and services as designated in the Operations Manual or in other writings.

You must offer at least four (4) evening classes per week, including classes on Friday and Saturday evenings and two (2) other week days, Monday through Thursday. All other open days may be used for additional classes or private functions. The scheduled time period for the offered classes must be first submitted to and approved in writing by PWAT. You must also conduct offered classes when attendance is a minimum of four (4) attendees.

You are not permitted to have vending, video gaming devices or game machines or any other mechanical device to be installed or maintained in at you PWAT Business without Franchisor's prior written approval.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the term of the franchise	Article 15.1	7 years from date PWAT executes your franchise agreement.
b. Renewal or extension of the term	Article 15.1	Your renewal rights permits you to remain as a franchise after the initial term of your franchise agreement expires. If you wish to renew and you satisfy the required pre-conditions to renew, we will offer you an additional five year term. You have the option to renew your agreement for 4 additional terms of 5 years each. You must sign our then-current franchise agreement for the renewal term and this new agreement may have different terms and conditions (such as different fee requirements and different territorial rights) from the agreement that covered your original term.
c. Requirements for franchisee to renew or extend	Article 15.1	“Renewal” means that a franchisee is permitted to continue operating Painting With A Twist franchise after the initial term of your franchise agreement expires. You must have a good record of compliance with the Manual and be in compliance with your franchise Agreement; satisfy all monetary obligations to PWAT; give written notice; remodel your PWAT Business; demonstrate the ability to operate for the renewal term; satisfy renewal training requirements; sign a general release; and sign new franchise agreement. You will be required to sign a new franchise agreement that may have materially different terms and conditions from the agreement that covered your original term, such as different fee requirements and different territorial rights.
d. Termination by franchisee	None	Not Applicable
e. Termination by franchisor without cause	None	Not Applicable
f. Termination by franchisor with “cause”	Article 15	PWAT can terminate only if you default.
g. “Cause” defined – curable defaults	Article 15.3	Curable defaults: You have 10 days after PWAT written notice to cure: failure, refusal or neglect to promptly pay any monies owed to PWAT; failure to submit financial or other information

Provision	Section in Franchise or Other Agreement	Summary
		as required to PWAT; failure to maintain standards specified by PWAT or manuals; failure, refusal or neglect to obtain required prior written approval or consent; commencement or conducting of other business operation, marketing of other products, under a name or mark which, in PWAT's reasonable opinion, is confusingly similar to Proprietary Marks; default, without cure after the applicable grace period, under any lease, sublease, sub-sublease, mortgage or deed of trust covering the location; failure to procure or maintain the required insurance; default in the performance of any term, condition or obligation in payment of indebtedness to landlord or sublandlord, distributors or suppliers or others arising out of the purchase of inventory, supplies or purchase of lease of equipment and if any default is not cured within 30 days after written notice from PWAT; failure to forward third party payments to us that were erroneously made to you; failure to maintain sufficient inventory levels; failure to meet opening deadlines; failure to maintain prescribed hours of operation; failure to supervise business or employ sufficient number of qualified personnel; failure to maintain quality controls; conduct adverse to the System or Proprietary Marks; failure to procure or maintain required licenses or permits..
h. "Cause" defined – non-curable defaults	Article 15.2	Automatic termination defaults: Voluntary or involuntary bankruptcy; unauthorized transfer. Other non-curable defaults: You knowingly or intentionally maintain false books or records, or submit any false report or payment to PWAT, or you otherwise commit fraud; your conduct is so contrary to the agreement and the Manuals as to constitute an imminent danger to the public health or selling regularly unauthorized products to the public after notice of default and continuing to sell these products whether or not you have cured the default after one or more notices; the conviction of a felony, or a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole reasonable opinion of PWAT, to have an adverse effect on the System, Proprietary Marks or the goodwill associated with PWAT's interest in each of them by you, or your controlling or operating shareholders or members if you are a limited liability company; intentional disclosure or use of the contents of the Manuals, trade secrets or confidential or proprietary information, excluding acts of independent employees or others not under your control; repeatedly committing defaults under any provisions of this Agreement 2 or more occasions in any 12 month period, or 4 or more occasions in any consecutive 24 month period, even if you cured each prior default, and even if you would otherwise be given an opportunity to cure the current default; ceasing to operate or otherwise abandoning your business without consent

Provision	Section in Franchise or Other Agreement	Summary
		or, upon destruction of your business, failure to rebuild and resume operation within a reasonable time, unless excused in Agreement; you make a misrepresentation or omission in your franchise application; failure to complete initial training; cross-default of another agreement with us or our affiliates; violation of the in-term restrictive covenant; if a lien is placed against you or your principals and is not released or bonded against within 30 days; insolvency; if you offer unauthorized and unapproved products or services; if you order from unapproved suppliers; if you misuse the Proprietary Software; failure to maintain insurance as required under the Franchise Agreement; failure to comply with any law or regulation within 15 days of receiving a notice of noncompliance; adverse government action; failure to comply with anti-terrorism provision in Franchise Agreement; if you take any assets or property of your PWAT Business for personal use; if there are insufficient funds in your bank account 3 or more times in a 12 month period; misuse or unauthorized use of Proprietary Marks or other impairment of their goodwill or our right to use the Proprietary Marks. .
i. Franchisee's obligations on termination/non-renewal	Article 16	Obligations include immediately ceasing to operate your Business; discontinue use of Proprietary Marks; return Manuals, other materials and confidential information; assign telephone numbers if requested; payment of amounts due; assign lease if requested; de-identify Business; maintain confidentiality of information; permit us to make a final inspection of your records; amend or cancel any registration containing our trade names or Proprietary Marks; cease engaging with former customers; execute any additional documents that we require; vacate the premises of your PWAT Business if we exercise our rights under a Contingent Assignment of Lease.
j. Assignment of contract by franchisor	Article 14.1	No restriction on PWAT's right to assign.
k. "Transfer" by franchisee – defined	Article 14.1	Includes transfer of contract, assets or ownership interest.
l. Franchisor approval of transfer by franchisee	Article 14.1	PWAT has the right to approve all transfers, except a transfer to an heir or beneficiary after your death or mental incapacity, but will not unreasonably withhold approval as long as certain conditions are satisfied.
m. Conditions for franchisor approval of transfer	Articles 14.1 and 14.2	You may transfer your interest to a corporation or other legal entity as long as you retain ownership of a majority of the total voting power; you may transfer to a third party if: PWAT does not exercise its right of first refusal; 5 days before each direct or indirect transfer of an interest in this Agreement or in you, or upon PWAT's request, furnish PWAT with an estoppel agreement indicating any and all causes of action, if any, that

Provision	Section in Franchise or Other Agreement	Summary
		you may have against PWAT or if none exist and a list of all shareholders or partners having an interest in this Agreement or in your business, the percentage interest of each shareholder or partner, and a list of all officers and directors; you are not in default; all of your then-due monetary obligations have been paid in full and other obligations met; you and your shareholders or members have executed a general release under seal of any and all claims against PWAT; you satisfy all of PWAT's then-current requirements for new franchisees or holders of an interest in a franchise; you have assumed the Agreement in a written assumption agreement approved by PWAT, or have agreed to at closing; you, your manager or other employees responsible for the operation of the franchise have satisfactorily completed PWAT's training program; you execute other documents as PWAT may require, including franchise agreement; you paid the Transfer Fee 30 days in advance of the transfer; you comply with post-term obligations under the Franchise Agreement; the transferee obtains all required licenses and permits; transfer in compliance with applicable laws; third party consents have been obtained, if necessary; we are provided with an executed copy of the purchase agreement; we can disclose financial information about your PWAT Business to any prospective transferee; our approval of the transfer will not constitute a waiver of any claims we may have, and we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.
n. Franchisor's right of first refusal to acquire franchisee's business	Article 14.2	PWAT can match any offer for your Business less 5%.
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Article 14	In the event of your death, disability, or incapacitation, your legal representative shall have the right to continue the operation of the PWAT Business as franchisee under your franchise agreement if: (i) within 45 days from the date of death, disability or incapacity this person has obtained our prior written approval and has executed our then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company franchisee's obligations to us and our affiliates; and (ii) this person successfully completes our training program. Before this occurs, we may operate your PWAT Business on your behalf and at your expense for such

Provision	Section in Franchise or Other Agreement	Summary
		period of time and under such terms and conditions as we determine.
q. Non-competition covenants during the term of the franchise	Articles 11 and 12	No involvement in similar business anywhere; cannot divert business to a competitor; you shall not employ or seek to employ, directly or indirectly, any person serving in an executive, managerial or operational position who is at the time or was at any time during the prior 6 months employed by PWAT, without PWAT's prior written consent.
r. Non-competition covenants after the franchise is terminated or expires	Article 11	No involvement in similar business for 24 months at a site within a radius of 50 miles of any of your former businesses or within 20 miles of any other PWAT business then existing, unless PWAT gives its prior written consent; no diverting business to any competitor, soliciting business from former customers, or contacting our suppliers or vendors for a competitive business purpose.
s. Modification of the agreement	Article 22	No modifications generally but standards, specifications, Manuals, products and services, Proprietary Marks and other items specified in the Franchise Agreement are subject to change.
t. Integration/merger clause	Article 22	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 20	You and PWAT resolve disputes or disagreements first through internal dispute resolution, then non-binding mediation, then litigation at our headquarters, unless individual state law directs otherwise.
v. Choice of forum	Article 20	Arbitration and litigation must be in Louisiana, unless individual state law directs otherwise.
w. Choice of law	Article 20	Louisiana law applies, unless individual state law directs otherwise.

NOTES:

General Comments. See also Exhibit J, State Specific Addenda.

ITEM 18

PUBLIC FIGURES

PWAT does not use any public figures to promote its 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 any reasonable basis for the information and, if the information is included in the disclosure document. Financial information that differs from that included in Item 19 may only be given 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.

This Item sets forth certain historical data submitted by our franchisees, including average and median annual gross revenue, average funds obtained prior to the opening of a Studio, certain average expenses, and certain average customer data for Painting with a Twist Studios during the period from January 1, 2016 to December 31, 2016 (the "Measurement Period").

As of the end of the Measurement Period, there were 261 Painting with a Twist franchises. This Item sets forth historical data for 158 Painting with a Twist franchisees (the "Reporting Franchisees"). 103 Painting with a Twist franchisees were excluded from the calculations because the franchisees: (i) were not open during the entire Measurement Period; (ii) did not meet their required minimum local advertising spend; (iii) did not provide us with the required profit and loss information containing the data to be included in this Item 19; (iv) were in default of, or non-compliant with, their Franchise Agreement as of December 31, 2016; or (v) transferred ownership of the Studio during the Measurement Period.

We have not audited this information, nor independently verified this information. Written substantiation of the data used in preparing this information is available upon reasonable request. Importantly, the success of your franchise will depend largely upon your individual abilities and your market, and the financial results of your franchise are likely to differ, perhaps materially, from the results summarized in this Item.

PART I: AVERAGE AND MEDIAN ANNUAL GROSS REVENUE

The chart below presents the Average Annual Gross Revenue¹ and Median Annual Gross Revenue² for all Reporting Franchisees during the Measurement Period.

TABLE I
AVERAGE ANNUAL GROSS REVENUE AND MEDIAN ANNUAL GROSS REVENUE
For the period from January 1, 2016 to December 31, 2016

Category	High	Low	Average¹	Median²	Number and Percent Exceeding the Average
All	\$921,591	\$108,027	\$338,446	\$318,302	71 (45%)
Top Third ³	\$921,591	\$372,265	\$489,785	\$462,405	19 (36%)
Middle Third ³	\$369,924	\$266,604	\$318,000	\$315,387	26 (49%)
Bottom Third ³	\$263,408	\$108,027	\$205,036	\$213,520	30 (58%)
Multi-Unit ³	\$921,591	\$136,640	\$362,761	\$342,154	37 (40%)

Notes to Table I:

1. Average Annual Gross Revenue is defined as the sum of the Annual Gross Revenue of the Reporting Franchisees divided by 153, the number of Reporting Franchisees. “Gross Revenue” for purposes of this Item 19 is defined as the total of all sales invoices or other items or services billed to the customer for all “completed sales” less any discounts during the Measurement Period. Sales are considered “completed sales” when the franchisee collects final payment from the customer or by the date that is one month after final receipt of all products and/or services sold to the customer, whichever is earlier. **Importantly, Gross Revenue does not include any revenue derived from alcohol or retail sales made during art classes, and we do not currently charge a royalty in connection with any revenue derived from alcohol sales.**

2. The Median Annual Gross Revenue achieved by Reporting Franchisees during the Measurement Period was \$318,302. “Median” means that 1/2 of the Reporting Franchisees achieved Annual Gross Revenues that exceeded the Median Annual Gross Revenue, and 1/2 had Annual Gross Revenue below the number presented.

3. For the “Top Third Reporting Franchisees”, we took the top 53 performing Reporting Franchisees based on Annual Gross Revenue. For the “Middle Third Reporting Franchisees”, we took the middle 53 performing Reporting Franchisees based on Annual Gross Revenue. For the “Bottom Third Reporting Franchisees”, we took the bottom 52 performing Reporting Franchisees based on Annual Gross Revenue. The “Multi-Unit” category included 92 Studios that were owned by Reporting Franchisees that operated more than one Studio during the Measurement Period.

PART II: EXPENSE INFORMATION FOR REPORTING FRANCHISEES

The chart below presents certain expense information of the 158 Reporting Franchisees.

Category	All	Percentage of Revenue ¹
Average Annual Gross Revenue ¹	\$338,446	100%
Average Artist Pay ²	\$73,273	22%
Average Operating Supplies ³	\$37,429	11%
Average Annual Advertising	\$22,006	7%
Average Charitable Donations	\$5,394	2%
Average Rent ⁴	\$42,669	13%

Notes to Part II:

1. Average Annual Gross Revenue is defined as the sum of the Annual Gross Revenue of the Reporting Franchisees divided by 158, the number of Reporting Franchisees. Please see Note 1 to Table I-A for additional information. Percentage of Revenue was determined by taking the applicable line item expense and dividing it by Average Annual Gross Revenue, which is \$338,446.

2. “Artist Pay” is defined as the amount each Reporting Franchisee allocated to paying the salaries of its artist during the Measurement Period. The Average Artist Pay does not include assistant or office help (where applicable), other payroll expenses or manager/owner compensation. The Average Artist Pay was calculated by taking the sum of the Total Average Artist Pay for all Reporting Franchisees during the Measurement Period and dividing it by the total number of Reporting Franchisees.

3. “Operating Supplies” is defined as the amount paid by each Reporting Franchisee in the Measurement Period to cover all supplies needed to operate the classes offered by their respective location. The Average Operating Supplies expense was calculated by taking the sum of the Operating Supplies expense for all Reporting Franchisees during the Measurement Period and dividing it by the total number of Reporting Franchisees.

4. “Rent” includes the rent paid by the Reporting Franchisees during the Measurement Period, but does not include amounts paid for utilities, repairs or maintenance. The average Rent was calculated by taking the sum of the Rent for all Reporting Franchisees during the Measurement Period and dividing it by the total number of Reporting Franchisees.

Note to Item 19:

1. There is no assurance you will do as well. Actual results vary from business to business, and we cannot estimate the performance of a particular business. In particular, the income and expenses of your business will be directly affected by a number of factors, such as: (a) geographic location; (b) competition from other similar businesses in your area; (c) advertising effectiveness based on market saturation; (d) your product and service pricing; (e) labor costs (f) ability to generate customers; (g) customer loyalty; (h) customer referrals and other lead sources; and (i) competition from businesses offering similar services. We urge you to contact our Painting With A Twist franchisees to make your own evaluation of your potential business success. Exhibit H to this franchise disclosure document contains the names of all of our franchisees and the addresses and telephone numbers of all our franchisees.

2. This analysis does not contain complete information concerning the operating costs and expenses that you will incur in operating your business. This Item 19 also does not contain any information about fees that you must pay to us, such as royalty or advertising fees or other expenses such as rent or class operating supplies.

3. You are responsible for developing your own business plan for your business, including capital budgets, financial statements, projections and other elements appropriate to your particular circumstances. Therefore, we recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

4. Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Renee Maloney, Founder, at 2121 North Causeway Blvd., Suite 200, Mandeville, Louisiana 70471 or by telephone at (985) 626-3292, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System-wide Outlet Summary
For years 2014 to 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	92	140	+48
	2015	140	204	+64
	2016	204	261	+57
Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	92	140	+48
	2015	140	204	+64
	2016	204	261	+57

Table No. 2

Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)
For years 2014 to 2016

State	Year	Number of Transfers
CALIFORNIA	2014	0
	2015	0
	2016	1
FLORIDA	2014	0
	2015	1
	2016	2
KENTUCKY	2014	0
	2015	1
	2016	0
LOUISIANA	2014	1
	2015	2
	2016	1
TENNESSEE	2014	1
	2015	0
	2016	0
TEXAS	2014	5
	2015	3
	2016	6
UTAH	2014	0
	2015	1
	2016	0
TOTAL	2014	6
	2015	9
	2016	10

Table No. 3

Status of Franchised Outlets
For years 2014 to 2016

State	Year	Outlets at start of year	Outlets Opened	Termi- nations	Non- Renewals	Reacquired By Franchisor	Ceased Opera- tions Other Reasons	Outlets at End Of the Year
ALABAMA	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
ARKANSAS	2014	2	2	0	0	0	0	4
	2015	4	1	0	0	0	0	5
	2016	5	0	0	0	0	0	5
ARIZONIA	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
CALIFORNIA	2014	0	1	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
COLORADO	2014	1	2	0	0	0	0	3
	2015	3	1	0	0	0	0	4
	2016	4	2	0	0	0	0	6
CONNECTI- CUT	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
DELAWARE	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	3	0	0	0	0	4
FLORIDA	2014	12	15	0	0	0	0	27
	2015	27	10	0	0	0	0	37
	2016	37	14	1	0	0	0	50
GEORGIA	2014	1	1	0	0	0	0	2
	2015	2	2	0	0	0	0	4
	2016	4	2	0	0	0	0	6
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1

State	Year	Outlets at start of year	Outlets Opened	Termi- nations	Non- Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End Of the Year
HAWAII	2016	1	0	0	0	0	0	1
ILLINOIS	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
INDIANA	2014	2	1	0	0	0	0	3
	2015	3	2	0	0	0	0	5
	2016	5	2	0	0	0	1	6
KENTUCKY	2014	1	0	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	1	0	0	0	0	3
LOUISIANA	2014	11	0	0	0	0	0	11
	2015	11	0	0	0	0	2	9
	2016	9	0	0	0	0	0	9
MAINE	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
MASSA- CHUSETTS	2014	0	1	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
MICHIGAN	2014	4	3	0	0	0	0	7
	2015	7	4	0	0	0	0	11
	2016	11	3	0	0	0	0	14
MINNESOTA	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
MISSISSIPPI	2014	2	0	0	0	0	1	1
	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
MISSOURI	2014	2	0	0	0	0	0	2
	2015	2	2	0	0	0	0	4
	2016	4	3	0	0	0	0	7
	2014	0	0	0	0	0	0	0

State	Year	Outlets at start of year	Outlets Opened	Termi- nations	Non- Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End Of the Year
MONTANA	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
NEBRASKA	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
NEW JERSEY	2014	0	1	0	0	0	0	1
	2015	1	4	0	0	0	0	5
	2016	5	0	0	0	0	0	5
NEW YORK	2014	1	2	0	0	0	0	3
	2015	3	4	0	0	0	0	7
	2016	7	6	0	0	0	0	13
NORTH CAROLINA	2014	1	1	0	0	0	0	2
	2015	2	3	0	0	0	0	5
	2016	5	1	0	0	0	0	6
OKLAHOMA	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
OHIO	2014	2	0	0	0	0	0	2
	2015	2	4	0	0	0	0	6
	2016	6	1	0	0	0	0	7
PENN- SYLVANIA	2014	6	4	0	0	0	0	10
	2015	10	9	0	0	0	0	19
	2016	19	3	0	0	0	0	22
SOUTH CAROLINA	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
TENNESSEE	2014	5	0	0	0	0	0	5
	2015	5	1	0	0	0	0	6
	2016	6	1	0	0	0	0	7
TEXAS	2014	37	11	0	0	0	0	48
	2015	48	13	0	0	0	0	61
	2016	61	8	0	0	0	0	69

State	Year	Outlets at start of year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End Of the Year
UTAH	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
VIRGINIA	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
WASHINGTON	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
TOTAL	2014	92	49	0	0	0	1	140
	2015	140	66	0	0	0	2	204
	2016	204	59	1	0	0	1	261

Table No. 4

Status of Company-Owned Outlets
For Years 2014 to 2016

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
TOTAL	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Table No. 5

Projected Openings as of December 31, 2016

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year
ALABAMA	1	1	0
ARKANSAS	0	1	0
ARIZONA	0	2	0
CALIFORNIA	6	8	0
CONNECTICUT	0	1	0
COLORADO	3	3	0
FLORIDA	12	13	0
GEORGIA	3	3	0
HAWAII	1	1	0
ILLINOIS	0	1	0
IOWA	1	1	0
KANSAS	1	1	0
MARYLAND	1	1	0
MASSACHUSETTS	1	1	0
MICHIGAN	2	4	0
MISSISSIPPI	1	1	0
MISSOURI	0	1	0
NEVADA	0	1	0
NEW JERSEY	4	5	0
NEW MEXICO	0	1	0
NEW YORK	0	1	0
OHIO	2	2	0
PENNSYLVANIA	7	7	0
SOUTH CAROLINA	1	1	0
TENNESSEE	4	5	0
TEXAS	6	8	0
VIRGINIA	2	3	0
WASHINGTON	1	1	0
WISCONSIN	1	1	0

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year
TOTAL	61	80	0

Explanatory Notes:

Note 1: Our fiscal year end is December 31, 2016.

The name, business address, and business telephone number of each current franchisee as of January 1, 2017 is attached as Exhibit H. Also, the name, business address, and business telephone number of all franchisees who have left the franchise system as of January 1, 2017, and those franchisee that were not yet operational as of January 1, 2017, are attached as Exhibit H.

During PWAT's last fiscal year, several PWAT franchisees left the franchise system.

Seven (7) PWAT franchisees voluntarily transferred its franchise:

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

As of December 31, 2016, there are no trademark-specific organizations formed by our franchisees that are associated with the System.

During the last three years, in some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Painting With a Twist System. You may wish to speak to current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

ITEM 21

FINANCIAL STATEMENTS

Our fiscal year end is December 31. Attached to this disclosure document as Exhibit C are our audited, fiscal year end financials for the years ending December 31, 2014, 2015, and 2016, together with the auditor's consent and reports.

ITEM 22

CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

- A. Franchise Agreement
 - A. Guaranty Agreement
 - B. Confidentiality Agreement

- C. Direct Debit Authorization Form
- B. Agents for Service of Process
- C. Financial Statements
- D. Manuals– Table of Contents
- E. State Administrators
- F. General Release
- G. Franchise Disclosure Acknowledgement Statement
- H. List of Existing Franchisees and Franchisees Who Have Left the System
- I. Contingent Assignment of Lease
- J. State Specific Addenda
- K. Receipts

ITEM 23

RECEIPT

Exhibit K of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Attention: Renee Maloney, Founder, Painting With A Twist, L.L.C., at 2121 North Causeway Boulevard, Suite 200, Mandeville, Louisiana 70471.

EXHIBIT A
FRANCHISE AGREEMENT

EXHIBIT A

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT**

FRANCHISE AGREEMENT

PAINTING WITH A TWIST FRANCHISE AGREEMENT

THIS AGREEMENT made by and between **PAINTING WITH A TWIST, L.L.C.**, a Louisiana limited liability company d/b/a Painting With A Twist, whose registered address is 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471 (the “Franchisor” or “PWAT”), and _____, a(n) _____ limited liability company, whose registered address is _____ (the “Franchisee”).

DEFINITIONS:

In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

(i) A Painting With A Twist Branded Product and/or Service is any product or service now existing or developed in the future that bears Franchisor's Marks and is sold by some or all franchisees with the System or Franchisor or other entities.

(ii) A PWAT Unit or a Unit is an outlet that is operated under Franchisor's Marks, as defined below, that specializes in the sale of Painting With A Twist Authorized Products and/or Services, as defined below, and is authorized by a Franchise or License Agreement made or approved by Franchisor.

(iii) Authorized Products and/or Services or Painting With A Twist Authorized Products and/or Services are products services approved or authorized by Franchisor in accordance with Article 5 or 8 of this Agreement.

(iv) Location shall mean a location accepted by Franchisor in accordance with Section 1.4 of this Agreement.

RECITALS:

WHEREAS, Franchisor is the owner of certain marks and other intellectual property, which have been filed and or registered with the United States Patent and Trademark Office of the United States of America, and may, in the future become the owner, licensee and or authorized distributor for other trademarks, including logos and designs, related or unrelated to Franchisor's Marks (referred to in this Agreement as “Franchisor's Marks”);

WHEREAS, Franchisor has developed, operates and has the right to license a system or business program, relating to the franchising of businesses specializing in painting and art instruction with completion of an artwork in a social setting within a two or three hour time frame, which system includes a distinctive interior design, trade dress décor and color scheme; uniform standards, specifications, and procedures for operations; procedures for quality control; training and ongoing operational assistance; advertising and promotional programs; the “FAM System”, a proprietary internet-based software application; and other related benefits for use of Franchisee under Franchisor's Marks, all of which may be changed, improved, and further developed by Franchisor from time to time (referred to in this Agreement as the “System”);

WHEREAS, Franchisor continues to develop, use, and control the use of Franchisor's Marks to identify for the public the source of services and products marketed there under and under its System, and to represent the System's high standards of consistent quality, appearance, and service;

WHEREAS, Franchisor has established substantial goodwill and business value in Franchisor's Marks, expertise and System;

WHEREAS, Franchisee desires to obtain a franchise from Franchisor for the right to use Franchisor's Marks and the expertise for operating a PWAT Unit and to obtain the benefits and knowledge of Franchisor's System, including, but without limitation, business design, operating methods, product preparation, advertising, sales techniques and materials, signs, personnel management, control systems, bookkeeping and accounting methods, and, in general, style, method and procedure of business operation utilizing the Franchisor's Marks as a Franchisee of Franchisor; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor and Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service and the necessity of operating the PWAT Unit in conformity with Franchisor's standards and specifications.

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1. FRANCHISE RIGHT GRANTED, LOCATION.

1.1. GRANT.

In consideration of the issuance of the franchise granted herein, Franchisee shall pay to Franchisor the sum of \$25,000.00 (the "Initial Fee"). In exchange, Franchisor hereby awards Franchisee the right to open and operate, under the terms of this Agreement, one (1) PWAT Unit specializing in painting and art instruction in a social setting as specified by Franchisor in Franchisor's Operations Manual, or subsequently added in accordance with amendments to the Operations Manual, or any other manuals designated by Franchisor ("Manuals"). Except as provided for in Section 1.3, the Initial Fee shall be deemed fully earned by Franchisor upon the execution of this Agreement by Franchisor and Franchisee and shall not be refunded, in whole or in part, upon any termination of this Agreement, or at any other time or under any other circumstances. If Franchisee is a business entity, each individual holding in excess of 15% of the total voting power of Franchisee's ownership interest (including each individual holding in excess of 20% of the total voting power of any business entity having a controlling interest in Franchisee) must execute the Guaranty Agreement and Confidentiality Agreement attached as Attachment A and Attachment B respectively.

1.2. LICENSE.

Franchisor hereby grants and awards to Franchisee, for the term set forth in this Agreement, and any renewal term, beginning on the effective date of this Agreement, the right and license, and Franchisee hereby undertakes the obligation, to operate the business described in this Agreement under Franchisor's Marks and such other of Franchisor's Marks as may be designated by Franchisor, to operate such business solely in accordance with the System and this Agreement, and only at the specific location to be agreed upon by Franchisor and Franchisee in writing (the "Location"). This Agreement does not grant Franchisee any rights to: (i) operate additional PWAT Units or operate the PWAT Unit at any location other than the Location; (ii) offer any product or service via e-commerce; (iii) establish an independent website or establish a URL incorporating Franchisor's Marks or any variation thereof; or (iv) distribute, market, or implement Franchisor's products and services in any channel of distribution not specifically identified in this Agreement.

1.3. LOCATION.

With Franchisor's acceptance, Franchisee will locate, lease and open, within a twelve (12) month period, a PWAT Unit within **CITY, STATE** (the "General Area"). The General Area is described solely for the purpose of limiting the area within which Franchisee may seek a site location for the PWAT Unit. If Franchisee is unable to secure an approved site and open a PWAT Unit in the General Area within this twelve (12) month period, Franchisee must notify Franchisor in writing within sixty (60) days prior to the expiration of the aforementioned period. Upon receipt of any such notice, Franchisor shall extend the twelve (12) month period mentioned in this Section 1.3 for one additional ninety (90) day period. In turn, Franchisee shall secure and open a PWAT Unit within said ninety (90) day extension or this Agreement shall be cancelled without any further action on the part of Franchisor pursuant to Section 15.4(ii)(j) of this Agreement. In the event this Agreement is cancelled pursuant to the terms set forth in this Section 1.3, Franchisor shall refund to Franchisee twenty-five percent (25%) of the Initial Fee. Franchisee's refund shall be paid to Franchisee within forty-five (45) days from the date this Agreement is terminated. Other than this instance, the Initial Fee is not refundable, in whole or in part, under any other circumstances.

1.4. LOCATION SELECTION AND ACCEPTANCE.

In order to obtain Franchisor's acceptance of a Location from which Franchisee is authorized to operate its PWAT Unit, he/she/they must first:

(i) Submit for Franchisor's evaluation a summary of the lease terms and other information available for each proposed site. Franchisee must also give any proposed landlord a copy of the then current Contingent Assignment of Lease or any other Lease Rider then being used by Franchisor in connection with its site approval for a PWAT Unit and obtain written verification that each landlord is willing to include the provisions of the Contingent Assignment of Lease or any other Rider's provisions in its lease. After Franchisee provides the required documentation, Franchisor will evaluate and critique the information on each site and lease summary in consultation with Franchisee. Franchisor may, but will not be required to, visit and inspect the sites that Franchisee proposes. Franchisor shall approve or disapprove the proposed site within thirty (30) days after Franchisee submits a summary of lease terms and other information available for the proposed site.

(ii) If and when Franchisor is satisfied with any one of the sites and the lease summaries are reasonably acceptable, Franchisor will give Franchisee verbal authorization to proceed with preliminary lease negotiations. Franchisor's authorization to negotiate a lease will not be unreasonably withheld. Franchisor reserves the right to reject any site or lease proposal Franchisee submits and to require that Franchisee obtain information on alternative sites. Under no circumstance will Franchisor be compelled to authorize Franchisee to pursue a site located inside the Protected Territory (as defined in Section 1.5 below) of another PWAT franchisee that was granted pursuant to a previous agreement.

(iii) Franchisor has the right to review, evaluate and approve Franchisee's proposed lease for the Location ("Lease") prior to execution. After receiving Franchisor's authorization to negotiate, Franchisee must negotiate the Lease to Franchisor's satisfaction and submit a final, unsigned copy of the lease to Franchisor for its verification that the Contingent Assignment of Lease (or other then used Lease Rider) is included. Franchisor may withhold authorization for Franchisee to sign a lease that omits Franchisor's Contingent Assignment of Lease (or other then used Lease Rider) in substantially the same form in use by Franchisor at the time the lease is executed, or contains provisions Franchisor considers excessively onerous or restrictive.

(iv) FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR WILL HAVE NO RESPONSIBILITY FOR EVALUATING OR ADVISING FRANCHISEE WITH RESPECT TO

ANY BUSINESS OR LEGAL ASPECTS OF THE LEASE, AND THAT FRANCHISOR EXPRESSLY ADVISES FRANCHISEE TO OBTAIN INDEPENDENT ADVICE OF COUNSEL WITH REGARD TO ANY LEASE TERMS. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISOR'S ACCEPTANCE OF A LOCATION IS IN NO WAY A WARRANTY OR REPRESENTATION BY FRANCHISOR THAT FRANCHISEE'S UNIT WILL BE PROFITABLE OR SUCCESSFUL FROM THAT LOCATION.

FRANCHISEE'S ACKNOWLEDGMENT: INITIALS_____

(v) When Franchisor is satisfied with the lease, Franchisor will give Franchisee written authorization to sign it. After receiving Franchisor's authorization to sign the lease, Franchisee must sign and furnish Franchisor a photocopy of the executed lease, including all exhibits, attachments and addenda within ten (10) days after execution thereof. When Franchisor verifies that the executed lease contains no variances from the form Franchisor accepted, it will notify Franchisee that the location is finally accepted pursuant to the terms of this Agreement.

(vi) After Franchisor has approved a site for the PWAT Unit in writing and Franchisee has acquired the site as set forth herein and in the Franchise Agreement, the site will constitute the Location referred to in Section 1.2 of the Franchise Agreement.

(vii) Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the PWAT Business or for any other purpose. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for Franchisor's purposes as of the time of the evaluation. Both parties to this Agreement acknowledge the application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change thereby altering the potential of a site. Such factors are unpredictable and are beyond Franchisor's control. Franchisor will not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that Franchisee's acceptance of a franchise for the operation of the PWAT Unit at the site is based on Franchisee's own independent investigation of the suitability of the site.

1.5. LIMITED PROTECTED TERRITORY.

Upon Franchisee securing a lease for the Location and prior to the opening of Franchisee's PWAT Unit, Franchisor shall designate a geographical area surrounding the Franchisee's PWAT Unit ("Protected Territory"), to be described in an amendment to this Agreement. The Protected Territory will be defined by identifiable boundaries and include a residential population count of at least thirty thousand (30,000) people, based upon then-current PWAT site selection data. The boundaries of the Protected Territory may be shaped, at Franchisor's sole discretion, to match the population criteria and natural geographic features. As long as Franchisee is not in default under this Agreement, Franchisor will not establish, nor license another party or entity to establish a PWAT Unit within the Protected Territory. Franchisee understands that this Agreement grants it no rights: (i) to distribute such PWAT products or services through any other channel of distribution in the Protected Territory; or (ii) to share in any of the proceeds received by any such party therefrom. Franchisee acknowledges that the Protected Territory granted herein will not be changed or altered should Franchisee have to relocate its Unit for any reason whatsoever.

1.6. RELOCATION.

If Franchisee's lease for the Location expires or terminates without it being Franchisee's fault, or if in the judgment of Franchisor and Franchisee, there is a change in the character of the Location sufficiently detrimental to the PWAT Unit's potential to warrant its relocation, Franchisor will grant Franchisee permission to relocate the PWAT Unit to a location approved by Franchisor. Any relocation will be at Franchisee's sole expense. Except as provided herein or in Section 14.1.(iii) below, Franchisee must pay Franchisor a fee of up to \$2,500 for services Franchisor will provide in connection with the relocation of Franchisee's PWAT Unit before Franchisor will review a proposed new site for the PWAT Unit.

1.7. EXCLUSIONS AND RESERVATIONS OF RIGHTS.

Franchisee expressly understands and agrees that Franchisor and Franchisor's affiliates will have the right, in Franchisor's sole discretion, to: (a) own and operate PWAT Units at any location(s) outside Franchisee's Protected Territory under the same or different marks, or to license others the right to own and operate a PWAT Unit at any location(s) outside Franchisee's Protected Territory under the same or different marks; (b) use Franchisor's Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail or wholesale stores, and via the Internet and mail order catalogs, without regard to location; (c) sell products and services through alternate channels of distribution such as retail or wholesale stores, via the Internet and mail order catalog; (d) acquire or be acquired by other business systems or entities; and (e) use and license to engage in any other activities not expressly prohibited in this Agreement. This Agreement gives Franchisee no rights to conduct any of the above activities or share in any revenue generated from these activities.

ARTICLE 2. INSTALLATION AND COMMENCEMENT OF BUSINESS.

Franchisee, at its own expense, shall: (i) renovate the Location into a PWAT Unit; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of its Location into a PWAT Unit; and (iii) Franchisee shall fully complete the renovation, construction and equipping within a reasonable time thereafter. Franchisee shall commence operation of each PWAT Unit no later than thirty (30) days following substantial completion of the renovation and equipment installation at the Location, and shall give Franchisor ten (10) days written notice prior to commencing operations. In no event shall Franchisee construct or remodel the interior or exterior of any PWAT Unit or make any improvements which vary from the then-current standards, plans, and specifications approved by Franchisor, without first obtaining Franchisor's prior written approval. Franchisee must use a licensed and insured general contractor for all construction and remodeling on the interior or exterior of the franchised location. Franchisee, at its own expense, shall obtain all municipal and state licenses necessary to operate Franchisee's PWAT Unit prior to commencing business at its PWAT Unit and shall maintain all licenses in full force and effect during the term of this Agreement.

Before commencing any construction or renovations to your PWAT Unit or undertaking any leasehold improvements at the Location, Franchisee must submit a drawing of the physical layout of your PWAT Unit to Franchisor for review. Franchisor will utilize the drawing submitted by Franchisee to generate a design plan depicting the interior design, trade dress décor, and color scheme ("Design Plan") that Franchisee must follow to ensure that the design of Franchisee's PWAT Unit conforms to Franchisor's then-current standards, plans and specifications. If the renovations, construction, or remodeling of Franchisee's PWAT Unit varies in any way from those specifications set forth in the Design Plan, Franchisee must notify Franchisor immediately and Franchisor must approve any variance in writing.

The Design Plan is solely for complying with Franchisor's system standards, and not for determining compliances with codes, ordinances or the legal requirements of the Americans With Disabilities Act (the "ADA"). Franchisee is solely responsible for ensuring that its PWAT Unit conforms to all codes and ordinances, including the ADA. Franchisee must pay Franchisor a one-time fee of \$300.00 for services Franchisor will provide in connection with generating the Design Plan for Franchisee ("Design Fee"). The Design Fee shall be paid to Franchisor at the same time that Franchisee submits its drawing of the physical layout of its PWAT Unit to Franchisor.

ARTICLE 3. TRAINING.

3.1. Franchisee will designate individuals (minimum of 3 persons) as trainees to attend Franchisor's training school in Mandeville, Louisiana (the "Training School") or at another training location selected by Franchisor. Franchisor will offer initial training programs for Franchisee and its management employees at times selected by Franchisor. Franchisor will bear the costs of providing training programs, including the overhead costs of training, staff salaries, materials, and all technical training tools. Franchisee shall pay all traveling, living, compensation, and other expenses incurred by Franchisee and/or Franchisee's employees in connection with attendance at training programs. The training program and manner of conducting such program shall be at Franchisor's sole discretion and control.

3.2. Franchisee will not allow any PWAT Unit to be opened or managed by any person who has not attended and successfully completed the training course designated by Franchisor. If Franchisee is an individual, and does not manage its Painting With A Twist Unit on a day-to-day basis, and in the event its designated business manager resigns or is terminated, Franchisee must arrange to have the successor unit manager: (i) begin the required training course within forty-five (45) days of first assuming the duties of a unit manager; and (ii) successfully complete the course. Provided Franchisee successfully completes the training program, the required training course conducted at Franchisor's facilities will not extend beyond three (3) days.

3.3. If at any time the trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend and carry out the course of study to the reasonable satisfaction of Franchisor, the respective person may repeat the course, or in the case of an employee, Franchisee may send a replacement (the "Replacement Personnel") to the next available initial training program. Franchisor may charge for such Replacement Personnel attending an initial training program. Failure by Franchisee, an employee or any Replacement Personnel to complete the initial training program to Franchisor's satisfaction within the time period prescribed in this Agreement will constitute a default of this Agreement and Franchisor may terminate the Agreement.

3.4. In the event of a sale to a third party of Franchisee's PWAT Unit after opening, the transferee must be trained in the Training School as a condition of Franchisor's consent to such transfer. All tuition costs for such training shall be deemed paid upon receipt by Franchisor of the Transfer Fee due in accordance with Article 14 herein. No PWAT Unit shall open or re-open until the Training School certifies that the transferee is approved to operate the respective PWAT Unit.

3.5. Franchisor will provide training for Franchisee at Franchisee's PWAT Unit at the time of its opening. During the opening of Franchisee's PWAT Unit, PWAT, at its own expense, will provide at least one PWAT representative to you at your PWAT Unit location to facilitate the opening of your business. This onsite visit is typically two (2) days, but a PWAT representative will stay on-site for a third (3rd) day upon request by Franchisee. Request(s) by Franchisee that a PWAT representative stay onsite for a third (3rd) day must be made in writing to Franchisor at least fourteen (14) calendar days before the scheduled opening of Franchisee's Unit.

3.6. Additional training sessions are available at Franchisee's request and expense, and at Franchisor's request, at Franchisee's expense, except for the initial training course itself. Franchisee's attendance at additional training sessions is mandatory if requested by the Franchisor or if they are scheduled in Franchisee's state. Unless otherwise waived by Franchisor in its sole discretion, Franchisee shall pay to Franchisor an additional training fee of \$1,500.00 per day of training ("Additional Training Fee"). The Additional Training Fee shall be payable to Franchisor no later than two (2) weeks prior to the commencement of the scheduled training session. Franchisor may not mandate more than two additional training sessions in a twelve (12) month period. For this additional training, Franchisor will provide the instructors and instructional materials, but Franchisee must arrange for transportation, lodging and food for itself and or its manager. Additional training sessions shall not extend beyond three (3) days. Additionally, Franchisee, at Franchisee's expense, must attend (i) regional meetings when and if established by Franchisor, (ii) must attend annual national conferences when and if scheduled and must pay the conference registration fee.

3.7 Franchisee's other employees may be trained by Franchisee, or at Franchisee's request, and subject to the availability of Franchisor's personnel, Franchisor will train Franchisee's additional personnel and require Franchisee to pay Franchisor's then-current Additional Training Fee. All training-related expenses for Franchisee's additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility. Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor upon written request. All training materials provided to Franchisee by Franchisor will, at all times, remain Franchisor's property, and Franchisee agrees not to challenge Franchisor's or Franchisor's affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

ARTICLE 4. MANUALS AND STANDARDS OF FRANCHISEE QUALITY, CLEANLINESS, AND SERVICE.

4.1. STANDARDS.

In order to promote the value and goodwill of Franchisor's Marks and the System and to protect Franchisor's Marks and the other Painting With A Twist franchisees that comprise the franchise system, Franchisee agrees to conduct its business in accordance with the standards promulgated by Franchisor as set forth in this Article.

4.2. MANUALS.

(i) In the Manuals and other publications, Franchisor will list authorized products and/or services to be sold by Franchisee, and promulgate standards of operation for a PWAT Unit, including standards of quality, cleanliness, and service for all furnishings, interior and exterior decor, supplies, fixtures, and equipment used in connection with each PWAT Unit. Franchisee agrees to operate its PWAT Unit in accordance with the standards, specifications and procedures set forth in the Manuals, this Agreement and the lease for the Location. Franchisee further agrees that changes in the standards, specifications and procedures may become necessary from time to time and agrees to accept as reasonable all modifications, revisions and additions to the Manuals as authorized by Franchisor. Furthermore, Franchisee is solely responsible for ensuring that it complies with all such modifications at its sole cost. The sale of any product or service at the Franchisee's Location, without Franchisor's prior written approval

shall constitute a material violation of this Agreement.

(ii) 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 upon the Agreement's termination, expiration or nonrenewal. The Manuals are highly confidential documents which contain certain trade secrets of Franchisor, and Franchisee shall never reveal, and shall take all reasonable precautions, both during and after the term of this Agreement, to assure that its employees or any other party under Franchisee's control, shall never reveal any of the contents of the Manuals or any other publication, or secret provided by Franchisor, except as is necessary for the operation of Franchisee's PWAT Unit. If Franchisee is not involved in the management of Franchisee's Unit, the manager must execute a Confidentiality Agreement, a copy of which is attached hereto as Attachment B. If Franchisee loses a Manual, Franchisee shall pay Franchisor \$250.00 to replace such Manual.

4.3. HOURS.

Franchisor and Franchisee agree that the hours of operation of Franchisee's PWAT Unit are at a minimum of four (4) evening classes offered per week, including but not limited to, classes offered on Friday and Saturday evenings, as well as, two other days Monday through Thursday. Any and all other open days may be used for additional classes or private functions. The scheduled time period for the offered classes must be first submitted to and approved in writing by Franchisor. If the Location is in a mall or shopping center, the hours of the mall or shopping center shall control. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum gross sales possible from its Location, and will conduct offered classes when attendance is a minimum of four (4) attendees. If such schedule of classes is incorrect in relation to the sales potential of Franchisee's PWAT Unit, then Franchisor and Franchisee shall reasonably adjust such offered classes by jointly establishing new hours of operation. It is acknowledged that the hours of other Franchisees will vary in relation to each respective location, and local legal restrictions, if any.

4.4. APPEARANCE.

From time to time, Franchisee's PWAT Unit may need interior and exterior improvements or equipment upgrades and additions in order to comply with the Manuals and or to maintain proper operations and an aesthetic appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary. Franchisor shall not require any such work at a particular PWAT Unit less than three (3) years after the opening of the PWAT Unit except: (i) if repairs or repainting are necessary to maintain the appearance of the interior and exterior of the Location in a clean and orderly reasonable condition satisfactory to Franchisor; or (ii) upon the sale of the Franchisee's Unit. Within ninety (90) days after receipt of written notice, Franchisee shall fully implement and complete such changes to its Unit operating under this Agreement subject to receipt of all necessary landlord and governmental permits.

4.5. PRODUCT LINE AND SERVICE.

Franchisee agrees to only offer painting classes and instruction using artworks approved and/or specified by Franchisor in this Agreement or in the Manuals and to follow all specifications of Franchisor provided to its customers from Franchisee's PWAT Unit. Franchisor will provide Franchisee with access to all artworks in Franchisor's inventory as well as any future art pieces created by the Franchisor or other franchisees within the system. No work of art offered for a class or instruction shall be used unless the same shall have been first submitted to and approved in writing by Franchisor. Franchisee acknowledges and agrees that all new artworks submitted and approved by Franchisor are the exclusive property of

Franchisor, and that Franchisor shall have no obligation to Franchisee with respect thereto. Once a new artwork is submitted and approved by Franchisor, it becomes part of Franchisor's inventory for use by other franchisees within the system. The purpose of this clause is to ensure that ideas for improvement to the System that may be generated by franchisees within a System will be distributed to the other franchisees as a benefit of belonging to the System. In addition, prior to the opening of Franchisee's PWAT Unit, Franchisor will loan Franchisee fifty (50) various artworks for use in decorating Franchisee's PWAT Unit.

4.6. FIXTURES AND OTHER GOODS.

No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, or equipment bearing any of Franchisor's Marks shall be used in or upon any PWAT Unit unless the same shall have been first submitted to and approved in writing by Franchisor, as provided in Article 8.

4.7. INSPECTION.

Franchisee agrees to be subject to inspections conducted by Franchisor to insure Franchisee is conducting business in accordance with the standards promulgated by Franchisor.

4.8. OFFSITE EVENTS.

Franchisee may conduct events outside of Franchisee's PWAT Unit for Authorized Products and/or Services ("Offsite Event(s)") in accordance with the terms and conditions set forth herein and in the Manuals. Franchisee must comply with the insurance requirements set forth under Section 17.1 of this Agreement before an Offsite Event is conducted. In addition, Franchisee shall not conduct an Offsite Event within the Protected Territory of another Painting With A Twist franchisee. Franchisee agrees to indemnify and hold Franchisor harmless from any claims, demands, liabilities, actions suits or proceedings asserted by third parties arising out of or related to Franchisee conducting an Offsite Event.

4.9. OBLIGATION TO MAINTAIN WORKING CAPITAL

Franchisee must, at all times, maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the PWAT Unit in a businesslike, proper and efficient manner.

4.10. PERSONAL CONDUCT AND BEST EFFORTS.

Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring Franchisor's Marks into disrepute. Furthermore, Franchisee must use its best efforts to promote and increase the demand for Painting With a Twist services. All of Franchisee's advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the PWAT Unit or the goodwill associated with Franchisor's Marks and the System.

4.11. PENDING ACTIONS.

Franchisee must notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the PWAT Unit.

4.12. PAYMENT OF OBLIGATIONS.

Franchisee is solely responsible for selecting and paying employees, paying all invoices for the purchase of goods and services, and paying all taxes arising from the franchisee's operation of the PWAT Unit and Franchisee agrees to indemnify Franchisor in the event Franchisor elects to pay any of Franchisee's obligations in order to preserve relationships with vendors.

ARTICLE 5. SERVICES, UNIFORMS, INSPECTIONS, SIGNS.

5.1. SERVICES.

(i) Franchisee shall not advertise for sale, sell or give away any product and/or service unless such product and/or service has been approved in the Manuals as an Authorized Product and/or Service for sale in Franchisee's PWAT Unit and not thereafter disapproved in writing by Franchisor. All Authorized Products and/or Services shall be distributed under the specific name designated by Franchisor. Franchisee shall establish all product and/or service prices in its sole discretion.

(ii) Franchisee shall, upon receipt of notice from Franchisor, add any Authorized Product and/or Service according to the instructions contained in the notice. Franchisee shall have thirty (30) days after receipt of written notice in which to fully implement any such change. Franchisee shall cease selling any previously Authorized Product and/or Service within thirty (30) days after receipt of notice that the product is no longer approved.

5.2. COMPLIANCE.

Franchisee shall operate its PWAT Unit as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies, and shall comply with all applicable ordinances, laws, statutes and regulations governing the operation of such premises, including all disability, food and drug laws and regulations. Franchisee shall not allow any Location or part of a Location to be used for any immoral or illegal purpose.

5.3. SIGNS, DESIGNS AND FORMS OF PUBLICITY.

(i) Franchisee shall maintain a suitable sign or awning at, on, or near the front of the Location, identifying the Location as a PWAT Unit. Such sign shall conform in all respects to Franchisor's requirements and in accordance with the layout and design plan approved for the Location, except to the extent prohibited by local legal restrictions and restrictions imposed by the landlord.

(ii) No exterior or interior sign or any design, advertisement, internet address, "web page" or world wide web home page, sign, or form of publicity, including form, color, number, location, and size, shall be used by Franchisee or any Cooperative (as defined in Article 6) unless first submitted to Franchisor and approved in writing (except with respect to prices). Any request by Franchisee for such approval shall

be properly submitted in duplicate to: (i) Franchisor's Approval Department, 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471. Franchisor shall respond to such request within thirty (30) days of its receipt. Proposed designs shall be deemed approved if no response is provided by Franchisor within said thirty (30) days. Whenever Franchisee elects to utilize, in the form supplied, advertising supplied by Franchisor or any promotional item specifically approved by Franchisor, no further approval for use of such material is required. Upon written notice from Franchisor, Franchisee shall discontinue and or remove any objectionable advertising materials or any other materials not suitable for display, in Franchisor's sole discretion.

5.4. UNIFORMS AND EMPLOYEE APPEARANCE.

Franchisee shall cause all employees, while working in the PWAT Unit, 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 the type of uniform utilized by Franchisee is removed from the list of approved uniforms, Franchisee shall have sixty (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.

5.5. VENDING OR OTHER MACHINES.

Franchisee shall not permit vending, video gaming devices or game machines or any other mechanical device to be installed or maintained in its Location without Franchisor's prior written approval. Franchisee agrees to purchase, install and maintain a music system, approved by Franchisor, in its Location. The music selections must be approved by Franchisor.

5.6. INSPECTION.

(i) Franchisor's authorized representatives shall have the right to enter upon the entire main floor and basement of Franchisee's PWAT Unit during business hours, without disrupting Franchisee's business operations, for the purposes of examining same, conferring with Franchisee's employees, inspecting and checking operations, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement the System and the Manuals.

(ii) In the event any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including but not limited to quality, cleanliness, service, health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the System, or this Agreement. Franchisee shall have twenty-four (24) hours after receipt of such notice, or such other greater time period as Franchisor in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition, if it can be corrected or repaired within such period of time. If not, Franchisee shall within such time period commence such correction or repair and thereafter diligently pursue it to completion.

ARTICLE 6. ADVERTISING.

6.1. Franchisee and Franchisor acknowledge the value of advertising. Franchisor agrees to provide Franchisee with materials and advice to support Franchisee's marketing efforts.

6.2. LOCAL ADVERTISING

(i) Franchisee agrees to spend a minimum of \$2,000.00 for its "Grand Opening" promotion

through mediums designated and/or approved by Franchisor. The “Grand Opening” event is required for all franchisees and functions to introduce Franchisee’s PWAT Unit to the public. The application and use of the “Grand Opening” funds shall be controlled by Franchisee. At Franchisor’s request, Franchisee shall, within five (5) days from such request, promptly submit any and all receipts, invoices, etc. to Franchisor as verification of compliance with this Section 6.2(i).

(ii) Thereafter, Franchisee agrees to spend a minimum of \$1,000.00 per month on local advertising through mediums approved by Franchisor. Franchisee shall submit copies of any and all receipts, invoices, etc. to Franchisor within fifteen (15) calendar days after the end of each calendar month as verification of Franchisee’s compliance with this Section 6.2(ii). Included with this requirement, Authorized Products and/or Services shall be marketed by approved brochure formats to be utilized in Franchisee’s PWAT Unit. The approved and authorized brochure and brochure format(s) may include, in Franchisor’s discretion, requirements concerning organization, graphics, product and/or service descriptions, illustrations, and any other matters (except prices) related to the brochure, whether or not similar to those listed. In Franchisor’s discretion, the brochure and/or brochure format(s) may vary depending upon region, market size, and other factors. Franchisor may change the brochure and/or brochure format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or non-uniform PWAT Unit(s) within regions, in which case Franchisee will be given a reasonable time (not longer than thirty (30) days) to discontinue use of any old brochure format(s) and implement use of the new brochure format(s).

(iii) Franchisor shall approve, in Franchisor’s sole discretion, all advertising and marketing activities conducted by Franchisee. Franchisee must submit to Franchisor (by personal delivery, facsimile or certified mail, return receipt requested) all local advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by Franchisor. If Franchisee does not receive written disapproval within fifteen (15) business days after the date of receipt by Franchisor, then all advertising and marketing activities will be deemed approved. If any advertising or marketing activities are later disapproved, Franchisee shall discontinue use of such promptly upon written notice by Franchisor.

6.3. ADVERTISING PROGRAM

(i) Franchisee shall pay two percent (2%) of its gross sales for each and every week of its operations to Franchisor (the “System Advertising Fee”). These funds will be deposited, at Franchisor’s sole discretion, into a segregated advertising account (with other advertising collections) controlled by Franchisor (the “System Advertising Fund”). The System Advertising Fund will then be spent for advertising to benefit Franchisee and/or all regional franchisees of PWAT Units. The System Advertising Fee shall be paid in accordance with the procedure described in Article 9.

(ii) Franchisor will use System Advertising Fund contributions, in Franchisor’s sole discretion, to develop, produce and distribute national, regional and/or local marketing and to create advertising materials and public relations programs which promote, in Franchisor’s sole judgment, the services offered by System franchisees. Franchisor has the sole right to determine contributions and expenditures from the System Advertising Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that Franchisor will make a good faith effort to expend System Advertising Fund contributions in the general best interests of the System. Franchisor may use the System Advertising Fund contributions to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertisements and other marketing, including the cost of preparing and producing television, radio, magazine, Internet and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet

website; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. Nevertheless, Franchisee acknowledges that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. While Franchisor does not anticipate any part of the System Advertising Fund contributions will be used for advertising that is principally a solicitation for franchisees, Franchisor reserves the right to use the System Advertising Fund contributions for public relations or recognition of the Painting With a Twist brand and for the creation and maintenance of a website, a portion of which may be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating the availability of franchises. Sales materials, if developed, may be sold to franchisees at a reasonable cost.

(iii) Franchisor may periodically assist franchises to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives (“Surveys”). The cost of such programs will be borne by the System Advertising Fund. The cost of these programs may be charged directly to Franchisee if Franchisee’s results from a Survey fall below System-established minimum standards for such Surveys.

(iv) Franchisor has the right to reimburse itself from the System Advertising Fund contributions for such reasonable costs and overhead, if any, that Franchisor may incur in activities reasonably related to the direction and implementation of the System Advertising Fund.

(v) Franchisor will prepare, on an annual basis, and will have available for Franchisee within one hundred twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the System Advertising Fund. The statement will be presented to Franchisee upon Franchisee’s written request. The System Advertising Fund is not required to be independently audited.

(vi) Franchisor may, in its sole discretion, establish local marketing cooperatives for the common benefit of all PWAT Units. Franchisor has the right, in its sole discretion, to designate any geographical area for purposes of establishing a regional marketing and promotional cooperative (“Cooperative”), and to determine whether you must participate in a Cooperative. If a Cooperative has been established applicable to the PWAT Unit at the time you begin operating under this Agreement, you must immediately become a member of such Cooperative. If a Cooperative applicable to the PWAT Unit is established at any time during the term of this Agreement, you must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. Franchisor has the right to change, combine or dissolve cooperatives. If the PWAT Unit is within the territory of more than one Cooperative, you are required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

(a) Each member of the Cooperative must contribute one (1%) percent up to three (3%) percent of its weekly gross sales for each and every week of its operations to the Cooperative (“Cooperative Fee”);

(b) Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

(c) Each Cooperative will be organized for the exclusive purpose of administering regional marketing and advertising programs and developing, subject to Franchisor’s approval, standardized marketing materials for use by the members in local marking;

(d) All activities and contributions to the Cooperative shall be determined by a majority vote of the members in the Cooperatives; and

(e) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior written approval. All such plans and materials shall be submitted to Franchisor's Marketing Department, Attention: Marketing Director, 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471.

(vii) If Franchisor elects to pay all or a portion of the System Advertising Fund to a Cooperative and if one of the following events occurs and is not resolved by the Cooperative, then Franchisor reserves the right to exercise sole decision-making power over the advertising funds: (i) if an Cooperative ceases functioning; or (ii) an impasse arises because of the inability or failure of the Cooperative members to resolve any issue affecting the establishment or effective functioning of an individual Cooperative; or (iii) an Cooperative fails to function in a productive or harmonious manner; or (iv) an Cooperative is unable to approve any advertising program within a reasonable time not to exceed thirty (30) days. Franchisor reserves the right to establish general standards concerning the operation of all Cooperatives, advertising agencies retained by Cooperatives, and advertising programs conducted by Cooperatives. No decisions shall be made or advertising funds spent without Franchisor's prior written approval.

(viii) Franchisee is not permitted to solicit customers and/or advertise outside Franchisee's Protected Territory except to the extent that Franchisee has received Franchisor's prior written authorization, which Franchisor may withhold at its sole discretion. Franchisor may condition Franchisor's authorization upon Franchisee's agreement to offer to other System franchisees, specifically those who operate PWAT Units in territories encompassed by the circulation base of the proposed advertising, the opportunity to participate in, and share the expense of, such solicitation and/or advertising. Notwithstanding the foregoing, Franchisee may accept customers from outside Franchisee's Protected Territory at Franchisee's Location, provided Franchisee did not solicit such customers by advertising outside of Franchisee's Protected Territory without Franchisor's prior written consent. Franchisee may not advertise the PWAT Unit or any products or services offered by the PWAT Unit via the Internet or any other means of e-commerce without Franchisor's consent.

ARTICLE 7. COMPANY NAMES AND MARKS AND ADDITIONAL NAMES AND MARKS.

7.1. Franchisee must use only the designated Franchisor's Marks, and must use them only in the manner Franchisor authorizes and permits.

7.2. Franchisee must use the Franchisor's Marks only for the operation of the PWAT Unit at the Location and for advertising the PWAT Unit.

7.3 Franchisee will use all of Franchisor's Marks without prefix or suffix and in conjunction with the symbols "TM," "SM," "S," or "R," as applicable. Franchisee may not use Franchisor's Marks in connection with the offer or sale of any services or products that Franchisor has not authorized for use in connection with the System. Franchisee may not use Franchisor's Marks as part of Franchisee's corporate or other legal name. Franchisee's corporate name and all fictitious names under which Franchisee proposes to do business must be approved by Franchisor in writing before use.

7.4 Franchisee must identify itself as the owner of the PWAT Unit (in the manner Franchisor prescribes) in conjunction with any use of Franchisor's Marks including, without limitation, on invoices, order forms, receipts, customer forms and questionnaires, business stationery, and advertisements, as well as at such conspicuous locations as Franchisor may designate in writing at the PWAT Unit premises.

7.5. Franchisee's right to use Franchisor's Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof will constitute an infringement of Franchisor's rights.

7.6. Franchisee will not use Franchisor's Marks to incur any obligation or indebtedness on Franchisor's behalf.

7.7. Franchisee will execute all documents Franchisor deems necessary to obtain protection for Franchisor's Marks or to maintain their continued validity and enforceability.

7.8. Franchisee must promptly notify Franchisor of any suspected unauthorized use of Franchisor's Marks, any challenge to the validity of Franchisor's Marks, or any challenge to Franchisor's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use Franchisor's Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving Franchisor's Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Franchisor's rights to Franchisor's Marks. Franchisor has the right, though not the obligation, to defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of Franchisor's Marks. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has used Franchisor's Marks in accordance with this Agreement, Franchisor will bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used Franchisor's Marks in accordance with this Agreement, Franchisee will bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of Franchisor's Marks, Franchisee will execute any and all documents and do such acts as may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of Franchisor's Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee's out-of-pocket costs in performing such acts.

7.9. Franchisee expressly understands and acknowledges that:

(i) Franchisor or its affiliates or licensors own all right, title, and interest in and to Franchisor's Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, Franchisor's Marks;

(ii) Franchisor's Marks are valid and serve to identify the System and those who are authorized to operate under the System;

(iii) During the term of this Agreement and after its expiration or termination, Franchisee will not directly or indirectly contest the validity of, or Franchisor's ownership of, or right to use and to license others to use, Franchisor's Marks;

(iv) Franchisee's use of Franchisor's Marks does not give Franchisee any ownership interest or other interest in or to Franchisor's Marks;

(v) Any and all goodwill arising from Franchisee's use of Franchisor's Marks will inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or Franchisor's Marks;

(vi) Except as specified in this Agreement, the license of Franchisor's Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others, (i) to use Franchisor's Marks itself in connection with selling products and services; (ii) to grant other licenses for Franchisor's Marks; and (iii) to develop and establish other systems using Franchisor's Marks, similar proprietary marks,

or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

(vii) Franchisor has the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. Franchisee must discontinue using all any of Franchisor's Marks that Franchisor has notified Franchisee, in writing, have been modified or discontinued within ten (10) days of receiving written notice and, at Franchisee's sole cost and expense, must promptly begin using such additional, modified or substituted marks.

ARTICLE 8. USE AND PURCHASE OF EQUIPMENT, SUPPLIES AND OTHER PRODUCTS.

8.1. Franchisee agrees to use, sell, or otherwise dispense, only equipment, supplies, and other products approved or designated by Franchisor, which may, from time to time, be specified in writing, designated, and approved for sale or use by Franchisor.

8.2. To insure the consistent high quality and uniformity of products used by PWAT Units, Franchisee shall purchase all equipment, inventory, and other supplies, products, and materials used in the operation of its PWAT Unit as Franchisor may specify from time to time, solely from suppliers and/or distributors who demonstrate to Franchisor's continuing satisfaction an ability to meet Franchisor's standards and specifications. If Franchisee desires to purchase any items from an unapproved supplier or distributor, whom Franchisee desires to become an authorized supplier or distributor, Franchisee shall first submit a written request, in duplicate, for such approval to Franchisor, addressed to: Franchisor Approval Department, 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471, accompanied by a similar written request for approval from the proposed supplier and/or distributor. Franchisor shall have the right to require that the proposed supplier or distributor provide reasonable financial, operational and economic information regarding its business and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other systems. Franchisee shall pay to Franchisor in advance all of Franchisor's reasonable costs, not to exceed \$1,000.00, in review of the application of the supplier or distributor to service the Franchisee. Franchisor may revoke its approval upon the supplier or distributor's failure to continue to meet any of Franchisor's criteria. Nothing in this article shall require Franchisor to approve any supplier or distributor. Upon the receipt by Franchisor of Franchisee and the proposed supplier or distributor's request for approval in full compliance of this article, Franchisor will notify Franchisee of its decision within ninety (90) days after completion of such application and inspection. In the event an alternate approved supplier or distributor is used by Franchisee, as a condition thereof Franchisee and all other franchisees shall authorize the alternate supplier or distributor to provide to Franchisor duplicate purchase invoices for Franchisor's records and to otherwise comply with Franchisor's reasonable requests.

FRANCHISEE'S ACKNOWLEDGMENT: INITIALS _____

8.3. Franchisor may require Franchisee to purchase designated items and products, and products bearing the Franchisor's Marks, as specified in the Manual from time to time, from Franchisor or its related or affiliated entities or from sources designated or approved by Franchisor, to the extent permitted by law.

8.4. In operating the its PWAT Unit, Franchisee shall install equipment, signs, furnishings, supplies and fixtures in accordance with the standards and specifications recommended by Franchisor or that will continue to be recommended by Franchisor.

ARTICLE 9. CONTINUING FRANCHISE FEES, REPORTS, BOOKS AND RECORDS.

9.1. CONTINUING FRANCHISE FEES.

(i) Franchisee shall pay to Franchisor weekly during the term of this Agreement and any renewals or extensions thereof, six percent (6%) of the weekly gross sales of Franchisee's PWAT Unit ("Royalty Fee"). For the purposes of this Agreement, "Gross Sales," means gross revenues (including price discounts approved by Franchisor) received by Franchisee as payment, whether in cash or for credit (and, if for credit, whether or not payment is received therefor), for all offered products and/or services sold in or from Franchisee's PWAT Unit, and gross revenues received by Franchisee from any other business operated at the Location, excluding sales taxes.

(ii) At Franchisor's request, Franchisee shall promptly execute or re-execute within five (5) days after Franchisor's request, and deliver to Franchisor a fully executed copy of the ACH Service Agreement attached to this Agreement as Attachment C, to enable Franchisor to electronically (draft on Franchisee's account by electronic withdrawal) collect the six percent (6%) continuing Royalty Fee (see Article 9.1(i)) and, if implemented by Franchisor, the Advertising Fee (see Article 6) of gross sales payable under the terms of this Agreement as well as the FAM System Maintenance Fee (see Article 10.11).

(iii) Franchisee shall report its gross sales using the FAM System (see Article 10) within two (2) days after the end of each business week (currently Monday) or at such other times as are established by Franchisor in its sole discretion. Franchisee shall submit written weekly summaries showing results of its operations by the following Saturday. If Franchisee fails to report its sales on a timely basis, Franchisor may estimate the amount of Franchisee's sales. Franchisor will then deposit or transfer the reported, or in the absence of a report, the estimated, amounts due into its own account, using the Franchisee's pre-authorized checks or other instruments. If any draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor interest on the unpaid sum at a rate of prime plus 2.5% per annum or the maximum rate allowed by the applicable federal and/or state law in addition to Franchisor's expenses arising from such non-payment, including bank fees in the amount of at least \$50.00, hourly staff charges arising from such default, and any other related expenses incurred by Franchisor. By the fifth (5th) day of each month Franchisee shall pay to Franchisor any sums unpaid for the prior month to adjust for sales owed for any partial week or sales that were unpaid, improperly recorded or not credited on Franchisee's books and records. Franchisee hereby agrees to pay any sales, use or other tax now or hereinafter imposed on franchise fees, advertising fees or any additional rental collected under the sublease for the Location, imposed by any federal, state or local governmental authorities. Franchisor, at its sole discretion, may collect the taxes in the same manner as franchise fees are collected herein and if Franchisor collects such taxes, Franchisor shall promptly pay the tax collections to the appropriate governmental authority.

(iv) In the event any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment Franchisee makes to Franchisor, Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

9.2. REPORTS AND INSPECTION OF RECORDS.

(i) Franchisee shall submit to Franchisor a monthly Profit and Loss Statement within fifteen (15) calendar days after the end of each calendar month, signed and certified by Franchisee, and shall provide Franchisee's sales, expenses and financial status with respect to Franchisee's PWAT Unit. In addition, Franchisee shall submit to Franchisor an annual Profit and Loss Statement prepared by a Certified Public Accountant, in accordance with generally accepted accounting principles, within sixty (60) calendar days after the end of each calendar year. Franchisee shall pay to Franchisor a late fee in the amount of

\$50.00 per day for each day that Franchisee is delinquent in submitting its Profit and Loss Statement(s) required hereunder. If a late fee for delinquent Profit and Loss Statement(s) is assessed against Franchisee, Franchisee shall paid all amounts due to Franchisor within ten (10) days after written notice to Franchisee by Franchisor. 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 Franchisee's PWAT Unit as Franchisor may from time to time reasonably request. Furthermore, Franchisee shall provide Franchisor with any such other reports as Franchisor may from time to time require, in the form and at the time Franchisor prescribes. Franchisee's fiscal year end will be December 31, unless another date is mutually agreed upon by Franchisor and Franchisee. Within ninety (90) days of Franchisor's fiscal year end, Franchisee will provide Franchisor with the metrics and other financial information Franchisor reasonably requests regarding the operation of Franchisee's PWAT Unit.

(ii) Franchisee must maintain accurate business records, reports, accounts, books, and data relating to the operation of Franchisee's PWAT Unit. During normal business hours, Franchisor, its agents or representatives may audit Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. In connection with such audit(s) or other operational visits, Franchisee agrees to keep its complete financial records for the operation of the PWAT Unit in accordance with generally accepted accounting principles, cash receipts records, weekly and monthly control forms, and accounts payable records including all payments to Franchisee's suppliers in its PWAT Unit or at its business office for five (5) years after their due date, which records shall be available for examination by Franchisor or its representative(s), at Franchisor's request. Without any prior written notice, Franchisor, its agents or representatives may inspect Franchisee's entire Unit and Franchisee's daily, weekly and monthly statistical information. Franchisee shall make such information available for such inspections in recognition that an operational inspection cannot succeed without review of essential statistical information.

(iii) If any audit or other investigation reveals an under-reporting or under-recording error of 2% or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, plus interest at the highest compound rate authorized by the state in which the PWAT Unit is located.

(iv) Franchisee acknowledges that Franchisor's Operations Department regularly reviews ongoing operations at PWAT Units to ensure consistency of products and service and compliance with the Manuals and this Agreement. Franchisee therefore agrees to promptly complete and submit all forms requested by Franchisor's Operations Department, whether on a daily, weekly or monthly basis. Non-compliance with this obligation constitutes a material violation of this Agreement.

ARTICLE 10. FRANCHISE ADMINISTRATIVE AND MANAGEMENT SYSTEM, COLLECTION OF DATA.

10.1. This Agreement and the Manuals require the submission of weekly statistical control forms as well as other financial, operational and statistical information required by Franchisee and Franchisor to: (i) assist Franchisee in the operation of its Unit in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's gross sales, purchases, costs and expenses; (iii) enable Franchisor to develop system wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new Authorized Products or the removal of existing unsuccessful Authorized Products; (v) enable Franchisor to refine existing Authorized Products; (vi) generally improve system wide understanding of the System; and (vii) obtain new types of information unknown at this time (collectively, the "Information"). To achieve these results, Franchisor created an internet-based franchise administrative/management system

(“FAM System”).

10.2. Franchisee’s payment of the Initial Fee and reoccurring FAM System Maintenance Fee (defined in Article 10.11) constitutes payment to Franchisor for Franchisee’s use of the FAM System and any improvements thereon on a non-exclusive basis. In developing and operating Franchisee’s PWAT Unit, Franchisee will use the FAM System and any periodic improvements thereto. Franchisee shall input all data into the FAM System as designated from time to time in the Manuals, including but not limited to, information relative to reservations, receipts and sales information. Franchisor shall have unlimited access to all data inputted into the FAM System by PWAT franchisees. Franchisor’s improvements to the FAM System may require Franchisee to obtain specific computer hardware and software and Franchisor may modify specifications for and components of the FAM System from time to time. Franchisor’s improvements to the FAM System may require Franchisee to incur costs and, if required, to purchase, lease, license new or modified computer hardware or software during Term or Additional Terms. Franchisee will obtain any such required hardware or software components relative to the FAM System Franchisor designates and requires within sixty (60) days after Franchisor notifies Franchisee.

Franchisee’s computer hardware must be capable of running and connecting with the FAM System so that Franchisee may access the FAM System and so Franchisor may review the results of the operation of Franchisee’s PWAT Unit. Further, Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee, including without limitation: (i) a compatible computer system that complies with Franchisor’s standards and specifications and is capable of operating Franchisor’s designated software; (ii) a custom point of sale system, if applicable; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the “Computer System”). Franchisor will provide assistance to Franchisee through email and in some instances, by telephone, in connection with the connectivity and use of the FAM System and Proprietary Software Franchisor requires Franchisee to use. For purposes of this Article, Proprietary Software shall mean any proprietary software Franchisor has developed and included in or used in conjunction with the FAM System, and any proprietary software Franchisor may develop or require Franchisee to use in the future. Franchisor reserves the right to modify the Computer System, hardware, and software requirements, and Franchisee shall comply with any such change at its sole cost.

10.3. The FAM System and any Proprietary Software may not be used except as expressly authorized in this Agreement and in the Manuals. Franchisor reserves all rights not expressly granted.

10.4. As between the parties, Franchisor will retain all rights in and to the FAM System (excluding hardware, but including disks, drives or other storage devices that carry our proprietary software), including all copyrights and other intellectual property rights in or to the FAM System and any Proprietary Software. Except as otherwise expressly provided in this Agreement, Franchisee will not obtain, nor grant to any third party any express or implied rights in or to, any part of the FAM System and any Proprietary Software.

10.5. Franchisee shall take all reasonable steps to protect the FAM System and any Proprietary Software, from any use, reproduction, publication, disclosure or distribution that is not specifically authorized in this Agreement. Franchisee shall ensure that it and its personnel not disclose their User IDS and passwords, and will immediately notify Franchisor of any suspected or actual theft, loss or fraudulent use of them.

10.6. During the term of this Agreement, Franchisor will provided limited support services with respect to the FAM System and any Proprietary Software to the extent Franchisor deems practicable in the manner Franchisor designates from time to time in the Manuals.

10.7. Any updates, patches, bug fixes, modifications, enhancements and new versions of the FAM System and any Proprietary Software and all other deliverables and work product Franchisor develops for such FAM System or any Proprietary Software Franchisor provides to Franchisee will be subject to the terms and conditions of this Agreement, unless otherwise expressly agreed in writing by Franchisor. Franchisor's technical support services for the FAM System and other proprietary software, if any, extend only to the FAM System and any Proprietary Software, free of any additions or modifications that have not been made by Franchisor or our agents, or approved by Franchisor in writing. Our support services do not include the following and we have no responsibility or liability for:

- (i) Addressing errors, defects, or damage in or to the Proprietary Software resulting from causes other than those arising in the ordinary permitted use of the Proprietary Software, or from the use of third party software, firmware or data, or from the use of hardware not meeting our minimum recommended configurations;
- (ii) Providing hardware-related services;
- (iii) Providing training to Franchisee's personnel except as otherwise provided in this Agreement, or
- (iv) Developing or otherwise providing Franchisee with additional features, functionality, or customizations to the Proprietary Software.

10.8. Franchisee will cooperate fully with use in the performance of Franchisor's technical support services, including by providing Franchisor with such timely, accurate and complete information and reasonable access to Franchisee's personnel, if any, as Franchisor may require or request. Franchisee shall be responsible for using the FAM System and any other Proprietary Software in compliance with this Agreement and for obtaining written agreements in the form Franchisor provides from each of your personnel who have access to or utilize any aspect of the FAM System and any other Proprietary Software to the effect that such persons agree to be bound by the terms of this Agreement (and all other agreements) with respect to the use of the FAM System and any other Proprietary Software. Franchisee will be in breach of this Agreement if any user to whom Franchisee is given access to the FAM System or any Proprietary Software fails to comply with the requirements under this Agreement governing the use of the FAM System or any Proprietary Software. To the extent Franchisee fails to satisfy Franchisee's obligations to Franchisor, Franchisor will be relieved of Franchisor's obligations under this Agreement and Franchisee will be deemed in breach of it.

10.9. Franchisor will have no responsibility for (a) the results of termination of Franchisee's access to the FAM System after Franchisor has notified Franchisee of such termination; (b) Franchisee's use of the Proprietary Software with content, assets, technology or other materials not supplied by Franchisor; or (c) alteration of the FAM System or any Proprietary Software or use of a version of the FAM System or any Proprietary Software that has been superseded by a newer version.

10.10. Franchisor disclaims any warranties of any nature whatsoever, whether express, written, oral, implied or statutory, including any implied warranties of merchantability or fitness for a particular purpose, title or non-infringement, or any warranties arising under the uniform computer transactions act, however enacted in any state or jurisdiction. Franchisor is not liable under any circumstances to you for any consequential, special, exemplary, indirect, incidental or collateral damages of any nature whatsoever in connection with any of the supplies or the FAM System or any Proprietary Software, or any other products, equipment or supplies you obtain from us or others and their design (including Franchisee's right to use, delivery, and installation), the service and functions they perform (or fail to perform), their design

and this Agreement, whether by reason of imperfection or defect in them or in their performance, Franchisor's breach or otherwise, even if Franchisor is advised of the possibility of such damages, regardless of whether they are based in tort or in contract.

10.11. Franchisee agrees to pay to Franchisor a monthly fee of \$105.00 ("FAM System Maintenance Fee") for the maintenance and optimization of the FAM System. The FAM System Maintenance Fee shall be paid in accordance with the procedure described in Article 9. Franchisor reserves the right to increase the FAM System Maintenance Fee, provided that the aggregate paid by franchisee per year for the FAM System Maintenance Fee shall not exceed \$2,500.00.

10.12. On Franchisor's request, Franchisee must apply for and maintain debit card, credit card or other non-cash payment systems to enable customers to purchase products and/or services through these procedures. Franchisee agrees to accept all forms of payment as directed by Franchisor, including certain designated credit and/or debit cards and to purchase or lease all necessary equipment to accept such payment.

10.13. Franchisee is required to participate in any System-wide computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor online; (ii) view and print portions of the Manuals, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) complete any initial or ongoing training. Franchisee agrees to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Manuals.

10.14. INTERNET AND WEBSITE.

(i) Franchisee must have and maintain adequate hardware and software in order to access the Internet at the bit speed Franchisor requires from time to time. Franchisee is prohibited, however, from establishing any website or other presence on the Internet, except as provided herein.

(ii) Franchisor may, but is not obligated to, establish an Internet website that provides information about the System and the Painting With A Twist Authorized Products and Services. In the event Franchisor exercises its right to create such a website, Franchisor shall have sole discretion and control over the website (including timing, design, contents and continuation). Franchisor may use a portion of the System Advertising Fund contribution to pay or reimburse itself for the costs incurred in connection with the development, maintenance and update of its website.

(iii) Franchisor may, but is not obligated to, create interior pages on its website(s) that contain information about the PWAT Unit and other Painting With A Twist franchised businesses. If Franchisor does create such pages, Franchisor may require Franchisee to prepare all or a portion of the page for the PWAT Unit, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting.

(iv) Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the PWAT Unit, including any profile on Facebook, MySpace, Twitter, LinkedIn, Plaxo, YouTube, Pinterest, Instagram, or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such World Wide Web or Internet site in accordance with System standards and any other policies Franchisor designates in the Manuals or otherwise in writing from time to time; and (ii) utilize

any templates that Franchisor provides to Franchisee to create and/or modify such site(s). Franchisor shall have the right to modify the provisions of this Section, including its social media requirements, at any time.

(v) Franchisee acknowledges that Franchisor and/or Franchisor's affiliates are the lawful, rightful and sole owner of the Internet domain name www.paintingwithatwist.com as well as any other Internet domain names registered by Franchisor and/or Franchisor's affiliates, and unconditionally disclaims any ownership interest in such Internet domain names and any Internet domain names similar thereto. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor's affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

ARTICLE 11. COVENANT REGARDING OTHER BUSINESS INTERESTS.

11.1. For purposes of this Article only, "Franchisee" shall mean and include the individual Franchisee; Franchisee's spouse and minor children; Franchisee's shareholders, officers, and directors, if Franchisee is a corporation; and any one or more partners or participants in Franchisee, if Franchisee is a partnership or joint venture, or members, if Franchisee is a limited liability company.

11.2. During the term of this Agreement, except with Franchisor's prior written consent, neither Franchisee, Franchisee's officers, directors, principals, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, principals, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any business that offers services related in any way to painting instruction or provides any other services offered by PWAT Units ("Competing Services"); or (ii) divert or attempt to divert any business or customer of the PWAT Unit to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor's Marks or the System.

(i) Upon the termination, expiration or nonrenewal of this Agreement, or if Franchisee assigns or transfers its interest herein to any person or business entity, or if any person identified in the first paragraph of this Article terminates its relationship with Franchisee, then for a period of twenty four (24) months thereafter, neither Franchisee, Franchisee's officers, directors, principals, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, principals, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any business offering or licensing others to offer Competing Services at a site within a radius of fifty (50) miles of Franchisee's former PWAT Unit or within twenty (20) miles of any other Painting With A Twist Unit then existing, unless Franchisor gives its prior written consent; (ii) divert or attempt to divert any business or customer of the PWAT Unit to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or (iii) solicit business from customers of Franchisee's former PWAT Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose. If the terms of this paragraph are violated, Franchisee shall pay to Franchisor, as liquidated damages, an amount equal to \$3,500.00 per month for each month this covenant is violated, plus, if applicable, seven percent (7%) of the gross sales achieved at the site during the continuation of such violation.

(ii) In the event any portion of the above covenants 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.

11.3. During the term of this Agreement, Franchisee will receive information which Franchisor considers its trade secret and confidential information (“Confidential Information”), including operating procedures, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, class offerings, pricing for classes, any information contained in the Manuals, trade secrets, and other methods, techniques and know-how concerning the operation of the PWAT Unit that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee’s operation of the PWAT Unit. Franchisee will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information. Franchisee acknowledges and agrees that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i)-(iv) collectively “Customer Lists”), and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Franchisee may divulge such Confidential Information only to such of Franchisee’s employees as must have access to it in order to operate the PWAT Unit. Any and all information, knowledge, know-how, techniques, and other data that Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement. Franchisee acknowledges and agrees that Franchisor has expended considerable time, effort, and money to develop the System that the enumerated Confidential Information is not well known outside of the System, that the Confidential Information is of great value to the Franchisor, and that Franchisor is implementing this non-disclosure policy in an effort to protect its trade secrets and Confidential Information. Franchisee acknowledges that in the event of the actual or threatened breach of this Section, Franchisor’s harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm.

11.4. Franchisee must require all of Franchisee’s employees and artists to execute covenants promising to maintain the confidentiality of information they receive in connection with their employment by Franchisee at the PWAT Unit and to restrict their ability to compete with the PWAT Unit during their employment with Franchisee. Such covenants will be in a form satisfactory to Franchisor and substantially similar to the Confidentiality Agreement attached to this Agreement. These covenants must, without limitation, specifically identify Franchisor as a third party beneficiary of such covenants with independent rights to enforce those covenants.

11.5. If Franchisee, Franchisee’s employees, or principals develop any new concept, process or improvement in the operation or promotion of the PWAT Unit, including, but not limited to, any modifications or additions to the services offered by the PWAT Unit, Franchisee must promptly notify Franchisor and provide Franchisor with all necessary related information, without receiving compensation in return. Any such concept, process or improvement will become Franchisor’s sole property, and Franchisor will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. Franchisee and Franchisee’s principals and agents hereby assign to Franchisor any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee’s principals and agents agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentations for obtaining and enforcing such rights. Franchisee and Franchisee’s principals and agents hereby irrevocably designate and appoint Franchisor as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section are found to be invalid or otherwise unenforceable, Franchisee and

Franchisee's principals and agents hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

11.6. 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, the System, trade secrets, or any other proprietary aspects of Franchisor's business.

ARTICLE 12. INTERFERENCE WITH EMPLOYMENT RELATIONS.

Without Franchisor's prior written consent, during the term of this Agreement, Franchisee shall not employ or seek to employ, directly or indirectly, any person serving in an executive, managerial or operational position that is at the time or was at any time during the prior six (6) months employed by Franchisor. Request for Franchisor's consent shall be sent in duplicate and addressed in writing addressed to Franchisor's Chief Operating Officer and to its General Counsel.

ARTICLE 13. SUBFRANCHISORS, SALESMEN.

Inasmuch as this Agreement has not been executed by the Franchisee at the office of Franchisor, Franchisor requires certain assurances that this Agreement has been sold in accordance with applicable laws, rules and regulations. Accordingly, in order to induce Franchisor to execute this Agreement, Franchisee agrees to execute a Franchisee Disclosure Acknowledgement Statement that acknowledges that Franchisor is relying upon the acknowledgments, representations and commitments of Franchisee that no other salesman, staff member, entity, or associate of Franchisor has met Franchisee regarding this franchise sale or the offer and acceptance thereof other than those set forth therein. The Franchisee Disclosure Acknowledgement Statement shall identify all sales persons involved in the sales, negotiation and execution of this Agreement and shall identify any subfranchisor. Franchisor shall be entitled to rely on the Franchisee Disclosure Acknowledgement Statement, and Franchisee shall be bound by its contents.

ARTICLE 14. NATURE OF INTEREST, AND TRANSFER.

14.1. GENERAL PROVISIONS.

(i) This Agreement shall inure to the benefit of the successors and assigns of Franchisor. Franchisor shall have the right to transfer or assign this Agreement to any person or legal entity who assumes its terms and agrees to comply with Franchisor's obligations contained herein. Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

(ii) The rights and duties created by this Agreement are personal to Franchisee. Accordingly, except as otherwise permitted herein, neither Franchisee nor any person with an interest in Franchisee shall, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or, if Franchisee is a partnership, joint venture, limited liability company or corporation, any direct or indirect interest in Franchisee. 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 its PWAT Unit pursuant to 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, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Franchisee's sublease or the real or personal property used in connection with Franchisee's PWAT Unit.

(iii) Thirty days prior to the completion of Franchisee's sales transaction, Franchisee shall pay to Franchisor a nonrefundable transfer fee ("Transfer Fee") to compensate Franchisor in connection with each proposed transfer subject to this Article, as follows:

(a) for the transfer of a controlling interest to (i) a person whose full-time occupation during the two (2) years immediately preceding the proposed transfer has been serving as the manager of a PWAT Unit, or (ii) a current PWAT franchisee who has satisfied all obligations and substantially complied with all material requirements under its agreements with Franchisor, its subsidiaries, affiliates, and divisions up to and including the time of the proposed transfer: a fee that is the lesser \$7,500.00 or thirty percent (30%) of the then-current Initial Fee if the transfer does not involve a relocation, or a fee that is the lesser of \$10,000.00 or forty percent (40%) of the then-current Initial Fee if the transfer will require a new location for the PWAT Unit;

(b) for any other transfer of a controlling interest to a person other than those specified in Section 14.1(iii) (a), a fee that is the lesser of \$12,500.00 or fifty percent (50%) of the then-current Initial Fee if the transfer does not involve a relocation, or a fee that is the lesser of \$15,000.00 or sixty percent (60%) of the then-current Initial Fee if the transfer will require a new location for the PWAT Unit.

The Transfer Fee covers Franchisor's training expenses and additional cost associated with the transfer. This Transfer Fee will not be due with respect to any transfer that (together with all other related previous, simultaneous, or proposed transfers) does not result in the transfer of control of Franchisee.

(iv) Franchisee's rights may pass to Franchisee's next of kin or legatee if they assume Franchisee's obligations and attend and complete Franchisor's training program. Upon Franchisee's disability, Franchisee may sell the franchise or keep it, if operated by trained personnel.

(v) Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise.

(vi) If Franchisee is an individual, Franchisor hereby consents to the assignment of this Agreement and any and all obligations referable thereto without any fee charged by Franchisor to a corporation, or other entity, principally owned by Franchisee within ninety (90) days from the date hereof. Upon such assignment and assumption by the corporation, or other entity, along with delivery of executed originals of same to Franchisor, Franchisee/Transferee must enter into a Personal Guaranty, attached hereto as Attachment A, regardless of your ownership in the business entity.

14.2. CONSENT TO TRANSFER.

For all proposed transfers or assignments of this Agreement, and transfers of more than fifty-one percent (51%) of the outstanding and issued stock of Franchisee by one or more transfers or any transfer which, directly or indirectly, effectively changes management control of Franchisee, Franchisor will not unreasonably withhold its consent to any transfer or assignment which is subject to the restrictions of this Article, provided however, Franchisor shall not be required to give its consent unless all of the following conditions are met prior to the effective date of assignment:

(i) Upon the execution of this Agreement and upon each direct or indirect transfer of an

interest in this Agreement or in Franchisee and at any other time upon Franchisor's request, Franchisee shall, within five (5) days prior to such transfer or at any other time at Franchisor's request, furnish Franchisor with an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Franchisor or if none exist and a list of all shareholders or partners having an interest in this Agreement or in Franchisee, the percentage interest of each shareholder or partner, and a list of all officers and directors, in such form as Franchisor may require.

(ii) Franchisee's written request for transfer of either a partial or whole interest in this Agreement or Franchisee's Unit must be accompanied by an offer to Franchisor of a right of first refusal at the same price offered by any bona fide buyer less five (5%) percent. Franchisor shall have the right and option, exercisable within fifteen (15) days after receipt of such written notification, to send written notice to Franchisee or such person that Franchisor or its third-party designee, intends to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party. If Franchisor accepts such offer, the transfer/administrative fee due by Franchisee shall be waived by Franchisor. Any material change in the terms of an offer prior to closing 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 option shall not constitute a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer.

(iii) The Franchisee is not in default under the terms of this Agreement, the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor have been paid in full.

(iv) The Franchisee and its shareholders or members, if the Franchisee is a corporation or limited liability company, have executed a general release under seal, in a form prescribed by Franchisor, of any and all claims against Franchisor, its shareholders, directors, officers, subfranchisors, and employees.

(v) The transferee/assignee has demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current requirements for new Franchisees or for holders of an interest in a franchise, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, and the ability to fully comply with the terms of this Agreement.

(vi) The transferee/assignee has 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.

(vii) The transferee/assignee, its manager or other employees responsible for the operation of the PWAT Unit have satisfactorily completed Franchisor's training program.

(viii) The transferee/assignee executes such other documents as Franchisor may require, including a replacement franchise agreement on the then-standard franchise agreement form used by Franchisor, in order to assume all of the obligations of this Agreement, to the same extent, and with the same effect, as previously assumed by the assignor.

(ix) Franchisee (and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of this Agreement.

(x) The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the PWAT Unit.

(xi) The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

(xii) To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer.

(xiii) Franchisor is provided with an executed copy of the purchase agreement.

(xiv) Franchisor's approval of the transfer will not constitute a waiver of any claims Franchisor may have against the transferring party.

(xv) Franchisor will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's PWAT Unit as Franchisee has supplied Franchisor hereunder.

(xvi) In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

14.3. DEATH OR DISABILITY.

(i) *Representative's Right to Continue as Franchisee.* In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's partners or personal guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the PWAT Unit as franchisee under this Agreement if: (i) within forty-five (45) days from the date of death, disability or incapacity (the "45-Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company to satisfy Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

(ii) *PWAT Unit Operation During and After 45-Day Period.* Franchisor is under no obligation to operate the PWAT Unit, or incur any obligation on behalf of any incapacitated franchisee, during or after the 45-Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) will appoint a previously approved acting interim manager to operate the PWAT Unit during the 45-Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor has the right, but not the obligation, to operate Franchisee's PWAT Unit on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the PWAT Unit to cover any or all past, current and/or future obligations of the PWAT Unit (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a management fee of twenty percent (20%) of Gross Sales to reimburse Franchisor for Franchisor's management services and other costs, including, without limitation travel and lodging expenses ("Management Fee"). Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorneys' fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's PWAT Unit. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any

way to, the operation (or otherwise) of Franchisee's PWAT Unit. This Management Fee is in addition to the amounts due under this Agreement for royalty and other payments during the time which Franchisor takes over the management of the PWAT Unit.

ARTICLE 15. TERM, DEFAULT AND TERMINATION.

15.1. TERM.

(i) Provided Franchisee is not in default of the terms and conditions contained in its Location lease and this Agreement, this Agreement shall continue for a period of seven (7) years ("Term").

(ii) Franchisee may renew the rights granted by this Agreement for four (4) additional terms of five years each ("Additional Terms"), subject to the following conditions:

(a) Franchisee gives Franchisor written notice of Franchisee's election to renew not less than six (6) and not more than eighteen (18) months before the end of the then current term.

(b) Franchisee is not in default of any provision of this Agreement or any amendments to this Agreement, the Location lease, the Manuals or any monetary obligation owed to Franchisor, Franchisor's affiliates, or Franchisor's approved/designated suppliers and vendors.

(c) At Franchisor's request, Franchisee shall undertake and complete the reasonable renovation or modernization of its PWAT Unit.

(d) Franchisee shall execute Franchisor's then-current franchise agreement and related agreements.

(e) Franchisee has demonstrated, to Franchisor's satisfaction, that Franchisee has the right to operate the PWAT Unit at the Location for the duration of the renewal term.

(f) Franchisee satisfies Franchisor's then-current training requirements for renewing franchisees at Franchisee's expense, as of the date of such renewal, if any.

(g) Franchisee signs a general release, in the form Franchisor prescribes, with the release not inconsistent with any applicable state statute regulating franchises.

15.2. AUTOMATIC TERMINATION WITHOUT NOTICE TO FRANCHISEE.

This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

(i) If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the PWAT Unit.

(ii) If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the PWAT Unit without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

(iii) Franchisee purports to sell, transfer or otherwise dispose of Franchisee or any interest in the PWAT Unit in violation of Section 14 hereof.

15.3. TERMINATION WITH NOTICE AND WITHOUT OPPORTUNITY TO CURE.

Franchisee shall be in default and Franchisor may, at its option, upon written notice to Franchisee, terminate this Agreement and all rights granted by it, without affording Franchisee any opportunity to cure the default, upon the occurrence of any of the following events:

(i) Franchisee's knowingly or intentionally maintaining false books or records, or submitting any false report or payment to Franchisor or committing any other fraud or misrepresentation with respect to the PWAT Unit;

(ii) Franchisee's conduct of the PWAT Unit licensed pursuant to this Agreement is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health, or selling regularly 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;

(iii) The conviction of a felony, or a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole reasonable opinion of Franchisor, to adversely affect the System, Franchisor's Marks; the goodwill associated with the System or Franchisor's interest in each of them by Franchisee, or its controlling or operating shareholders or members if Franchisee is a limited liability company;

(iv) Franchisee's intentional disclosure or use of the contents of the Manual, trade secrets or confidential or proprietary information provided to Franchisee by Franchisor in violation of this Agreement, excluding acts of independent employees or others not under Franchisee's control;

(v) If Franchisee repeatedly commits defaults under any provisions of this Agreement two (2) or more occasions in any twelve (12) month period, or four (4) or more occasions in any consecutive twenty-four (24) month period, even if Franchisee cured each such prior default, and even if Franchisee would otherwise be given an opportunity to cure the current default;

(vi) Franchisee's, without Franchisor's consent, ceasing to operate or otherwise abandoning its PWAT Unit or, upon destruction of its PWAT Unit, failure to rebuild and resume operation within a reasonable time. Cessation of the business shall not constitute a default under this Agreement if caused by condemnation, expiration of a Location lease pursuant to its terms at execution, natural, governmental or supplier related causes out of Franchisee's control, or when failure to rebuild following destruction of the PWAT Unit is prohibited by law or the Location lease;

(vii) If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation;

(viii) If Franchisee fails to complete initial training as provided in Section 3.1;

(ix) If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's affiliates, or threaten any material breach of any such agreement, or any Lease for the Location, and fail to cure such breach within any permitted period for cure;

(x) If Franchisee violates the in- term restrictive covenant contained in Section 11.2;

(xi) If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within thirty (30) days;

(xii) If Franchisee or any of Franchisee's principals become insolvent;

(xiii) If Franchisee offers any unauthorized and unapproved products or services at or from the PWAT Unit;

(xiv) Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier or which Franchisor has not approved;

(xv) Franchisee misuses or makes unauthorized use of any Proprietary Software that Franchisor may develop for use in connection with the System;

(xvi) Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Article 17;

(xvii) Franchisee fails, within fifteen (15) days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the PWAT Unit;

(xviii) Any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation;

(xix) Franchisee fails to comply with the anti-terrorism provisions of Section 21.5;

(xx) If Franchisee takes for Franchisee's own personal use any assets or property of the PWAT Unit, including employee taxes, FICA, insurance or benefits;

(xxi) If there are insufficient funds in Franchisee's bank account to cover a check or EFT payment to Franchisor three (3) or more times within any twelve (12) month period;

(xxii) Franchisee's misuse or unauthorized use of Franchisor's Marks or other material impairment of the goodwill associated therewith or Franchisor's rights therein.

15.4. DEFAULTS WITH OPPORTUNITY TO CURE.

(i) Except as otherwise provided in this Agreement, Franchisee shall have ten (10) days after Franchisor's written notice of default within which to remedy any default under this Section 15.3, 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, Franchisor may, at its option, terminate this Agreement and all rights granted by it, by sending a five (5) day written notice of cancellation of this Agreement to Franchisee. Upon the expiration of such five (5) day period, this Agreement shall end and expire as if it were the day fixed for termination of this Agreement.

(ii) Franchisee shall be in material default under this Article for any failure to comply with any of the requirements imposed by this Agreement. Such material defaults shall include, without limitation, the occurrence of any of the following events:

(a) Franchisee's failure, refusal, or neglect to promptly pay any monies owed to Franchisor when due, or to submit the financial or other information required by Franchisor under this Agreement.

(b) Franchisee's failure to maintain the standards specified by Franchisor in the Manual or otherwise.

(c) Franchisee's failure, refusal or neglect to obtain Franchisor's prior written approval or consent as required by this Agreement.

(d) Franchisee's commencement or conducting of any business operation, or marketing of any product, under a name or mark which, in Franchisor's reasonable opinion, is confusingly similar to Franchisor's Marks.

(e) Franchisee's default, without cure after the applicable grace period, under any lease, sublease, sub-sublease, mortgage, or deed of trust covering the Location.

(f) Franchisee's failure to procure or maintain the insurance required by this Agreement or in the lease and sublease for the Location.

(g) Franchisee's default in the performance of any term, condition or obligation in payment of any indebtedness to its landlord or sublandlord, distributors or suppliers or others arising out of the purchase of inventory, supplies or purchase or lease of equipment for operation of its Unit, and if any such default is not cured within thirty (30) days after written notice by Franchisor to Franchisee, unless Franchisee is determined by a court of competent jurisdiction to be not in default.

(h) Franchisee's failure to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.

(i) Franchisee's failure to maintain sufficient levels of inventory to adequately meet consumer demand.

(j) Franchisee's failure to obtain a site for Franchisee's PWAT Unit within the time prescribed in Section 1.3 of this Agreement, even after any such extension period is granted.

(k) Franchisee's failure to maintain the prescribed months, days or hours of operation at the PWAT Unit.

(l) If Franchisee fails, in Franchisor's sole discretion, to personally supervise day-to-day operation of the PWAT Unit or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

(m) Franchisee's failure to maintain the strict quality controls reasonably required by this Agreement and/or the Manuals.

(n) If Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, Franchisor's Marks, or the products or services offered through the System.

(o) If Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's PWAT Unit.

15.5. Franchisor has the right to terminate this Agreement after providing notice and a thirty (30)

day cure period if Franchisee fails to perform or comply with any one or more of the terms or conditions of this Agreement, the Manuals, or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates.

15.6. 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 five (5) days after cure.

15.7. Notwithstanding the dispute resolution provisions set forth in this Agreement, Franchisee and Franchisor acknowledge that certain defaults require immediate action to protect the appropriate party. Accordingly, Franchisor and Franchisee each hereby consent to and authorize the other party to apply to any court of competent jurisdiction for judicial assistance in restraining and enjoining violations of this Agreement. Both Franchisor and Franchisee are entitled to an injunction restraining Franchisor or Franchisee from committing or continuing to commit any default, breach or threatened breach of this Agreement, without showing or proving any actual damage sustained by the party seeking such relief.

15.8. Non-enforcement by Franchisor of any violation of the terms of this Agreement by Franchisee shall not constitute a waiver of such violation by Franchisor nor shall Franchisor be deemed to have waived any of its rights to enforce compliance by Franchisee of such breach or any other breach of this Agreement.

15.9. Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder will not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

15.10. EARLY TERMINATION

In addition, if Franchisee ceases to operate or otherwise abandons its Painting With A Twist Unit before this Agreement expires without Franchisor's prior written consent, Franchisee must pay Franchisor an early termination fee ("Early Termination Fee") for breaching this Agreement. The amount of the Early Termination Fee is calculated as follows:

(i) Compute the average monthly Royalty and Advertising Fees paid during the twelve (12) month period immediately preceding the date Franchisor receives notification of the closure, or, if the store has been open for less than twelve (12) months, the average monthly Royalty and Advertising Fees paid since the opening of the unit;

(ii) Multiply the average monthly Royalty and Advertising Fees calculated in (i) above by the number of months remaining in the term of the Franchise Agreement; and

(iii) Divide the resulting total computed in (ii) above by 2.

For example purposes only: If the average monthly Royalty and Advertising Fees were \$1,000 and there were five (5) years (60 months) remaining in the term of the Franchise Agreement, the Early Termination Fee would be \$30,000, calculated as follows: $\$1,000 \times 60 \text{ months} = \$60,000 \div 2 = \$30,000$.

If Franchisee has not paid its Royalty and Advertising Fees for any period(s) within the twelve (12) months prior to notifying Franchisor of its early termination, or if Franchisee has not reported its Gross Sales for any period(s) within the twelve (12) months prior to notifying Franchisor of Franchisee's intended early termination, Franchisor will estimate the Royalty and Advertising Fees based upon prior reports to calculate the average monthly Royalty and Advertising Fees.

ARTICLE 16. RIGHTS AND OBLIGATIONS UPON TERMINATION.

Upon the termination of Franchisee's rights granted under this Agreement, (whether during the term of the Agreement or at its conclusion) the following shall apply:

(i) Upon termination of this Agreement by lapse of time or by default, Franchisee's right to use Franchisor's Marks, or any other mark distributed by Franchisor or insignia or slogan used in connection therewith, or any confusingly similar trademark, service mark, trade name or insignia shall cease. Franchisee shall immediately discontinue use of Franchisor's Marks, System, and color scheme. At Franchisor's sole and reasonable direction, Franchisee shall at its own cost, make cosmetic changes to Franchisee's Unit from Franchisor's proprietary designs including, but not limited to, the removal of all Painting With A Twist identifying materials and distinctive Painting With A Twist cosmetic finishes, tile walls, interior wall coverings and colors, exterior finishes and colors, signage and Painting With A Twist counter equipment (which shall be deemed proprietary to Franchisor) from the Location.

(ii) Unless otherwise provided for in this Agreement, Franchisor may retain all fees paid pursuant to this Agreement.

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

(iv) Any and all rights of Franchisee under this Agreement shall immediately cease and terminate.

(v) 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 constitute post-termination 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.

(vi) Franchisee acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor.

(vi) If Franchisee has registered any of Franchisor's Marks or the name "Painting With A Twist" as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete Franchisor's Marks therefrom.

(viii) In addition to the Early Termination Fee set forth in Article 15.10, Franchisee shall immediately pay any and all amounts owing to Franchisor.

(ix) Franchisor shall have the option, exercisable by written notice within thirty (30) days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for Franchisee's Unit. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option.

(x) Franchisee shall immediately return to Franchisor all Manuals and all artwork loaned to Franchisee for decoration in Franchisee's PWAT Unit.

(xi) Franchisee shall permit Franchisor to make a final inspection of Franchisee's financial records, books, and other accounting records within one (1) month of the effective date of termination, expiration, or transfer.

(xii) Franchisee shall take such action as will be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other mark Franchisor licensed to Franchisee and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) days after the termination, expiration or transfer of this Agreement.

(xiii) Franchisee shall immediately cease to engage with any customers of the former PWAT Unit.

(xiv) Franchisee shall execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Article 16.

(xv) Franchisee shall immediately vacate the Location, and if Franchisor exercised Franchisor's rights pursuant to the Contingent Assignment of Lease, arrange for transfer of the lease to Franchisor within fifteen (15) days of termination or expiration of this Agreement.

16.2. Upon the termination or expiration of this Agreement, Franchisor, or Franchisor's designee will also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's PWAT Unit by providing Franchisee written notice of Franchisor's election within sixty (60) days after such termination or expiration and by paying Franchisee the book value for such personal property within sixty (60) days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a ten (10) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any personal property subject to a lease or finance agreement, the purchase price of such personal property will equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor will be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the PWAT Unit, or Franchisor may require that Franchisee close the PWAT Unit during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the PWAT Unit. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise. Franchisor may exclude from the personal property purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the PWAT Unit's operation or that Franchisor has not approved as meeting standards for the PWAT Unit.

16.3. In the event of termination for any default by Franchisee, Franchisee will promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation will create and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the PWAT Unit.

ARTICLE 17. INSURANCE.

17.1. Franchisee shall obtain and maintain insurance coverage which shall in each instance designate Franchisor as an additional named insured, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld as follows:

(i) Comprehensive general liability insurance (including products liability coverage, sexual harassment coverage, host liquor liability coverage, and off-premises events coverage) with coverage of at least \$1,000,000 per occurrence, and \$1,000,000 aggregate with full replacement value of business contents property coverage. Painting with a Twist, L.L.C. must be listed as an additional insured.

(ii) Business interruption insurance, including Location rentals and Additional Rentals for 12 months after casualty, in amounts equal to at least \$100,000. The business interruption insurance shall include an endorsement providing coverage for off-premise power failure or utility interruption caused by any covered cause of loss as stated in the policy.

(iii) Workers' compensation insurance as required by applicable law.

(iv) Fire, and extended coverage insurance, insuring the construction of improvements and completed Painting With A Twist Unit operated by Franchisee, for the full replacement value thereof.

(v) If Franchisee conducts an Offsite Event for Authorized Products and/or Services, Franchisee shall obtain separate non-owned auto coverage insurance and general liability insurance coverage. Franchisee may not directly or indirectly conduct such Offsite Event(s) until such insurance is obtained and Franchisor is named as an additional insured.

17.2. In the event of damage to the PWAT Unit covered by insurance, the proceeds of any such insurance shall be used to restore the PWAT Unit to its original condition as soon as possible, unless such restoration is prohibited by the Location lease or Franchisor has otherwise consented to in writing. Upon obtaining such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage and or at such other times upon the request of Franchisor.

17.3. Franchisee shall, prior to opening its Unit, 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. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within twenty-four (24) hours. Franchisee has a twenty-four (24) hour opportunity to cure any lapses in insurance coverage. Franchisee must submit a certification of insurance that demonstrates compliance with this Section. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice. All insurance policies must contain a waiver by the insurance carrier of all subrogation rights against Franchisor.

17.4. Franchisee agrees to provide Franchisor with proof of coverage on demand. Franchisee agrees to obtain these insurance policies from insurance carriers that are rated "A-VIII" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which Franchisee operates its PWAT Unit.

17.5. Franchisee agrees to carry such insurance as may be required by the Lease of the Location or by any of Franchisee's lenders or equipment lessors.

17.6. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and administrative costs of 18% in connection with Franchisor's obtaining the insurance.

ARTICLE 18. SOLE OBLIGATIONS OF FRANCHISOR.

18.1. As described in Franchisor's Franchise Disclosure Document (the "FDD"), received by Franchisee at least fourteen (14) business days prior to the execution, unless otherwise directed by certain state law, of this Agreement, Franchisor has obligated itself to provide specific services to Franchisee. Franchisor also provides other voluntary services at its sole discretion. Franchisor and Franchisee agree that the following are the only required obligations of Franchisor:

(i) To reasonably assist Franchisee with any operational or financial problem encountered by Franchisee, after notice to Franchisor in duplicate sent to: (i) Attn: Renee Maloney, 2121 N. Causeway Blvd, Suite 200, Mandeville, LA 70471, by certified mail (return receipt requested) or at any subsequent addresses established by Franchisor, of Franchisee's problem and the type of assistance needed. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee. Franchisor, in its sole discretion, may provide any assistance at Franchisor's designated office or where Franchisee is located, at a time to be determined by Franchisor.

(ii) At Franchisor's election, to reasonably administer the advertising program. Franchisee acknowledges that pursuant to the advice of advertising and marketing professionals, advertising collections will at times be aggregated until sufficient revenues are accumulated to commence or complete an advertising or marketing program. Reasonable administration shall be deemed to be good faith attempts to utilize the advertising funds in accordance with the advice and suggestions of the advertising and marketing staff or outside advertising and or marketing companies, consultants or other entities retained for such purpose.

(iii) To assist Franchisee in arranging for the initial financing of its Unit, if feasible and necessary (Franchisor is not directly or indirectly responsible for the failure of Franchisee to meet the qualifying standards of such independent financing sources).

(iv) To supply to Franchisee a set of standard decor and layout plans and to thereafter approve the initial decor and layout of Franchisee's Unit, upon Franchisee meeting all criteria with regard to same.

(v) To loan Franchisee a copy of its Operations Manual or computer diskette thereof which manual contains mandatory and suggested specifications, standards and procedures, as well as any other Manuals produced by Franchisor. These Manuals are confidential and remain Franchisor's property.

(vi) To train Franchisee in accordance with this Agreement, and to provide Franchisee with assistance in opening the Unit.

(vii) To loan Franchisee fifty (50) various artworks for use in decorating Franchisee's PWAT Unit. These artworks are copyrighted and remain Franchisor's property.

18.2. Franchisor shall not and cannot be held in breach of this Agreement until (i) Franchisor has received notice of any alleged breach from Franchisee in duplicate, by certified mail, sent to the parties set

forth in sub-section (i) of this Article; and (ii) Franchisor has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than sixty (60) days. This is a material term of this Agreement and may not be modified or changed by any arbitrator in an arbitration proceeding or otherwise in any court of competent jurisdiction.

ARTICLE 19. RELATIONSHIP OF PARTIES, DISCLOSURE.

19.1. Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's PWAT Unit, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee must contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, stating: (i) Franchisee operates Franchisee's PWAT Unit as an independently owned and operated PWAT Unit, and (ii) Franchisee independently owns and operates the PWAT Unit as a System franchisee. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor will in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor will Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the PWAT Unit or for any claim or judgment arising therefrom against Franchisee or Franchisor.

19.2. Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (a) the operation of Franchisee's PWAT Unit, including the use, condition, or construction, equipping, decorating, maintenance or operation of the PWAT Unit premises, the sale or delivery of painting classes; (b) the use of Franchisor's Marks; (c) the transfer of any interest in this Agreement or Franchisee's PWAT Unit in any manner not in accordance with this Agreement; (d) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (e) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals. For purposes of this indemnification, "Claims" will mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor will have the right to defend any such claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor will, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnitees and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 20. DISPUTE RESOLUTION: ARBITRATION AND LEGAL PROCEEDINGS

20.1. This Agreement will be governed by and construed in accordance with the laws of the State of Louisiana (without reference to its conflict of laws principals).

20.2. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to

Franchisor's management, after providing notice as set forth in Article 20.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

20.3. At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Article 20.2 above, must be submitted first to mediation, in Mandeville, Louisiana under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates in respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation, and Franchisor and Franchisee will share mediation costs equally. This agreement to mediate will survive any termination or expiration of this Agreement.

(i) The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Article 20.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) any federally protected intellectual property rights in Franchisor's Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

20.4. Nothing contained in this Agreement will prevent Franchisor from applying to and obtaining from any court of competent jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Mandeville, Louisiana and the jurisdiction and venue of the United States District Court presiding over Mandeville, Louisiana. Franchisee acknowledges that the parties have entered into this Agreement in Mandeville, Louisiana and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Mandeville, Louisiana, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Louisiana set forth above.

20.5. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Article 20, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

20.6. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

20.7. Franchisee is prohibited from withholding all or any part of any payment to Franchisor or

any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

20.8. Nothing in this Agreement will prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

20.9. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

20.10. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20.11. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

20.12. If Franchisee is in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled

to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

ARTICLE 21. EXECUTION, REQUESTS, CONSENTS AND WAIVERS.

21.1. This Agreement takes effect upon its acceptance and execution by Franchisee and Franchisor, and shall be governed by and construed in accordance with the laws of the State of Louisiana. Franchisee agrees that Franchisor is not required to act uniformly with respect to any request for waivers, requests and consents by its franchisees 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 sole discretion, at any time and for any reason, effective upon ten (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, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

21.2. Unless otherwise provided, whenever this Agreement requires Franchisee to obtain Franchisor's prior written consent, Franchisee shall timely address its written request for such consent in duplicate to the parties set forth in sub-section 18.1(i) of Article 18 or such other persons as Franchisor may designate in writing. Neither Franchisee nor Franchisor shall be deemed to have waived or impaired any right, power or option reserved by this Agreement, including, without limitation, its right to demand strict compliance with every term, condition, and covenant herein, or to declare any breach thereof a default and to terminate this Agreement prior to the expiration of its term, by virtue of any custom or practice of the parties at variance with the terms hereof; by any forbearance, delay, failure, or omission to exercise any right, power, or option, whether of the same, similar, or different nature, against Franchisor, Franchisee, or any other Franchisee; or by the acceptance of any payments due after any breach of this Agreement.

21.3. Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Article 21.3, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated herein.

21.4. Neither Franchisee nor Franchisor or Franchisor's affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable.

21.5. Franchisee certifies that neither Franchisee, nor Franchisee's owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (the "Annex"). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests

are subject to being “blocked” under any of the Anti-Terrorism Laws and that Franchisee and Franchisee’s owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee’s indemnification responsibilities as provided in Article 19 of this Agreement pertain to Franchisee’s obligations under this Article 21.5. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee’s owners, principals or employees will constitute grounds for immediate termination, upon notice, of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor’s affiliates in accordance with the terms of Section 15.4(xix) of this Agreement. As used herein, “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

ARTICLE 22. MISCELLANEOUS PROVISIONS.

22.1. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed an original, but such counterparts together shall constitute but one and the same instrument.

22.2. This Agreement contains the entire agreement of the parties and cannot be modified, changed or amended except in writing and signed by Franchisor.

22.3. There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement. This Agreement is not subject to or conditioned upon the obtaining of a Location for Franchisee’s Unit. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the representations the Franchisor made in this franchise disclosure document it provided to the franchisee. This section shall not be read to waive any rights Franchisee may have under any state statute or regulation.

22.4. Except as otherwise provided, each party shall bear its own attorney’s fees arising from the negotiations and execution or lack of execution of this Agreement.

22.5. Each article, paragraph, subparagraph, term, and condition of this Agreement shall be considered severable. If for any reason, any portion of this Agreement is determined to be invalid or in conflict with any law or rule in a final ruling issued by any court, agency, or tribunal with valid jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not affect the validity or enforceability of any other portion of this Agreement.

22.6. All notices to Franchisor required by the terms of this Agreement, unless otherwise provided, shall be sent by certified or registered mail or by overnight delivery service, addressed to the parties set forth in this Agreement, or at such other address as Franchisor designates. All notices to Franchisee required by the terms of this Agreement shall be sent by certified or registered mail or by overnight delivery service, addressed to Franchisee at the Location, or at such other or additional address as Franchisee designates in writing. If Franchisee refuses acceptance of any certified, registered or overnight delivery, acceptance shall be deemed to have occurred forty-eight (48) hours after rejection of such notice.

22.7. Franchisee acknowledges that the evolution of the System requires the development of other Painting With A Twist Units, and Painting With A Twist Branded Products and/or Services.

22.8. For the purpose of this article, a co-brand shall be defined as an independent operating Unit owned by another entity (not Franchisor) that is incorporated as an operational part within the Franchisee's Unit. An example would be an independent ice cream/yogurt operation installed within Franchisee's Unit. Subject to Franchisor's prior written approval, Franchisee may install approved co-branding marketing Units to be operated in conjunction with Franchisee's Unit. Franchisor shall not be required to approve any co-branding marketing Unit unless Franchisor has recognized that co-branding Unit as an approved co-brand for operation within its units, either nationally or regionally. Inasmuch as Franchisee and its employees will be incorporating the co-brand within its Unit, all sales of the co-brand shall be included within the definition of "gross sales" as defined herein and Franchisee shall pay to Franchisor franchise and advertising fees for such sales.

ARTICLE 23. REPRESENTATIONS AND ACKNOWLEDGMENTS.

23.1. Franchisee acknowledges that Franchisee has conducted an independent investigation of the PWAT Unit contemplated by this Agreement and recognizes that it involves business risks that make the success of the venture largely dependent upon Franchisee's business abilities and efforts.

23.2. Franchisee understands that Franchisor and any of Franchisor's representatives and/or agents with whom Franchisee has met have not made and are not making any guarantees as to the extent of Franchisee's success in Franchisee's PWAT Unit, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Franchisee's PWAT Unit.

23.3. Franchisee acknowledges that this Agreement and Franchisor's franchise disclosure document have been in Franchisee's possession for at least fourteen (14) calendar days before Franchisee signed this Agreement or paid any monies to Franchisor or an affiliate and that any material changes to this Agreement were in writing in this Agreement for at least seven (7) calendar days before Franchisee signed this Agreement.

23.4. Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives will be binding unless it is written in this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

23.5. NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT FRANCHISOR'S AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY FRANCHISOR OR ON FRANCHISOR'S BEHALF THAT HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT. FRANCHISEE UNDERSTANDS THAT WHETHER FRANCHISEE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. FRANCHISEE FURTHER UNDERSTANDS THAT SOME

FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

23.6. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

23.7. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP OR CORPORATION, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP OR CORPORATION WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP OR ALL OF THE SHAREHOLDERS OF THE CORPORATION, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP OR CORPORATION.

IN WITNESS WHEREOF, the parties hereof have executed this Painting With A Twist Franchise Agreement as of the date of execution by Franchisor

WITNESSES:

Print Name:_____

Print Name:_____

Print Name:_____

Print Name:_____

Effective Date_____

FRANCHISEE:

By:_____

Print Name:

Title:

Date: _____

FRANCHISOR: PAINTING WITH A TWIST, L.L.C.

By:_____

Print Name: _____

Title: MEMBER

Date: _____

ATTACHMENT A

GUARANTY AGREEMENT

IN CONSIDERATION of the acceptance by Painting With A Twist, L.L.C., a Louisiana limited liability company, having its principal place of business at 2121 N. Causeway Blvd., Mandeville, LA 70471 (hereinafter called "Franchisor") of a Franchise Agreement dated _____, 20____, and executed by _____, as MEMBER(S) of _____, an _____ limited liability company (hereinafter called "Franchisee"), and for other good and valuable consideration, I, we, and each of us solitarily, jointly and severally, absolutely and unconditionally guarantee to Franchisor, (i) the payment and satisfaction of each and every claim, demand, default, liability, indebtedness, right or cause of action of hereafter existing, due, or to become due, or held by Franchisor, its subsidiaries, affiliates or divisions, hereafter existing, due, or to become due, or held by Franchisor, its subsidiaries, affiliates or divisions, together with any interest as it may accrue and if this continuing guaranty is placed with an attorney or if attorney's fees, together with any and all expenses incurred by Franchisor or its affiliates, subsidiaries or divisions; and (ii) the timely performance to each term, covenant, and obligation of the Franchisee set forth in the Franchise Agreement. The undersigned specifically acknowledges that Franchisor is allowing the undersigned to enter into this Guaranty Agreement instead of *individually* executing the Franchise Agreement as a matter of convenience to the undersigned, and the undersigned agrees to be bound by the provisions of the Franchise Agreement relating to non-competition and confidentiality as if those provisions were fully set forth herein. This is a continuing guaranty which shall apply to the Franchise Agreement and any subsequent amendments or modifications thereof, and such modifications to amendments shall be conclusively presumed to be covered by this guaranty without further notice to or acceptance by the undersigned.

The undersigned acknowledges and agrees that possession of this Guaranty Agreement by Franchisor constitutes true and correct executions and actual and proper delivery of same to Franchisor and the undersigned waives notice of acceptance of the guaranty and of any liability to which it applies or may apply, and also waives presentment and demand for payment thereof, notice of dishonor or non-payment thereof, collection thereof including any notice of default in payment thereof of other notice to, or demand of payment therefore on, any party. Payment by the undersigned shall be made at the office of Franchisor in Mandeville, Louisiana, or any other such location as Franchisor may designate from time to time.

Franchisor may, at its option, at any time without the consent of or notice to the undersigned without incurring responsibility to the undersigned, and without any terms or conditions and in whole or in part, (1) change the manner, place or terms of payment or change or extend the time of payment of, renew, or alter any liability of the Franchisee under the Franchise Agreement hereby guaranteed, or any liabilities incurred directly or indirectly hereunder, and the guaranty herein made shall apply to the liabilities of the Franchisee, so changed, extended, renewed or altered; (2) exercise or refrain from exercising any rights against Franchisee or others, or otherwise act or refrain from actions; (3) settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and (4) apply any sums paid to any liability or liabilities of Franchisee to Franchisor regardless of what liability or liabilities of Franchisee to Franchisor remain unpaid.

The confidentiality obligations, non-competition covenants, and dispute resolution procedures of the Franchise Agreement are applicable under this Guaranty Agreement as if fully restated herein.

BY:_____

BY:_____

ACKNOWLEDGEMENT

STATE OF _____

PARISH/COUNTY OF _____

BEFORE ME, the undersigned authority, duly commissioned, qualified and sworn within and for the State and Parish/County aforesaid, personally came and appeared _____ who after being duly sworn by me, did depose and say:

That appearer(s) is/are the identical person(s) who executed the foregoing GUARANTY AGREEMENT and that appearer(s) executed said instrument of appearer's(s) own free will and accord for the uses, purposed and benefits therein expressed.

IN WITNESS WHEREOF, said appearer(s) has/have executed this acknowledgement in my presence and in the presence of the undersigned competent witness on this _____ day of _____, 20____.

WITNESSES:

GUARANTOR(S):

Print Name:_____

Print Name:
Title:

NOTARY PUBLIC

ATTACHMENT B

CONFIDENTIALITY AGREEMENT

_____ (hereinafter known as “Undersigned”) has expressed an interest in receiving certain information from Painting With A Twist, L.L.C. (“PWAT”) for the purpose of determining if Undersigned has an interest in becoming a franchisee or employee, and/or reviewing the business of PWAT. In order to permit Undersigned to analyze PWAT’s records, financials, and related internal confidential & proprietary information, Undersigned shall require access to PWAT’s confidential and proprietary information relating to PWAT’s internal information and processes, (the “information”). This information includes information which is not and never has been available to the public or any other person or entity other than by disclosure to Undersigned at this time of disclosure hereunder, except by and through similar signed Confidentiality Agreements. No other third party is known to be in possession of such information other than those similarly situated which are likewise under a confidentiality obligation to PWAT. As a condition to PWAT’s delivery of the information to Undersigned, PWAT is requiring that Undersigned agree to the terms set forth in this letter.

In consideration of the promises and mutual obligations and undertaking expressed herein, PWAT and Undersigned hereby agree as follows:

PWAT will disclose the information to Undersigned for the sole purpose of allowing Undersigned to evaluate the feasibility of becoming a franchisee or employee.

Undersigned specifically acknowledges that other proprietary and “confidential information” may be disclosed at all times material hereto, and that further, such information may be disclosed during meetings, training and even employment with PWAT.

Where applicable, Undersigned agrees that there will be specialized training and/or additional “confidential information” disclosed, including but not limited to proprietary information concerning customer and supplier lists, product and equipment specifications, and operational, sales, promotional & marketing methods, plans, techniques and other trade secrets. Such confidential information is acknowledged to be special and valuable to PWAT.

Undersigned acknowledges that all Confidential Information shall not ever be disclosed to anyone or any entity, directly or indirectly, without the expressed written authorization of PWAT.

Undersigned acknowledges that all Confidential Information shall be owned and shall continue to be owned by PWAT.

The undersigned for Undersigned acknowledges that all Confidential Information shall never ever be removed from Undersigned’s place of business without expressed written permission from PWAT.

Undersigned acknowledges that all Confidential Information shall never ever be duplicated nor copied in any manner whatsoever without the expressed written permission from PWAT.

Undersigned acknowledges that, upon instruction by PWAT, all Confidential Information shall be returned and/or destroyed by Undersigned upon the termination of Undersigned’s relationship with PWAT.

Undersigned acknowledges that should there be any release or disclosure of PWAT’s Confidential Information without permission or authority, then Undersigned clearly understands that such release and/or disclosure (directly or indirectly) shall be deemed as irreparable harm without exception as to PWAT.

Release or disclosure of Confidential Information by Undersigned, directly or indirectly, would cause PWAT irreparable injury, and that monetary damages would not be sufficient to compensate PWAT for any breach of this Agreement by Undersigned.

Therefore, Undersigned agrees that it shall (i) maintain the information confidential in the same manner as its own propriety information is maintained, (ii) not disclose the information to any third party other than officers, directors, and employees of its affiliates and those or other consultants (together referred to as Undersigned's "Representatives") engaged by Undersigned to evaluate the feasibility of the use of the Confidential Information, with prior written consent from PWAT as to who and why such persons may be provided access to such information, (iii) limit access to the information to a limited number of its employees and representatives, which employees and representatives shall be informed of this Agreement and Undersigned shall be responsible for their compliance herewith to the extent they are acting within their scope of employment and engagement, respectively, and (iv) return all information furnished or made available to Undersigned by PWAT in the event PWAT and Undersigned elect not to pursue future business with PWAT through Undersigned.

Should Undersigned or its representatives, in the reasonable opinion of PWAT'S counsel, be required by applicable law or regulation to disclose the information or any information regarding the production of the Confidential Information by PWAT to Undersigned, the terms of this Confidentiality Agreement with respect to such disclosure, as required, shall be suspended. Suspension of these terms must be in writing from PWAT.

Undersigned's obligation to maintain the Confidential Information gained or learned in confidence shall remain for term of ten (10) years from the date of this Agreement (the "Confidentiality Period").

Additionally, Undersigned further acknowledges and agrees that the Confidential Information is of vital importance to PWAT, and that its unauthorized disclosure, including PWAT'S identity, would cause PWAT irreparable injury, and that monetary damages would not be sufficient to compensate PWAT for any breach of this Agreement by Undersigned.

Undersigned further agrees that, that in the event of a breach of this Agreement by Undersigned, Undersigned additionally agrees to be liable for all reasonable attorney fees and related costs concerning any breach herein. It is agreed that attorney fees shall be assessed at the rate of \$300.00 (three hundred dollars) per hour.

Undersigned agrees that, that in the event of a breach of this Agreement by Undersigned, PWAT shall be entitled to injunctive or other equitable non-monetary relief, without the necessity of showing any evidence of actual monetary loss. However, nothing herein shall be construed as prohibiting PWAT from pursuing any other remedies, including monetary remedies, available to it for any such breach by Undersigned and/or its representatives. Additionally, such remedy shall not apply to such information that was already known to Undersigned or was otherwise generally available. Further, PWAT agrees that all such information it desires to be protected under this agreement should be marked "Confidential", as is practical, for transmittal to Undersigned.

It is also specifically understood and agreed that Painting With A Twist, L.L.C. includes and is intended to incorporate any and all PWAT subsidiaries, affiliates, related corporations, franchises and related businesses.

In the event of any litigation or dispute related hereto, it is agreed that venue and jurisdiction shall be the 22nd Judicial District Court for the Parish of St. Tammany, State of Louisiana.

In the event that any portion of this Agreement is found to be unenforceable or invalid for any reason, then that portion shall be deemed severable and that the remainder shall remain in full force and effect.

PWAT specifically reserves the right to control the release of any information or documents subject to this Agreement.

Undersigned understands and acknowledges that because PWAT continually pursues business in the same market as Undersigned operates, it is also critical that the fact of any discussion or negotiation between the Undersigned and PWAT not be disclosed. Therefore, the Undersigned agrees that as to the fact of such disclosure of a relationship between Undersigned and PWAT, Undersigned will treat same as confidential as required of Undersigned in the paragraphs listed above.

The undersigned representative warrants that he/she has the requisite authority to sign this Confidentiality Agreement and to bind any corporate, partnership joint venture, or limited liability entity to all terms and conditions herein. Undersigned agrees to provide the appropriate corporate Resolution to substantiate such permission and authority.

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 20____.

By:
Title:

ATTACHMENT C
PAINTING WITH A TWIST
ACH Service Agreement

Bank Name : _____

ABA# : _____

Acct. No.: _____

Acct. Name: _____

Effective as of the date of the signature below, _____ (“Franchisee”) hereby authorizes Painting with a Twist, L.L.C. dba Painting with a Twist (“Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at _____: (1) all Royalties, (2) all contributions to the System Advertising Fund, and (3) any other amounts owed to the Company or the Company’s affiliates under this Franchise Agreement. Such withdrawals will occur on a weekly basis, or on such other schedule as Company will specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Company. Franchisee will provide Company, in conjunction with this authorization, a voided check from the above- referenced account.

AGREED:

FRANCHISEE

By: _____

Print name: _____

Its: _____

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for service of process. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Department of Corporations:
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

1515 K Street, Suite 200
Sacramento, CA 95814
(916) 445-7205

1350 Front Street
San Diego, CA 92101
(619) 525-4233

71 Stevenson Street, Suite 2100
San Francisco, CA 94105
(415) 972-8559

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

CONNECTICUT

State of Connecticut
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Agent: Banking Commissioner

HAWAII

Commissioner of Securities
State of Hawaii
335 Merchant Street
Honolulu, Hawaii 96813
(808) 586-2722

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MICHIGAN

Corporations Division
Bureau of Commercial Services
Department of Labor and Economic Growth
P.O. Box 30054
Lansing, Michigan 48909

MINNESOTA

Minnesota Department of Commerce
Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-6328

NORTH DAKOTA

North Dakota Securities Department
State Capitol, Fifth Floor, Dept. 414
600 East Boulevard Avenue
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

SOUTH DAKOTA

Division of Securities
Department of Revenue & Regulation
445 East Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

WASHINGTON

Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501

NEW YORK

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

OKLAHOMA

Department of Securities
Suite 860, First National Center
120 N. Robinson
Oklahoma City, Oklahoma 73102
(405) 280-7700

RHODE ISLAND

Division of Securities
Rhode Island Dept. of Business Regulation
Bldg. 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue
Cranston, RI 02920
(401) 462-9500

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

WISCONSIN

Administrator, Division of Securities
Department of Financial Institutions
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

EXHIBIT C
FINANCIAL STATEMENTS

Painting With A Twist, LLC

Financial Statements

December 31, 2016 and 2015



www.randrcpa.com

Painting With A Twist, LLC

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December 31, 2016 and 2015

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The image shows a report cover with a central rectangular area featuring a light blue to green gradient and a subtle geometric pattern of triangles. On the left side of this central area, there are three horizontal, rounded rectangular bars in a light blue color. The word "REPORT" is written in a bold, dark blue, sans-serif font on the right side of the central area. The entire central area is framed by horizontal bars at the top and bottom. The top bar consists of three segments: a medium blue segment, a dark green segment, and a dark navy blue segment. The bottom bar also consists of three segments: a medium blue segment, a dark green segment, and a dark navy blue segment, with the segments shifted slightly to the right compared to the top bar.

REPORT



JOSEPH REAGAN, CPA
Partner

KIM REAGAN, CPA
Partner

Independent Auditor's Report

To the Members
Painting With A Twist, LLC
Mandeville, LA

We have audited the accompanying financial statements of Painting With A Twist, LLC, which comprise the balance sheets as of December 31, 2016 and December 31, 2015, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Painting With A Twist, LLC as of December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reagan + Reagan CPA, LLC

Covington, LA
February 14, 2017

The cover features a central rectangular area with a light green-to-blue gradient and a subtle geometric pattern of triangles. On the left side of this area are three horizontal, rounded rectangular bars in varying shades of blue. The title 'FINANCIAL STATEMENTS' is positioned on the right side of the central area in a bold, dark blue font with a thin white outline. The entire central area is framed by horizontal bands of blue, green, and dark blue at the top and bottom, and a diagonal band of blue, green, and dark blue at the bottom right.

FINANCIAL STATEMENTS

Painting With A Twist, LLC

Balance Sheets

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 1,239,354	\$ 1,126,199
Restricted cash	1,292,848	615,929
Accounts receivable:		
Royalties	87,722	164,000
Notes receivable -related party	130,000	-
Due from affiliates	89,026	89,026
Prepays and other current assets	69,099	98,327
Total current assets	<u>2,908,049</u>	<u>2,093,481</u>
Property and equipment, less accumulated depreciation of \$169,151 and \$120,167, respectively	356,092	349,794
Intangible assets, less accumulated amortization of \$99,014 and \$67,585, respectively	145,745	165,460
Deposits	<u>6,348</u>	<u>6,348</u>
Total assets	<u>\$ 3,416,234</u>	<u>\$ 2,615,083</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 86,208	\$ 147,463
Accrued liabilities	112,385	205,299
Line of credit	130,000	-
System-wide payables	1,223,214	536,047
Deferred franchise fees	1,415,000	1,430,000
Due to affiliates	5,840	-
Total current liabilities	<u>2,972,647</u>	<u>2,318,809</u>
Total liabilities	<u>2,972,647</u>	<u>2,318,809</u>
Members' Equity	<u>443,587</u>	<u>296,274</u>
Total liabilities and members' equity	<u>\$ 3,416,234</u>	<u>\$ 2,615,083</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

Painting With A Twist, LLC

Statements of Income

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Franchise fees	\$ 1,635,300	\$ 1,365,000
Royalties and other related fees	<u>4,415,346</u>	<u>3,849,581</u>
	6,050,646	5,214,581
Costs and expenses:		
General and administrative	2,296,812	2,185,884
Payroll and payroll taxes	2,086,837	1,534,764
Preopening	55,829	271,223
Selling and marketing	332,926	153,320
Depreciation and amortization	<u>80,413</u>	<u>64,006</u>
	4,852,817	4,209,197
Income from operations	1,197,829	1,005,384
Other income (expense)		
Other income	<u>19,556</u>	<u>2,076</u>
	19,556	2,076
Net income	<u><u>\$ 1,217,385</u></u>	<u><u>\$ 1,007,460</u></u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

Painting With A Twist, LLC

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 1,217,385	\$ 1,007,460
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	80,413	64,006
Changes in assets and liabilities		
Deferred franchise fees	(15,000)	535,000
Restricted cash	(676,919)	(134,432)
Accounts receivable	76,278	(64,580)
Notes receivable	(130,000)	-
Inventory	-	6,000
Due from/to affiliates	5,840	(11,370)
Prepaid and other current assets	29,228	(77,878)
Accounts payable and accrued liabilities	(154,169)	119,795
System-wide payables	687,167	54,550
Net cash provided by operating activities	<u>1,120,223</u>	<u>1,498,551</u>
Cash flows from investing activities:		
Purchase of trademark and art copy rights, net	(11,714)	(85,433)
Purchase of property and equipment	(55,282)	(96,471)
Net cash used in investing activities	<u>(66,996)</u>	<u>(181,904)</u>
Cash flows from financing activities:		
Advances on line of credit	130,000	-
Member distributions	(1,070,072)	(1,157,879)
Net cash used in financing activities	<u>(940,072)</u>	<u>(1,157,879)</u>
Net increase in cash	113,155	158,768
Cash, beginning of period	1,126,199	967,431
Cash, end of period	<u>\$ 1,239,354</u>	<u>\$ 1,126,199</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ -	\$ -

See accompanying Notes to Financial Statements and Independent Auditor's Report.

Painting With A Twist, LLC

Statement of Changes in Members' Equity
Years ended December 31, 2016 and 2015

	Members'
	Equity
Balance at January 1, 2015	<u>\$ 446,693</u>
Net income for the period	1,007,460
Member distributions	<u>(1,157,879)</u>
Balance at December 31, 2015	<u>296,274</u>
Net income for the period	1,217,385
Member distributions	<u>(1,070,072)</u>
Balance at December 31, 2016	<u><u>\$ 443,587</u></u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

Painting With A Twist, LLC

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Painting With A Twist, LLC (the “Company”) is a Louisiana based limited liability company, formed on February 25, 2009. The Company offers and sells franchises and area development rights throughout the United States of America for the operation of studios for art instruction and entertainment designed to assist the novice in learning to paint while socializing with other members of the general public.

The Company has established its brand through coordinated marketing and operational execution that ensures brand recognition and quality throughout its concept. The concept is further strengthened by its emphasis on operational excellence supported by operating guidelines as well as employee and franchisee training.

Basis of Accounting

The Company’s accounts are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recorded when earned and expenses are recorded when incurred.

The Company franchise arrangements provide its franchisee entities the power to direct the activities that most significantly impact their economic performance; therefore, the Company does not consider it to be the primary beneficiary of any such entity that might be a variable interest entity. The renewal option terms in certain of the Company’s operating lease agreements give it a variable interest in the lessor entity, however the Company concluded that it does not have the power to direct the activities that most significantly impact the lessor entities’ economic performance and as a result does not consider it to be the primary beneficiary of such entities.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand and deposits at banks.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company places its cash and cash equivalents with high quality financial institutions.

Accounts Receivable

Accounts receivable consists primarily of franchise royalties and are stated at the amount management expects to collect from outstanding balances. Customer accounts are considered delinquent based upon contractual payment terms. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual

Painting With A Twist, LLC

Notes to Financial Statements

Years ended December 31, 2016 and 2015

accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Notes Receivable – Related Party

Notes receivable – related party consists of borrowings to one of the members. The note bears an interest rate of prime plus 2.28% and is due on demand. See Note 5.

Property and Equipment

Property and equipment and leasehold improvements are recorded at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from 5-15 years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the reasonably assured lease term. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized.

The Company reviews its long-lived assets for impairment on a yearly basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of, if any, are reported at the lower of the carrying amount or fair value less costs to sell.

Intangible Assets

Intangible assets consist of painting copyrights, trademarks and website and branding development. The Company owns the copyrights to paintings which are designed and painted by artists for use in its business. The art is displayed on the Company's internal website for use by its franchisees to present paintings which can be used for instruction in classes to the general public. The designs and paintings are stated at cost and amortized using the straight-line method over a five year life. The Company's trademarks are stated at cost and amortized using the straight-line method over a ten year life. The Company's website and branding development are stated at cost and amortized using the straight-line method over a five to seven year life. The Company tests for impairment of its intangible assets at minimum, on an annual basis. The Company does not believe that any impairment exists as of December 31, 2016 and 2015.

Equity-Based Compensation

Equity options granted to non-employees are recorded as an expense at the date of grant based on the then estimated fair value of the equity granted. The fair value of the option at grant date is estimated using the Black-Scholes Option Pricing Model.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. At the balance sheet dates, the fair values of the Company's financial assets and financial liabilities (cash, accounts receivable, restricted cash, amounts due to and from affiliates, accounts payable and accrued liabilities, system-wide payables, deposits and deferred franchise fees) approximate their carrying values.

Painting With A Twist, LLC

Notes to Financial Statements

December 31, 2016 and 2015

Revenue Recognition

Franchise agreements have terms ranging from 7 to 10 years. These agreements also convey multiple extension terms of five years, depending on contract terms if certain conditions are met. The Company provides its franchisees system training, preopening assistance, and general assistance in exchange for franchise fees, and royalties of 5%-6% of store sales. For the years ended December 31, 2016 and December 31, 2015, the Company recognized \$4,415,346 and \$3,849,581 in royalty and other related fee revenue, respectively.

Franchise fee revenue from individual franchise sales is recognized upon the opening of the franchised location when the Company has performed all of its material obligations and initial services. Royalties are accrued as earned and are calculated each period based on reported franchisees' sales.

The Company requires all franchisees to pay a technology fee of \$105 per month and is included in royalties and other related fees in the statement of income.

The Company charges a transfer fee when an existing painting studio is transferred to a new franchisee. Transfer fees range from \$5,000 to \$7,500 and are earned upon execution of the transfer agreement, because substantially all obligations to the new franchisee are met. Transfer fees of \$71,000 and \$40,750 were charged during the years ended December 31, 2016 and December 31, 2015, respectively and are included in royalties and other related fees.

Franchise Operations

The Company enters into franchise agreements with unrelated third parties to operate locations using the Painting With A Twist brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Painting With A Twist brand. The franchisee is required to operate its location in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company does not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right but not the obligation to acquire the assets of the franchisee at fair value. The Company has financial exposure for the collection of the royalty payments. Franchisees generally remit royalty payments weekly for the prior week's sales, which substantially minimizes the financial exposure. Historically, the Company has experienced insignificant write-offs of franchisee royalties. Franchise fees are paid upon the signing of the related agreements.

Deferred Revenue

Deferred revenue is recorded when a franchise agreement is signed by all parties. The franchise fee remains deferred until the franchise studio location is opened, at which time the fee is recognized as revenue, as substantially all of the Company's obligations to the franchisee are met.

Preopening Costs

Pre-opening costs are expensed as incurred and consist primarily of legal fees, travel and related training costs incurred prior to opening a new location.

Painting With A Twist, LLC

Notes to Financial Statements

December 31, 2016 and 2015

Restricted Cash and System-wide Payables

The Company has a system-wide marketing and advertising fund for the Painting With A Twist franchised locations. Franchised locations are required to remit a designated portion of store sales to a national advertising fund that is used for marketing and advertising efforts throughout the system. Generally, that amount is 2% of store sales. These funds are used for development and implementation of brand initiatives and programs. As of December 31, 2016 and December 31, 2015, the national advertising fund liability was \$21,873 and \$536,047, respectively.

During 2016, the Company started a system-wide gift card fund that consists of a cash balance, which is restricted to funding of future gift card redemptions and gift card related costs, receivables from retail gift partners, and a corresponding liability for those outstanding gift cards which the Company believes will be redeemed in the future. As of December 31, 2016 and December 31, 2015, the gift card liability was \$1,201,340 and \$0, respectively.

The Company accounts for the assets and liabilities of these funds as “restricted cash” and “system-wide payables” in the accompanying balance sheets. The restricted assets of these funds are classified as current as they are expected to be utilized to fund short-term obligations of the national advertising and system-wide gift card funds.

Contributions from franchisees related to the national advertising fund constitute agency transactions and are not recognized as revenues and expenses. Related advertising obligations are accrued and the costs expensed at the same time the related contributions are recognized. These advertising fees are recorded as a liability against which specific costs are charged.

Advertising Costs

Advertising costs are treated as period costs and expensed as incurred. During the years ended December 31, 2016 and December 31, 2015, advertising costs amounted to \$295,119 and \$108,819, respectively.

Income Taxes

On the date of formation through December 31, 2011, the Company elected to be treated as a partnership for federal income tax purposes and did not incur income taxes. Instead, its earnings and or losses were included in the personal tax returns of the members.

Effective January 1, 2012 the Company elected to be treated as an S corporation for income tax under the provisions of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes and the earnings and or losses are included in the personal tax returns of the members.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 “Revenue with Contracts from Customers (Topic 606).” ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-04, “Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products.” ASU 2016-04 provides specific guidance for the derecognition of prepaid stored-value product liabilities. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net).” ASU 2016-08 provides specific guidance to

Painting With A Twist, LLC

Notes to Financial Statements

Years ended December 31, 2016 and 2015

determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance. In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." ASU 2016-20 provides corrections or improvements on 13 issues that affect narrow aspects of the guidance issued in Topic 606.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for interim and annual periods beginning after December 15, 2016. The Company expects to adopt these standards upon their effective date. The Company does not believe the new revenue recognition standard will materially impact our recognition of continuing royalty fees from franchisees. The Company believes adoption of the new revenue recognition standard will impact the accounting for other fees charged to franchisees and transactions involving the advertising fund and gift card fund. The Company is currently unable to estimate the impact on the financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation: Improvement to Employee Share-Based Payment Accounting." ASU 2016-09 provides guidance intended to simplify accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company will adopt this standard at the beginning of fiscal year 2017 but does not believe the updated guidance will materially impact the financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Payments." ASU 2016-15 provides guidance on eight specific cash flow issues with the objective of reducing diversity in practice. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for any entity in any interim or annual period. The Company is currently evaluating the impact of the guidance, but does not believe it will materially impact the financial statements.

The Company has reviewed all other significant newly-issued accounting pronouncements and concluded that they are either not applicable to the operations or that no material effects are expected on its financial statements as a result of future adoption.

NOTE 2 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2016 and December 2015:

	2016	2015
Furniture and fixtures	\$ 121,718	\$ 116,767
Computers and equipment	85,497	79,105
Leasehold improvements	318,028	274,089
	<u>525,243</u>	<u>469,961</u>
Less: Accumulated depreciation	<u>(169,151)</u>	<u>(120,167)</u>
Property and equipment, net	<u>\$ 356,092</u>	<u>\$ 349,794</u>

Painting With A Twist, LLC

Notes to Financial Statements
December 31, 2016 and 2015

The Company recorded depreciation expense related to these assets of \$48,984 and \$39,912 in 2016 and 2015, respectively

NOTE 3 – INTANGIBLE ASSETS

Following is a summary of intangible assets at December 31, 2016 and December 2015:

	<u>2016</u>	<u>2015</u>
Art copy rights	\$ 103,178	\$ 91,464
Trademark	111,496	111,496
Intangibles - other	<u>30,085</u>	<u>30,085</u>
	244,759	233,045
 Less: Accumulated amortization	 <u>(99,014)</u>	 <u>(67,585)</u>
 Net Intangible assets	 <u>\$ 145,745</u>	 <u>\$ 165,460</u>

Amortization expense for the years ended December 31, 2016 and December 31, 2015 was \$31,429 and \$24,093 respectively. Estimated future amortization expense as of December 31, 2016 is as follows:

Year ending:	
2017	\$ 32,496
2018	30,324
2019	25,039
2020	17,199
2021	12,320
Thereafter	<u>28,367</u>
Total future amortization expense	<u>\$ 145,745</u>

NOTE 4 – ACCRUED LIABILITIES

Following is a summary of accrued liabilities at December 31, 2016 and December 31, 2015:

	<u>2016</u>	<u>2015</u>
Accrued professional fees	\$ 19,300	\$ 38,548
Accrued payroll expenses	93,085	129,721
Accrued other expenses	<u>-</u>	<u>37,030</u>
 Total accrued liabilities	 <u>\$ 112,385</u>	 <u>\$ 205,299</u>

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company leases office space from a related party entity. The term of the lease is five years with two 5-year renewal options. Rent expense paid to this related party for the years ended December 31, 2016 and

Painting With A Twist, LLC

Notes to Financial Statements

December 31, 2016 and 2015

December 31, 2015 was \$158,525 and \$109,023, respectively and is included in general and administrative expenses in the accompanying Statements of Income.

The Company requires its franchisees to purchase art canvases from a related party entity, Louisiana Art Supply, LLC, or from a Company approved supplier.

The Company occasionally pays money to entities under common control or ownership, for the purpose of funding operations of those entities. When the members have determined that these amounts cannot or will not be repaid to the Company, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. For the years ended December 31, 2016 and December 31, 2015, \$89,026, respectively was due to the Company from entities under common control or ownership and is included within due from affiliates in the accompanying Balance Sheets. These balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

During 2016, the Company loaned one of the members \$130,000 through an advance on the Company's line of credit. The amount outstanding at December 31, 2016 was \$130,000 and is including in Notes Receivable – Related Party on the balance sheet and is due on demand. The note bears an interest rate of prime plus 2.28% on any outstanding balance and is due on demand.

Six of the franchise locations in operation as of December 31, 2016 and December 31, 2015 were owned and operated by related parties.

NOTE 6 – FRANCHISE FEES

At the time a new franchisee signs a franchise agreement, the Company records deferred revenue for the total amount of the initial franchise fee that is paid or to be paid by the franchisee. When the Company is no longer obligated to refund any of the franchise fees, and has performed substantially all initial services, the franchise fee is removed from the deferred revenue and recognized as income. The Company generally assumes that commencement of operations by the franchisee constitutes substantial performance and recognizes the revenue at that time.

At December 31, 2016 and December 31, 2015, the balance of the deferred franchise fees was \$1,415,000 and \$1,430,000, respectively. For the years ended December 31, 2016 and December 31, 2015, the Company recognized \$1,635,300 and \$1,365,000 respectively, in franchise fee revenue.

NOTE 7 – EQUITY-BASED COMPENSATION

On April 15, 2013, the Company granted an option to purchase a 10% capital interest in the Company to a non-employee consultant. The option to purchase the interest became exercisable on October 15, 2013 (six months after the effective date of the option agreement), with the exercise price of the option equal to the value of a 10% minority ownership interest calculated by an accredited independent valuation company. The option expires 5 years after the effective date of the option agreement. The Company used the Black-Scholes valuation model for determining the value of the option on grant date. The following assumptions were used in the Black-Scholes calculation:

Dividend yield	0.00%
Expected volatility	28.5%
Risk-free interest rate	0.16%
Expected life of the option term (in months)	6
Estimated forfeiture rate	0.00%
Fair value of the option	\$190,000

Painting With A Twist, LLC

Notes to Financial Statements
December 31, 2016 and 2015

As the Company is privately held, there is no active external or internal market for the Company's LLC interest. The Company used the observable data for a group of peer companies that grant options with substantially similar terms to assist in developing the volatility assumption. The expected term was determined based on the contractual term of the award. The weighted-average risk-free interest rate was based on the 6 month U.S. Treasury bond yield. The Company has not paid and does not anticipate paying cash dividends; therefore, the expected dividend yield was assumed to be zero.

An independent valuation was performed to estimate the fair value of the capital interest on the date the option was granted. The valuation utilized the Discounted Future Cash Flow Method of the Income Approach and the Guideline Transactions Method of the Market Approach to estimate enterprise value. When estimating the enterprise value at the valuation date and the corresponding value of the capital interest, an equal weight between the valuations derived from the market approach and the income approaches was utilized.

During 2015, the non-employee consultant was hired by the Company and became a full-time employee.

The Company has incurred no compensation expense related to the capital interest option for the fiscal years ended December 31, 2016 and December 31, 2015.

NOTE 8 – LINE OF CREDIT

The Company has a line of credit agreement with a banking institution of \$150,000. At December 31, 2016 and 2015, the Company had drawn \$130,000 and \$0, respectively on the line of credit. The line bears interest at the bank's prime lending rate plus 2.28 percentage points. The line is reviewed annually and is due on demand.

NOTE 9 – LEASE COMMITMENTS

The Company leases real property from a related party as described in Note 5. The lease provides for payments of other costs such as real estate taxes, insurance and common area maintenance, which are not included in the future minimum rental payments set forth below.

As of December 31, 2016, the Company's future minimum rental payments for leased properties having a lease term in excess of one year are as follows:

Year ending:	
2017	\$ 153,525
2018	154,525
2019	104,844
2020	47,904
2021	-
Thereafter	-
Total minimum lease payments	<u>\$ 460,798</u>

NOTE 10 - CONTINGENCIES

From time to time, the Company is subject to legal proceedings, claims and liabilities, which arise in the ordinary course of business relating to matters including, but not limited to, disputes with franchisees, suppliers, employees and customers, as well as disputes over the Company's intellectual property.

At December 31, 2016 and 2015, there were no pending cases against the Company.

Painting With A Twist, LLC

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 11 – FAIR VALUE

Disclosure of fair value information about financial instruments, whether or not recognized in the balance sheets is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

At December 31, 2016 and 2015, the Company did not have any financial assets or liabilities to value.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 14, 2017 and determined that there were no items for disclosure.

EXHIBIT D

MANUALS – TABLE OF CONTENTS

EXHIBIT D

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT**

OPERATIONS MANUAL—TABLE OF CONTENTS

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EXHIBIT E

STATE ADMINISTRATORS

EXHIBIT E

STATE ADMINISTRATORS

CALIFORNIA: California Department of Corporations, at any of its offices. 1515 K Street, Suite 200, Sacramento, California 95814-4052, Phone: (916) 445-7205

FLORIDA: Department of Agriculture and Consumer Services, division of Consumer Services, City Centre Building, Suite 7200, 227 N. Bronough Street, Tallahassee, Florida 32301, Phone: (850) 410-3754

HAWAII: Hawaii Department of Commerce and Consumer Affairs, Business Registration Division, 335 Merchant St., Room 203, Honolulu, Hawaii 96813, Phone: (808) 586-2722

ILLINOIS: Illinois Attorney General's Office, 500 South Second Street, Springfield, Illinois 62706, Phone: (312) 814-7882

INDIANA: Indiana Securities Commission, 302 West Washington Street, Indianapolis, Indiana 46204, Phone: (317) 232-6681

MARYLAND: Maryland Division of Securities, Office of the Attorney General, 200 St. Paul Place-20th Floor, Baltimore, Maryland 21202-2020, Phone: (410) 576-6368

MICHIGAN: Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913, Phone: (517) 373-7117

MINNESOTA: Market Assurance Division, Minnesota Department of Commerce, 85 7th Place East, Suite 500, St. Paul, Minnesota 55101-2198, Phone: (651) 296-4026

NEW YORK: Office of the New York State Attorney General, Investor Protection Bureau, Franchise Section, 120 Broadway, 23rd Floor, New York, New York 10271-0332, Phone: (212) 416-8236, Fax: (212) 146-6042

NORTH CAROLINA: Business Opportunities, Department of the Secretary of State, P.O. Box 29622, Raleigh, North Carolina 27626, Phone: (919) 807-2156

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

VIRGINIA: Virginia State Corporation Commission, Division of Securities and Retail Franchising, 1300 East Main Street, 9th Floor, Richmond, Virginia 23219, Phone: (804) 371-9051

WASHINGTON: State of Washington, Department of Financial Institutions, Securities Division, P.O. Box 9033, Olympia, Washington, 98501-9033 Phone: (360) 902-8760

WISCONSIN: Division of Securities, 345 W. Washington Avenue, 4th Floor, Madison, Wisconsin 53703, Phone: (608) 266-1064

EXHIBIT F
GENERAL RELEASE

EXHIBIT F

GENERAL RELEASE

This General Release is entered into this ____ day of _____, 20____ by and between Painting With A Twist, L.L.C., a Louisiana limited liability company (“Franchisor”), and _____, a _____ (“Franchisee”), pursuant to the Franchise Agreement dated _____ between such parties.

Franchisee hereby acquits, releases, exonerates, covenants not to sue, and forever discharges Franchisor of and from any and all past, present, and future claims, demands, losses, causes of action, damages, costs, rights of reimbursement, loss of earnings, loss of services, and compensation whatsoever, which Franchisee now has or may hereinafter accrue on account of or in any way growing out of the Franchise Agreement or any association, relationship or rights relating thereto or resulting therefrom.

This General Release also applies to, and shall inure to the benefit of, Franchisor’s past, present, and future directors, officers, shareholders, parent companies, agents, servants, employees, insurers, subcontractors, subsidiaries, affiliates, partners, predecessors, successors, assigns, heirs, executors, administrators, attorneys, and all other firms or corporations which any of the former have been, are now or may hereafter be affiliated. This General Release is also binding upon Franchisee’s respective heirs, executors, administrators, successors, assigns, and subrogees.

Franchisee agrees to assume full and sole responsibility for the payment and satisfaction of any and all past, present, and future claims, liens and subrogation rights made or asserted by any third party (including, but not limited to, governmental agencies). Franchisee further agrees to indemnify, protect, defend, and save harmless Franchisor from all claims, liens and subrogation rights made or asserted by any third party. It is Franchisee’s express intent that this General Release completely releases and discharges Franchisor from all liability in connection with or arising out of the Franchise Agreement or any association, relationship or rights relating thereto or resulting therefrom, including, but not limited to, liability to any person, entity, or party for contribution, indemnity, or subrogation.

Franchisee represents and warrants that no other person or entity has, or has had, an interest in any claim Franchisee may have against Franchisor, other than those specifically identified and released herein, and that no other relative(s) of Franchisee is entitled to recovery against Franchisor under any theory of recovery.

{SIGNATURES BEGIN ON NEXT PAGE}

IN WITNESS WHEREOF, Franchisee has executed this General Release in the State of _____ as of the _____ day of _____, 20____.

FRANCHISEE(S):

By: _____

Date: _____

By: _____

Date: _____

FRANCHISOR: PAINTING WITH A TWIST, L.L.C.

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT G

FRANCHISE DISCLOSURE ACKNOWLEDGMENT STATEMENT

EXHIBIT G

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Painting With A Twist, L.L.C. d/b/a Painting With A Twist (“Franchisor”, “PWAT”, “we”, “us” or “our”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Painting With A Twist franchise (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“Broker”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20____.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Disclosure Document, including all attached exhibits, that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand?
(Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

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

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

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

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the “Executive Order”) prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the “Anti-Terrorism Measures”). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Sign here if you are taking the franchise as an
franchise as a

Sign here if you are taking the

INDIVIDUAL

CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP

Signature

Print Name of Legal Entity

Print Name

By: _____
Signature

Signature

Print Name

Print Name

Title

EXHIBIT H

LIST OF EXISTING FRANCHISEES AND FRANCHISEES WHO LEFT THE SYSTEM

EXHIBIT I

CONTINGENT ASSIGNMENT OF LEASE

EXHIBIT I

CONTINGENT ASSIGNMENT OF LEASE

This Contingent Assignment of Lease (“Agreement”) is made and entered into as of the date set forth below by and among the following parties:

LANDLORD:

TENANT:

FRANCHISOR:

PAINTING WITH A TWIST, L.L.C. (“PWAT”)
2121 N. Causeway Blvd., Ste. 200
Mandeville, LA 70471

RECITALS

WHEREAS, under the terms of the lease agreement entered into or intended to be entered into between Landlord and Tenant, (“Lease”), Landlord has agreed to lease to Tenant certain premises (the “Premises”) and PWAT has accepted the Premises as a suitable location for Tenant’s PWAT Unit, subject to the terms and conditions set forth herein, located at the following street address:

[Insert Address of Leased Premises]

NOW, THEREFORE, in consideration of the mutual covenants, herein contained and other good and valuable consideration, including the acceptance by PWAT of the Premises as a location for a PWAT Unit, the parties hereby agree as follows:

1. Notices. Landlord agrees to furnish PWAT with copies of any and all letters and notices to Tenant pertaining to any default by Tenant under the Lease at the same time and in the same manner as any such notice is sent to Tenant. Tenant agrees to furnish PWAT prompt written notice of any and all amendments, waivers, extensions, renewals or other modifications to the Lease. All notices hereunder shall be mailed or delivered to the addresses set forth above, unless changed from time to time by any party through written notice mailed or delivered to the other parties.

2. Assignment. In the event of termination or expiration of the Franchise Agreement or Tenant’s default under the Lease, Tenant shall, at PWAT’s option, assign to PWAT any and all interest of Tenant in the Lease, including any rights to renew the Lease or to sublease the Premises; and Landlord hereby consents to such assignment, subject to the following conditions:

(a) PWAT shall notify Tenant and Landlord in writing (the “Election Notice”) within thirty-five (35) days after termination or expiration of the Franchise Agreement, or PWAT’s receipt of any notice of default by Tenant under the Lease, if PWAT elects to accept assignment of the Lease. Upon receipt of an Election Notice by Tenant and Landlord, PWAT shall have the right as between Tenant and PWAT to the Premises. Upon receipt of an Election Notice by Tenant

from PWAT, Tenant hereby grants, assigns, transfers and sets over to PWAT all rights, title and interest in and to the Lease and the Premises leased thereunder and hereby abandons any existing leasehold improvements. PWAT's failure to accept assignment of the Lease upon any default of Tenant under the Lease which has been subsequently cured by Tenant shall not be deemed a waiver of PWAT's future right to accept such assignment in the event of any future default of Tenant.

(b) Tenant agrees to take any and all actions necessary under the Lease to effectuate assignment of the Lease to PWAT.

(c) Landlord agrees to the assignment of the Lease from Tenant to PWAT upon Landlord's receipt of an Election Notice and agrees to take any and all present and/or future action reasonably necessary to assist PWAT, when and as requested, in effecting the assignment of the lease to PWAT; provided, however, that Landlord shall not be required to bear any expense thereof.

(d) If PWAT elects to accept assignment of the Lease, PWAT shall take possession of the Premises as soon as reasonably possible, but no later than thirty (30) days after receipt of the Election Notice by Landlord, and PWAT shall commence payment of rent and other customary and reasonable charges under the Lease as of the date of receipt of the Election Notice by Landlord.

(e) If PWAT elects to accept assignment of the Lease, it shall commence payment of rent and any other charges due under the Lease retroactive to date of the giving of election notice. If, at the time Landlord receives the election notice hereunder, there are any past due rents or other charges under the Lease, PWAT shall only be obliged to pay to Landlord the sum of one (1) month's rent and other charges in order to accept assignment of the Lease. Upon accepting same, Landlord shall be estopped and precluded from holding PWAT responsible for any past defaults of Tenant under the Lease that predate Landlord's receipt of the Election Notice pursuant to this contingent assignment.

(f) Nothing herein shall affect Landlord's right to require Tenant to remain liable as a guarantor for the remaining term of the Lease, to recover from Tenant any and all amounts due under the Lease or to exercise any rights of Landlord against Tenant as provided under the Lease.

3. Assignment to Third Party. At any time after receipt of the Election Notice by Landlord, PWAT may request to assign its Lease, or sublease the Premises, to a third party franchisee of PWAT for the purpose of continuing to operate the PWAT business at the Premises. Landlord agrees not to unreasonably withhold its consent to any such assignment or sublease and any such request shall be in accordance with the terms of the Lease relating to assignment/sublease. Upon assignment to a third party, PWAT shall be released from any liability for the remaining term of the Lease.

4. Entry by PWAT. Tenant acknowledges that Tenant has agreed under the Franchise Agreement that PWAT and its employees or agents shall have the right to enter the PWAT Unit operated by Tenant at the Premises at any reasonable time for the purpose of conducting inspections, protecting PWAT's proprietary marks, and correcting deficiencies of Tenant. Landlord and Tenant hereby agree not to interfere with or prevent such entry by PWAT, its employees or agents.

5. De-Identification. Tenant acknowledges that in the event the Franchise Agreement expires or is

terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a PWAT Unit operated by Tenant. Landlord agrees to cooperate with PWAT in allowing PWAT to de-identify the Premises, including allowing PWAT, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of PWAT; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, PWAT may cause all required de-identification to be completed at Tenant's expense.

6. General Provisions.

(a) This Agreement shall run with the land and be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The rights and obligations herein contained shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership in the land or building. Any party hereto may record this agreement or a memorandum hereof.

(b) Any party hereto may seek equitable relief, including without limitation injunctive relief or specific performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights provided for under law or other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its legal fees together with court costs and expenses of litigation.

(c) This Agreement is directed to a specific Lease set forth herein but the Tenant, Landlord and PWAT agree that this Agreement is applicable to any extensions, renewals or other options of Tenant with respect to the Lease and the Premises, as well as being applicable to any subsequent lease agreements between Tenant and Landlord concerning the PWAT Unit with respect to the Premises.

(d) Nothing contained in this Agreement shall affect any term or condition in the Franchise Agreement between Tenant and PWAT. Nothing herein shall be deemed to constitute a guaranty or endorsement by PWAT of the terms and conditions of the Lease between Landlord and Tenant. In the event that PWAT, in its sole discretion, determines not to accept assignment of the Lease as permitted hereunder, neither Landlord nor Tenant shall have any claims against PWAT. No terms or conditions contained in the Lease shall be binding on PWAT unless and until it elects to accept assignment of the Lease hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this _____ day
of _____, 20____.

WITNESSES:

LANDLORD:

Print name:_____

By:_____

Print Name:_____

Date:_____

Print name:_____

TENANT:

Print name:_____

By:_____

Print Name:_____

Date:_____

Print name:_____

FRANCHISOR:

PAINTING WITH A TWIST, L.L.C.

Print name:_____

By:_____

Print Name:_____

Date:_____

Print name:_____

EXHIBIT J

STATE SPECIFIC ADDENDA

**PAINTING WITH A TWIST, L.L.C.
AMENDMENT TO FRANCHISE AGREEMENT AND
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF CALIFORNIA**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
COMMISSION AND THE STATE OF CALIFORNIA.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION
REQUIRED EXCLUSIVELY BY THE STATE OF CALIFORNIA
AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

**THE INFORMATION CONTAINED HEREIN MUST BE
REVIEWED IN CONJUNCTION WITH THE FDD**

PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA

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1. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 et seq. the Franchise Disclosure Document for Painting With A Twist, L.L.C. for use in the State of California shall be amended as follows:

Item 3 of the FDD is supplemented to include the following:

Neither the franchisor, any person or franchise broker in Item 2 of the FDD 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 such persons from membership in such association or exchange.

Item 17 of the FDD shall be supplemented to include the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning 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.

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

The franchise agreement requires binding arbitration. The arbitration will occur at American Arbitration Association's office in New Orleans, Louisiana, with each party bearing its own costs (including, but not limited to, attorney's fees, expert witness fees, and other costs incurred in connection with arbitration).

The franchise agreement requires application of the laws of Louisiana. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

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

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Our website has not been reviewed or approved by the California Department of Corporations. Any complaints concerning the content of this website may be directed to the California Department of Corporations at www.corp.ca.gov.

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.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF HAWAII**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
COMMISSION AND THE STATE OF HAWAII.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION
REQUIRED EXCLUSIVELY BY THE STATE OF HAWAII
AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

**THE INFORMATION CONTAINED HEREIN MUST BE
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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF HAWAII

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1. ADMENDMENT TO PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF HAWAII
2. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF HAWAII

**ADMENDMENT TO
PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF HAWAII**

The Franchisor will comply with Hawaii Franchise Investment Law and exclude claims arising from a provision in the Franchise Agreement requiring a general release as a condition of a renewal or transfer fee. Non-renewals and terminations provisions are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law.

Dated this _____ day of _____, 20__.

Franchisor: Painting With A Twist, L.L.C.

By: _____

Print Name: _____

Title: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Title: _____

Date: _____

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF HAWAII**

For franchises and franchisees subject to the Hawaii Franchise Disclosure Law the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Franchise Disclosure Document.

The Cover Page of the disclosure document is amended to include the following disclosure:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive of process:

**Commissioner of Securities
State of Hawaii
335 Merchant Street
Honolulu, Hawaii 96813**

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF ILLINOIS**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
COMMISSION AND THE STATE OF ILLINOIS.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION
REQUIRED EXCLUSIVELY BY THE STATE OF ILLINOIS
AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

**THE INFORMATION CONTAINED HEREIN MUST BE
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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF ILLINOIS

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1. ADMENDMENT TO PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
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2. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF ILLINOIS

**ADMENDMENT TO
PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS**

This Amendment shall pertain to franchises sold in the State of Illinois and shall be for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement ("Agreement") to the contrary, the Agreement shall be amended as follows:

1. Article 20, in its entirety, and Article 21.1 of the Agreement shall be supplemented as follows:

Any provision of the Franchise Agreement which designates jurisdiction or venue outside of Franchisee's state is void with respect to any cause of action which otherwise is enforceable in Franchisee's state, provided that a Franchise Agreement may provide for arbitration outside Franchisee's state.

2. Article 20.5 of the Agreement shall be supplemented as follows:

However, the choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. As required under Illinois law, the laws of the State of Illinois will govern.

3. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

4. The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 7051-44. To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

Dated this _____ day of _____, 20____.

Franchisor: Painting With A Twist, L.L.C.

Franchisee:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF ILLINOIS**

For franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987 and the Illinois General Rules and Regulations under the Franchise Disclosure Act, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Illinois Franchise Disclosure Document.

The State Cover Page and/or Item 17 shall be supplemented to include the following disclosure:

Any provision of the Franchise Agreement which designates jurisdiction or venue outside of Franchisee's state is void with respect to any cause of action which otherwise is enforceable in Franchisee's state, provided that a Franchise Agreement may provide for arbitration outside Franchisee's state.

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 7051-44.

The Franchise Agreement provides that Louisiana law applies. However, the foregoing choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. As required under Illinois law, the laws of the State of Illinois will govern.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF INDIANA**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
COMMISSION AND THE STATE OF INDIANA.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION
REQUIRED EXCLUSIVELY BY THE STATE OF INDIANA
AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF INDIANA

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2. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF INDIANA

**ADMENDMENT TO
PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF INDIANA**

This Amendment shall pertain to franchises sold in the State of Indiana and shall be for the purpose of complying with Indiana statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

1. Article 1 of the Franchise Agreement entitled “Franchise Right Granted, Location” is supplemented to include the following provision:

Ind. Code §§23-2-2.7-1(2) and 23-2-2.7-2(6) prohibit any provision in a franchise agreement allowing a franchisor to establish, and prohibit a franchisor from establishing a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the Protected Territory granted the franchisee by the Franchise Agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area. To the extent that any provision of the Franchise Agreement conflicts with Indiana law, Indiana law will control.

2. Article 14 of the Franchise Agreement entitled “Nature of Interest, and Transfer” is supplemented to include the following provision:

Ind. Code §23-2-2.7-2(3) makes it unlawful for a franchisor to deny the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs or estate maintains all standards and obligations of the franchise.

3. Article 14.2 of the Franchise Agreement entitled “Consent to Transfer” is supplemented to include the following provision:

Indiana prohibits the franchisor from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver, or estoppels which purports to relieve any person from liability.

To the extent you are required to execute a release in favor of Painting With A Twist, L.L.C., such release shall exclude liabilities arising under the Indiana Deceptive Franchise Practices Law, Ind. Code §23-2-2.7-1(5).

4. Ind. Code §23-2-2.7-1(10) prohibits any provision in the Franchise Agreement which limits litigation brought for breach of the Franchise Agreement in any matter whatsoever. To the extent that any provision of the Franchise Agreement conflicts with Ind. Code §23-2-2.7-1(10), Indiana law will control.

5. Article 19.1 of the Franchise Agreement is supplemented to include the following provision at the end of said article:

; provided, however, such indemnification obligations shall exclude liability caused by your proper reliance on the use of procedures or materials provided by Painting With A Twist, L.L.C. or caused by Painting With A Twist L.L.C.'s negligence.

6. The Agreement contains a covenant not to compete which extends beyond the termination of the Franchise Agreement. Ind. Code §23-2-2.7-1 (9) and (10) limits the franchisor's ability to restrict your activity after the Agreement has ended. Indiana law prohibits covenants not to compete in an area greater than the exclusive area or an area of reasonable size. To the extent that any provision of the Franchise Agreement with regard to covenants not to compete conflicts with Indiana Law, Indiana Law will control.

7. Article 20.5 of the Franchise Agreement is supplemented to include the following provision:

However, the foregoing choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law with respect to the offer and sale of a franchise and the franchise relationship. Notwithstanding anything in this Agreement to the contrary, this Agreement shall be governed by the Indiana Franchise Disclosure Law Ind. Code §23-2-2.5 and the Indiana Deceptive Franchise Practices Ind. Code §23-2-2.7.

8. Article 20 of the Franchise Agreement is supplemented to include the following provision:

Indiana franchisees are allowed access to Indiana courts. Any provision which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of Indiana with respect to any matter governed by the Indiana Deceptive Franchise Practices Law and Indiana Franchise Disclosure Law is void.

Dated this _____ day of _____, 20____.

Franchisor: Painting With A Twist, L.L.C.

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

Franchisee:

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

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF INDIANA**

For franchises and franchisees subject to the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Franchise Disclosure Document (“FDD”).

Item 8. Item 8 of the FDD is amended to include the following disclosure:

The Indiana Deceptive Franchise Practices Law Ind. Code §23-2-2.7-1(4) prohibits provisions in a franchise agreement subject to Indiana Law which allow the franchisor to obtain money, goods, services, or any other benefit from any other with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee. To the extent that any provision of the Franchise Agreement conflicts with Indiana Law, Indiana Law will control.

The Indiana Deceptive Franchise Practices Law (“Law”), Ind. Code §23-2-2.7-2(6) makes it unlawful for any franchisor to obtain money, goods, services, or any other benefit for any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee. To the extent that any of Painting With A Twist, L.L.C.’s business practices conflicts with Indiana Law, Indiana Law will control.

Item 12. Item 12 of the disclosure document is amended to include the following disclosure:

Ind. Code §23-2-2.7-1(2) prohibits any provision in the Agreement which allows Painting With A Twist, L.L.C. to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchised business within the exclusive territory. Ind. Code §23-2-2.7-2(4) prohibits any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana from establishing a franchisor-owned outlet engaged in a substantially identical business to that of the franchised business within the territory. To the extent that any provision of the Franchise Agreement or Painting With A Twist, L.L.C.’s business practices conflict with Indiana law, Indiana law will control.

Item 17. Item 17 of the disclosure document is amended to include the following disclosure:

Indiana prohibits the franchisor from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver, or estoppels which purports to relieve any person from liability.

To the extent that you are required to execute a release in favor of Painting With A Twist, L.L.C., such release shall exclude liabilities arising under the Indiana Deceptive Franchise Practices Law, Ind. Code §23-2-2.7-1.

Ind. Code §23-2-2.7-2(3) makes it unlawful for a franchisor to deny the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs or estate maintains all standards and obligations of the franchise. To the extent that the Franchise Agreement requires a surviving spouse, heirs, or an estate representative to assume liability under the Franchise Agreement and to complete training, the Franchise Agreement has been amended in accordance with Indiana law to provide that all such conditions must be met within 6 months of the franchisee's date of death.

Ind. Code §23-2-2.7-1(10) prohibits any provision in the Agreement which limits litigation brought for breach of the Franchise Agreement in any manner whatsoever. To the extent that any provision of the Franchise Agreement conflicts with Indiana law, Indiana law will control.

The choice of law provision contained in the Franchise Agreement should not be considered a waiver of any right conferred upon you by the provisions of the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices law with respect to the offer and sale of a franchise and the franchise relationship. Notwithstanding anything in this Agreement to the contrary, the Franchise Agreement shall be governed by the Indiana Franchise Disclosure Law Ind. Code §23-2-2.5 and the Indiana Deceptive Franchise Practices Law Ind. Code §23-2-2.7.

Indiana franchisees are allowed access to Indiana courts. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of Indiana with respect to any matter governed by the Indiana Deceptive Franchise Practices Law and Indiana Franchise Disclosure Law is void.

The post term covenant not to compete is limited to your non-exclusive area under the Franchise Agreement pursuant to Ind. Code §23-2-2.7-1(9).

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF MARYLAND**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND

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2. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF MARYLAND

**ADMENDMENT TO
PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND**

This Amendment shall pertain to residents of the State of Maryland or franchises to be located in the State of Maryland and shall be for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

1. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
5. A provision in the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101.

SIGNATURE PAGE TO FOLLOW

Dated this _____ day of _____, 20____.

Franchisor: Painting With A Twist, L.L.C.

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

Franchisee:

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

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND**

For franchises and franchisees subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces or supplements, as the case maybe the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Franchise Disclosure Document:

Item 17.

The Summary of the “Cause” Defined—Non Curable Defaults (provision (h.)) is amended to provide that provisions allowing termination on bankruptcy may not be enforceable under Title 11, United States Code Section 101 *et seq.*

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF MICHIGAN**

**PAINTING WITH A TWIST, L.L.C.
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CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
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PAINTING WITH AT TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MICHIGAN

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1. NOTICE REQUIRED BY THE STATE OF MICHIGAN

MICHIGAN DISCLOSURE NOTICE PURSUANT TO MCL 445.1508

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (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:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Michigan Department of the Attorney General, P.O. Box 30213, Lansing, MI, 48909, (517) 373-1140.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF MINNESOTA**

**PAINTING WITH A TWIST, L.L.C.
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PAINTING WITH A TWIST, L.L.C.
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REQUIRED BY THE STATE OF MINNESOTA

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DOCUMENT REQUIRED BY THE STATE OF MINNESOTA

**ADMENDMENT TO
PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA**

This Amendment shall pertain to those franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows.

1. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit Painting With A Twist, L.L.C. from requiring litigation to be conducted outside of Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. With respect to franchises governed by Minnesota law, Painting With A Twist, L.L.C. will comply with Minnesota Statute Section 80C.14, Subd. 3 – 5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (within 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

3. Painting With A Twist, L.L.C. will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expense arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s rights to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

6. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5

Franchisee’s Initials/ Date

Franchisor’s Initials/Date

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MINNESOTA**

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Franchise Disclosure Document.

Item 13

Painting With A Twist, L.L.C. will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expense arising out of any claim, suit or demand regarding the use of the name.

Item 17

With respect to franchises governed by Minnesota law, Painting With A Twist, L.L.C. will comply with Minnesota Statute Section 80C.14. Subd. 3 – 5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (within 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of Sections 80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit Painting With A Twist, L.L.C. from requiring litigation to be conducted outside of Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF NEW YORK**

**PAINTING WITH A TWIST, L.L.C.
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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NEW YORK

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STATEMENT REQUIRED BY THE STATE OF NEW YORK

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

**ADMENDMENT TO
PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached Painting With A Twist, L.L.C. Franchise Agreement agree as follows:

1. Article 14.2(iv) of the Agreement with respect to your execution of a general release shall be supplemented by the following provision:

Provided that all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the GBL of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the nonwaiver provisions of Sections 687.4 and 687.5 of New York's GBL be satisfied.

2. Article 19.1 of the Agreement shall be supplemented to include the following provision:

Notwithstanding the above, you shall indemnify **PAINTING WITH A TWIST, L.L.C.** and hold **PAINTING WITH A TWIST, L.L.C.** harmless from liabilities resulting from your breaches and civil wrongs only.

3. Article 14.1(i) of the Agreement shall be supplemented to include the following provision:

In the event of such an assignment, **PAINTING WITH A TWIST, L.L.C.** will ascertain that its assignee, in **PAINTING WITH A TWIST, L.L.C.**'s reasonable judgment, possesses the economic resources to fulfill **PAINTING WITH A TWIST, L.L.C.**'s obligations to its franchisees.

4. Paragraph 20.5 of the Agreement shall be supplemented by the following provision:

However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law.

5. Franchisee's consent in the Franchise Agreement to **PAINTING WITH A TWIST, L.L.C.**'s right to obtain injunctive and other relief in the event of franchisee's breach of covenants not to compete and non-disclosure covenants contemplates only **PAINTING WITH A TWIST, L.L.C.**'s right to obtain injunctive and other relief only after the proper proofs are made and the appropriate judicial or arbitral authority grants such relief. Nothing within said provisions shall constitute a waiver by Franchisee of Franchisee's right to defend any action.

6. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under New York law.

7. **PAINTING WITH AT TWIST, L.L.C.'s** termination of the Franchise Agreement because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)

Franchisee's Initials/Date

Franchisor's Initials/Date

**ADDENDUM TO
PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 200.16 the Franchise Disclosure Document for Painting With A Twist, L.L.C. for use in the State of New York shall be amended as follows:

1. Item 3, LITIGATION, shall be supplemented by the following:

Neither the franchisor, its predecessor, a person identified in Item 2, nor an affiliate offering franchises under franchisor's principal trademark has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, pending actions, other than routine litigation incidental to business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

Neither the franchisor, its predecessor, a person identified in Item 2, nor an affiliate offering franchises under the franchisor's principal trademark has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither the franchisor, its predecessor, a person identified in Item 2, nor an affiliate offering franchises under the franchisor's principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. Item 4, BANKRUPTCY, shall be supplemented by the following:

Neither the franchisor, nor its affiliate, its predecessor, officers or general partner during the 10-year period immediately before the date of the offering circular:

(a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or
(c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after our officer or general partner of the franchisor held this position in the company or partnership.

3. Item 5 shall be supplemented by the following:

All franchisee fees are applied to the franchisor's general operating fund. All obligations of franchisor, whether to franchisees or otherwise, are paid out of this fund.

4. Item 17, *Renewal Termination, Transfer and Dispute Resolution*, section "d", shall be supplemented by the following provision:

The franchisee may terminate the agreement on any grounds available by law.

5. Item 17, *Renewal Termination, Transfer and Dispute Resolution*, section "j" shall be supplemented by the following provision:

However, no assignment shall be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

6. Item 17, *Renewal Termination, Transfer and Dispute Resolution*, section "m" shall be supplemented as follows with respect to your execution of a general release:

Provided, however, that all rights you enjoy and any causes of action which arise in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder remain in force; it being the intent of this proviso that the nonwaiver provisions of the GBL Sections 687.4 and 687.5 be satisfied.

7. Item 17, *Renewal Termination, Transfer and Dispute Resolution*, section "w" shall be supplemented by the following provision:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF NORTH DAKOTA**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
COMMISSION AND THE STATE OF NORTH DAKOTA.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION
REQUIRED EXCLUSIVELY BY THE STATE OF NORTH DAKOTA
AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

**THE INFORMATION CONTAINED HEREIN MUST BE
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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

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DOCUMENT REQUIRED BY THE STATE OF NORTH DAKOTA

**AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA**

This Amendment pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Article 11 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants not to compete may not be enforceable under North Dakota law.

2. Section(s) 14.2(iv) and 15.1(ii)(g) of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to sign a general release of claims if you renew or transfer your franchise may not be enforceable under North Dakota law.

3. Section 15.10 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to termination or liquidated damages may not be enforceable under North Dakota law.

4. Section 20.1 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants specifying that the agreement is governed by the laws of a state other than North Dakota may not be enforceable in North Dakota. .

5. Section 20.3 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring mediation at a location that is remote from the site of the franchisee's business may not be enforceable in North Dakota.

6. Section 20.4 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota may not be enforceable under North Dakota law.

7. Section 20.9 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to a limitation of claim within one year may not be enforceable under North Dakota law.

8. Section 20.10 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages may not be enforceable under North Dakota law.

9. Section 20.11 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to waiver of trial by jury may not be enforceable under North Dakota law.

10. Section 20.12 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement may not be enforceable under North Dakota law. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

Franchisor: Painting With A Twist, L.L.C.

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

Franchisee:

By: _____
Print Name: _____
Title: _____

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NORTH DAKOTA**

For franchises and franchisees subject to the North Dakota Franchise Investment Law Act, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Franchise Disclosure Document.

Item 17 of the FDD shall be supplemented to include the following:

1. Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable, except in certain instances as provided by law.
2. Any provision in the Franchise Agreement which requires a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
3. Any provision in the Franchise Agreement which designates that the agreement is governed by the laws of a state other than North Dakota is void.
4. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to a jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.
5. Any provision in the Franchise Agreement which requires a franchisee to consent to a waiver of exemplary and punitive damages has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Any provision in the Franchise Agreement which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF VIRGINIA**

**PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE
COMMISSION AND THE STATE OF VIRGINIA.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION
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AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF VIRGINIA

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4. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF VIRGINIA

**AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF VIRGINIA**

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or any other laws of Virginia, that provision may not be enforceable.

Section 13.1-564 of the Virginia Retail Franchising Act, which may supersede the franchise agreement in your relationship with the franchisor regarding the area of cross default terminations. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the area of cross default terminations.

In the event of a conflict of laws, the provisions of the Virginia Retail Franchising Act, Section 13.1-564 shall prevail.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20_____.

Franchisor: Painting With A Twist, L.L.C.

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

Franchisee:

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

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF VIRGINIA**

For franchises and franchisees subject to the Virginia Retail Franchising Act, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C. Virginia Franchise Disclosure Document.

The State Cover Page shall be supplemented to include the following disclosure:

- 4. IF A FRANCHISEE TERMINATES THE AGREEMENT, THE FRANCHISEE MUST PAY AN EARLY TERMINATION FEE. SEE ITEM 6.**

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF WASHINGTON**

**PAINTING WITH A TWIST, L.L.C.
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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WASHINGTON

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1. AMENDMENT TO PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
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2. ADDENDUM TO PAINTING WITH A TWIST, L.L.C. FRANCHISE DISCLOSURE
DOCUMENT REQUIRED BY THE STATE OF WASHINGTON

**AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WASHINGTON**

The State of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonable restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20_____.

Franchisor: Painting With A Twist, L.L.C.

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

Franchisee:

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

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WASHINGTON**

For franchises and franchisees subject to the Washington Franchise Investment Protection Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C.'s Washington Franchise Disclosure Document.

Item 19 under the "General Comments" shall be supplemented to include the following disclosure:

A new franchisee's individual financial results may differ from the results stated in this financial performance representation.

**PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF WISCONSIN**

**PAINTING WITH A TWIST, L.L.C.
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ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
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**AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN**

This Amendment shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with the Wisconsin Fair Dealership Law. Notwithstanding anything which may be contained in the body of the Franchise Agreement to be contrary, the Agreement shall be amended as follows:

Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisor and Franchisee inconsistent with the Law.

Franchisee's Initials/Date

Franchisor's Initials/Date

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WISCONSIN**

For franchises and franchisees subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting With A Twist, L.L.C.'s Wisconsin Franchise Disclosure Document.

Item 17

For Wisconsin Franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and Franchisee inconsistent with the Law.

EXHIBIT K

RECEIPTS

EXHIBIT K

ITEM 23

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 With A Twist, L.L.C. offers you a franchise, Painting With A Twist, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make payment to the franchisor or an affiliate in connection with the proposed franchise sale.

If Painting With A Twist, L.L.C. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit E.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: _____.

The issuance date of this Franchise Disclosure Document is April 25, 2016.

We authorize the respective agents identified in Exhibit E to receive service of process for us in the particular states.

I received a Disclosure Document from Painting With A Twist, L.L.C. dated as of _____.

EXHIBITS

- A. Franchise Agreement
 - A. Guaranty Agreement
 - B. Confidentiality Agreement
 - C. Direct Debit Authorization Form
- B. Agents for Service of Process
- C. Financial Statements
- D. Manuals– Table of Contents
- E. State Administrators
- F. General Release
- G. Franchise Disclosure Acknowledgement Statement
- H. List of Existing Franchisees and Franchisees Who Have Left the System
- I. Contingent Assignment of Lease
- J. State Specific Addenda
- K. Receipts

Dated: _____

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

(Name of corporation or LLC)

(Signature)

By: _____

(Print Name)

Its _____
(Title)

(Signature)

(Print Name)

(Print Name)

(Signature)

(Print Name)

Address of corporation, LLC, or individual(s): _____

YOUR COPY- RETAIN FOR YOUR FILES

ITEM 23

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If an individual:

(Name of corporation or LLC)

(Signature)

By: _____

(Print Name)

Its _____
(Title)

(Signature)

(Print Name)

(Print Name)

(Signature)

(Print Name)

Address of corporation, LLC, or individual(s): _____

OUR COPY- PLEASE RETURN TO US