2020-2021
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
E-mail: franchising@paintingwithatwist.com
Website: www.paintingwithatwist.com

We offer and award qualified parties a franchise for the right to independently own and operate a business specializing primarily in providing a fun and engaging social setting where guests drink wine or other beverages while creating art or crafts using Painting with a Twist proprietary marks (the "Proprietary Marks"), branded products and other services and products that we approve and authorize from a particular location (a "Franchised Business"). Each Franchised Business is operated utilizing the Proprietary Marks and the system of business operations (the "System") that we designate from time to time and license to our franchisees under our then-current form of franchise agreement (the "Franchise Agreement").

The total investment necessary to begin operation of a single Franchised Business ranges from $120,500.00 to $260,000.00. This includes $26,500.00 that must be paid to the franchisor or its affiliate.

The total investment necessary to operate multiple Franchised Businesses under our form of area development agreement (the "Development Agreement") depends upon the number of franchises we grant you the right to open. Under the Development Agreement, the Development Fee is calculated as $12,500.00 for each additional Franchised Business after your first Franchised Business that we will grant you the right to open and operate under the Development Agreement. You must develop a minimum of two (2) Franchised Businesses under the Development Agreement. For example, the total investment necessary to enter into an area development agreement for the right to develop two (2) Franchised Businesses is $133,000.00 to $272,500.00, which includes (1) an initial development fee of $12,500.00 ("Development Fee") that is paid to Franchisor, and (2) the total investment to open and commence operations of your initial Franchised Business. Your Development Fee will continue to be $12,500.00 for each additional Franchised Business after two (2) that we grant you the right to open and operate under your Development Agreement.

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 the franchise office at 2121 N. Causeway Blvd., Suite 200, Mandeville, Louisiana 70471 (Attention: Franchise Development Department), 985-626-3292, or franchising@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.

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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: April 30, 2020

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HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

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

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What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

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Special Risks to Consider About *This* Franchise

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

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

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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.

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(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.

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ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

The Franchisor:

To simplify the language in this disclosure document, "Painting with a Twist" 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.

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

Painting with a Twist'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." This flagship studio now operates 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.

Our Co-Founders, Renee Maloney and Catherine L. Deano own interests Corks N Canvas, LLC, a Louisiana limited liability company, whose principal business address is 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471 ("CNC"), operating since November of 2007 and PWEX, LLC, a New York limited liability company, whose principal business address is 365 Central Park Ave., Scarsdale, New York 10583 ("PWEX"), operating since November of 2015. CNC and PWEX operate Painting with a Twist businesses under royalty free licenses from Franchisor. Catherine L. Deano owns an interest in Vino Picasso, Inc., ("Vino") which operates a Painting with a Twist Franchised Business. Vino is a Texas corporation, whose principal business address is 5202 West Lovers Lane, Dallas, TX 75209 and has been operating since October of 2009. CNC, PWEX and Vino have never offered franchises for this business or in any other line of business. They do not provide services to franchisees, except that CNC serves as a management training facility.

Painting With A Purpose Foundation ("PWAP"), which is owned by Painting with a Twist, L.L.C. is a non-profit corporation that provides scholarships for artists working at Painting with a Twist Studios. Franchisees may donate to this entity as part of system-wide fundraising for charitable activities. PWAP has an address of 2121 N. Causeway Blvd, Suite 200, Mandeville, LA 70471, and has never offered franchises for this business or in any other line of business.

On October 17, 2018, we acquired substantially all of the assets of Bottle & Bottega, Inc. ("Bottle & Bottega") headquartered in Chicago, Illinois, which included the trademarks and other proprietary marks, two company-owned businesses located in Chicago and the franchise agreements for the Bottle & Bottega franchisees operating under the franchise agreements and Bottle & Bottega proprietary marks. Bottle &

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Bottega is not a predecessor or affiliate of ours, but we now own and continue to operate the two company-owned businesses under the Bottle & Bottega proprietary marks and license the use of these proprietary marks to the Bottle & Bottega franchised businesses. We plan to convert the franchised businesses currently operating under the Bottle & Bottega proprietary marks to the Painting with a Twist Proprietary Marks and System in the future. We do not intend to offer any further franchises under the Bottle & Bottega proprietary marks.

The Franchise Offered:

Painting with a Twist offers you a franchise specializing primarily in providing a fun and engaging social setting where guests drink wine or other beverages while creating art under the name and service mark PAINTING WITH A TWIST. You may choose to open and operate a Franchised Business. Painting with a Twist has developed its unique System which allows its guests to bring their own wine or beverage of choice or purchase alcoholic beverages, depending upon state or local liquor laws.

Painting with a Twist developed and owns the System which you will utilize in your Franchised Business. This System includes specialized training, methods of operation, uniform standards, distinctive decor and designs, and advertising and promotional programs to assist you in operating your Franchised Business. Painting with a Twist will also provide you with certain franchisor-owned artworks, supplier lists, its operations and other manuals ("Manuals"), access to a proprietary internet-based franchise administrative/management system ("FAM System"), and other confidential information and methods for managing your Franchised Business. A Franchised Business is identified by certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to PAINTING WITH A TWIST.

A typical Franchised Business occupies approximately 1,700 to 2,300 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 Franchised 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 Franchised Business will employ approximately 5 to 10 people.

You will operate your Franchised Business as your independent business utilizing our System which includes, but is not limited to, our business format, procedures, designs, trade dress, Proprietary Marks, standards, specifications and methods of operation. You must use the Painting with a Twist franchise system at your Franchised Business, 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 "Proprietary 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 with these changes. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential Manuals that will be loaned to you at the time of training. You may only offer services and products with our prior approval.

Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated geographical area (the "Development Area") under our current form of Development Agreement that is attached to this Disclosure Document as Exhibit B, which will also outline a schedule or

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defined period of time in which you must open and commence operating each Franchised Business (a "Development Schedule").

At our option, you will be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement, and you will eventually need to sign our then-current form of Franchise Agreement, which may differ from the current Franchise Agreement included in this Disclosure Document, for each of the Franchised Businesses you open under the Development Schedule.

If we grant you the right to open multiple Franchised Businesses under a Development Agreement, you must pay us a Development Fee that is based on the number of Franchised Businesses we grant you the right to open within your Development Area. You will be required to pay a subsequent franchise fee (the "Subsequent Franchise Fee") in connection with each additional Franchised Business you are granted under your Development Agreement closer to the time you sign our then-current Franchise Agreement or lease for that Additional Franchised Business, as described more fully in Item 5 of the Disclosure Document.

Market and Competition:

The market for the products and/or services offered in your Franchised Business is the general public. We have found that social events offered to customers allowing them to enjoy wine or beverage of their choice while creating art targets the specific market segments of women over the age of twenty-one. Your Franchised Business may also offer events for children, which targets the specific market segment of children. As a Painting with a Twist franchisee, you will compete with other national franchises and independent businesses that offer similar products and/or services. The market for offering painting events similar to that offered by Painting with a Twist is emerging nationally and well developed in some areas. It may be affected by general economic conditions.

Government Regulation:

Local, state and federal laws and regulations will apply to the business operations of your Franchised Business. Some states and local municipalities require Painting with a Twist franchisees to obtain a "liquor" license or permit. In addition, you must comply with all local, state, and federal laws that apply to your Franchised 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 Franchised 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.

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ITEM 2

BUSINESS EXPERIENCE

Co-Founder & Member: Renee Maloney, CFE

Ms. Maloney has served as the Co-Founder and Managing Member of Painting with a Twist since February of 2009. From February of 2009 through July of 2018, Ms. Maloney also served as the Chief Financial Officer for Painting with a Twist.

Co-Founder & Member: Catherine L. Deano, CFE

Ms. Deano has served as the Co-Founder and Managing Member of Painting with a Twist since February of 2009. From February of 2009 through July of 2018, Ms. Deano also served as the Chief Operations Officer for Painting with a Twist.

President & Chief Executive Officer; General Counsel: Joe Lewis

Mr. Lewis has served as President & Chief Executive Officer and General Counsel of Painting with a Twist since August of 2018. From April of 2018 through July of 2018, Mr. Lewis served as Chief Operating Officer and General Counsel of Painting with a Twist. From January of 2013 through March of 2018. Mr. Lewis served as Vice President and General Counsel of Smoothie King Franchises, Inc. in Metairie, Louisiana.

Chief Marketing Officer: Katherine LeBlanc

Ms. LeBlanc has served as Chief Marketing Officer of Painting with a Twist since September of 2018. From December of 2017 through September of 2018, Ms. LeBlanc served as the Director of Sales & Marketing for Dickie Brennan & Company, Inc. in New Orleans, Louisiana. From April of 2016 through December of 2017, Ms. LeBlanc served as the Director of Brand Marketing for Smoothie King Franchises, Inc. in Metairie, Louisiana. She served as the manager of marketing & communications at Smoothie King from December 2013 to April 2016.

Chief Operating Officer: Nancy Bigley

Ms. Bigley has served as Chief Operating Officer of Painting with a Twist since December of 2018. From March of 2011 to December of 2018, Ms. Bigley served as the Chief Executive Officer, President (from September 2014-December 2018) and Co-Owner of Bottle & Bottega, Inc. in Chicago, Illinois.

Chief Development Officer: Richard Leveille, CFE

Mr. Leveille has served as the Chief Development Officer of Painting with a Twist since January of 2019. From April of 2018 through November of 2018, Mr. Leveille served as the Chief Development Officer of The Lost Cajun Enterprises in Covington, Louisiana. From April of 2014 through April of 2018, Mr. Leveille served as the Vice President of Franchise Development of Floor Coverings International in Norcross, Georgia.

Director of Information Technology: Gustave "Trey" Manthey, III

Mr. Manthey has served as the Director of Information Technology since January of 2011.

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ITEM 3

LITIGATION

Bittersweet Brands, LLC v. Painting with a Twist, et al., Louisiana 22nd Judicial District Court, Parish of St. Tammany, No. 2018-11537 B. On or about March 29, 2018, Bittersweet Brands, LLC, wholly owned by our former Managing Director, Mike Powers, filed a Petition of Specific Performance alleging that we and our principals Renee Maloney and Catherine Deano, failed to recognize its purported election to exercise an option to acquire an ownership interest in the franchisor. In April 2020, the petitioner amended the Petition to include (among others) our President, Joe Lewis, as a defendant. The petitioner seeks declaratory relief as to the validity of the option and specific performance as to the tendering of an ownership interest in the franchisor, and unspecified damages arising from breach of Bittersweet's management agreement and other tortious acts. The parties are currently in discovery.

Louisiana Art Supply, LLC v. Painting with a Twist, LLC, et al., Louisiana 22ND Judicial District Court, Parish of St. Tammany, No. 2018-12368 and Louisiana Art Supply v. Catherine Deano, Louisiana 21st Judicial District Court, Parish of Tangipahoa, No, 2016-01999. On or about June 5, 2018, Louisiana Art Supply ("LAS"), a supplier to the system, filed a Petition for Damages arising out of our alleged acquiescence in franchisees purchasing art supplies from vendors on different standards than LAS is required to meet. LAS alleges claims for interference with contract, unfair trade practice, breach of contract and detrimental reliance and seeks unspecified damages. LAS, on or about April 24th, 2018, filed a Petition to Enforce Settlement Agreement in a contract dispute with one of our principals, Catherine Deano. LAS alleges that Ms. Deano has breached a settlement agreement with LAS and engaged in unfair trade practices as a result of our alleged acquiescence in franchisees purchasing art supplies from other vendors. Ms. Deano has now been dismissed from the suit with prejudice. The parties are currently in discovery.

Other than the actions described above, no other litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

Painting with a Twist's President & CEO and General Counsel, Joe Lewis, was a principal officer of the following companies when they filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the Eastern District of Louisiana: (i) Sicily's, LLC, PO Box 353, Mandeville, LA 70470, filed on June 28, 2012, Case Number: 12-11945; (ii) Sicily's Covington, LLC, 301 N. Hwy 190, Covington, LA 70433, filed on June 22, 2012, Case Number: 12-11893; (iii) Sicily's NOLA I, LLC, 1753 Manhattan Blvd, Ste. T, Harvey, LA 70058, filed March 12, 2012, Case Number: 12-10717; and (iv) Sicily's NOLA II, LLC, 214 Belle Terre Blvd, Laplace, LA 70068, filed April 19, 2012, Case Number: 12-11192. Sicily's, LLC is the parent and management company of Sicily's Franchise Systems, LLC, the franchisor of Sicily's Italian Buffet restaurants. Sicily's Franchise Systems, LLC did not file for bankruptcy. The other three entities operate individual Sicily's Italian Buffet restaurants. The companies filed separately but were consolidated into one administrative proceeding. The cases for Sicily's, LLC and Sicily's Covington, LLC were dismissed, and a plan of reorganization for Sicily's NOLA I, LLC and Sicily's NOLA II, LLC was confirmed on March 25, 2013. The assets of Sicily's NOLA I, LLC and Sicily's NOLA II, LLC were sold in 2016. On June 29, 2012 Mr. Lewis filed for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code in the Eastern District of Louisiana. On October 10, 2012, the debt was discharged.

Other than as described above, no other bankruptcy information is required to be disclosed in this Item.

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ITEM 5

INITIAL FEES

Initial Franchise Fee

The initial franchise fee is $25,000.00 (the "Initial Franchise Fee"). The Initial Franchise Fee is due at the time you sign the Franchise Agreement. Painting with a Twist will refund twenty-five percent (25%) of the Initial Franchise Fee if your Franchise Agreement is terminated because you do not secure an approved location and open your Franchised Business within twelve (12) months from the Effective Date of your Franchise Agreement. Other than this refund, no additional refunds are available under any other circumstances. The Initial Franchise Fee is uniformly imposed and deemed fully earned upon payment by you. You will also have to pay Painting with a Twist a design fee of up to $1,500.00 (the "Design Fee") for a design plan generated by Painting with a Twist or its designee that depicts the interior trade dress, décor, and color scheme of your Franchised Business. The Design Fee shall be paid to Painting with a Twist at the same time that you submit the drawing of the physical layout of your Franchised Business to Painting with a Twist. The Design Fee is not refundable under any circumstances.

VetFran Discount

Painting with a Twist participates in the International Franchise Association's VetFran program and offers a twenty percent (20%) discount on the Initial Franchise Fee to eligible Painting with a Twist 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 fifteen percent (15%) of the total voting power of the business entity's ownership interests.

Development Agreement

If we grant you the right to open multiple Franchised Businesses under a Development Agreement, you must pay us a Development Fee based on the number of franchises we grant you the right to open within your Development Area.

Development Fee

The Development Fee is due upon execution of your Development Agreement and is calculated as $12,500.00 for each additional Franchised Business, after your first Franchised Business, that we will grant you the right to open and operate under the Development Agreement. The Development Fee is paid as consideration for the territorial rights you are granted within your Development Area and is not tied to any pre-opening obligations that we must otherwise perform.

Subsequent Franchise Fee

You will be required to enter into our then-current form of franchise agreement, which may differ from the current Franchise Agreement included in this Disclosure Document, for each Franchised Business you wish to open under your Development Agreement.

You will only be required, however, to sign your franchise agreement and pay a Subsequent Franchise Fee amounting to $12,500.00 in connection with each additional Franchised Business, after your first Franchised Business, that we grant you the right to open within your Development Area at the earlier of six

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(6) months before each particular Franchised Business must be open and in operation under the Development Schedule or upon signing a lease for the Franchised Business.

Other than for the first Franchised Business that you open under the Development Agreement, you will not be required to pay us an Initial Franchise Fee in connection with any Franchised Business we grant you the right to open as part of your Development Agreement, but the Development Fee and Subsequent Franchise Fee must be timely paid as described in this Item. The Development Fee is deemed fully earned and non-refundable upon execution of your Development Agreement.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee[FN1]	6% of weekly Gross Sales	Automatically withdrawn within five business days after prior week's end	Payable to Franchisor; uniformly imposed
System Advertising Fee[FN1]	2% of weekly Gross Sales	Automatically withdrawn within five business days after prior week's end	Payable to Franchisor; uniformly imposed
Cooperative Fee[FN1,2]	1% up to 3% of Gross Sales	Established by cooperative	Payable to Franchisor to pay third parties; uniformly imposed
Relocation Fee	Currently $2,500	Before the franchisor will review the lease for the proposed relocation site	Payable to Franchisor; uniformly imposed
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; uniformly imposed
Audit Fees	$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;

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Type of Fee	Amount	Due Date	Remarks
Transfer Fee[FN3] Franchise Agreement Development Agreement	 $7,500-$15,000 10% to 20% of then-current initial franchise fee	 30 days before transfer 30 days before transfer	Payable to Franchisor when, and if, you transfer your Franchised Business; uniformly imposed
Insufficient Funds	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; uniformly imposed
Charge for Inspection and Testing of Proposed Suppliers [FN4]	Reasonable fee to cover costs of testing and inspection	As incurred	Payable to Franchisor by Supplier
Replacement Fee for Manuals	$250 for each Manual	Upon replacement of manual for loss, theft or destruction	Payable to Franchisor; uniformly imposed
Technology Fee [FN5]	Currently $105 per month	Monthly-automatically withdrawn on or before the 15th day of the month for the prior month	Payable to Franchisor; uniformly imposed
National Conference Registration Fee[FN6]	$300-$500	60 days before the commencement of the scheduled conference date	Payable to Franchisor; uniformly imposed
Late Fee of Delinquent Monthly and Annual Profit and Loss Statements[FN7]	Up to $50 per day	10 days after written notice by Franchisor	Payable to Franchisor; uniformly imposed
Taxes on Payments to Us	Amount of tax or assessment	When imposed by taxing authority	Payable to Franchisor; uniformly imposed
Management Fee [FN8]	20% of the Gross Sales of the Franchised Business over the time period that we operate the Franchised Business on your behalf	When incurred	Payable to franchisor; uniformly imposed

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NOTES:

General Comments:

Unless otherwise stated, all fees are imposed by and paid to Franchisor. All fees are non-refundable.

(1) Gross Sales: The term gross sales is defined in Article 5.1(ii) of your franchise agreement. "Gross Sales", means gross revenues 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 Franchised Business, and gross revenues received by Franchisee from any other business operated at the Premises, excluding sales taxes and discounts approved in writing by Franchisor.

(2) Cooperative Fee: You may be required to participate in a regional advertising fund or cooperative ("Cooperative") with other Painting with a Twist franchisees as provided in Item 11. Franchisor owned or affiliate outlets will not have any greater voting power than other outlets in the Cooperative if a vote is taken; however, Franchisor has the right to approve or disapprove any marketing or advertising activities.

(3) Transfer Fee: If the transfer of your Franchised Business results in a transfer of control, you must pay Franchisor a nonrefundable transfer fee (the "Transfer Fee"). The amount of the Transfer Fee depends upon whether the transfer is to a transferee who is a current franchisee, developer or has experience managing a Franchised Business and other factors as provided in Item 17.

(4) Charge for Inspection and Testing of Proposed Suppliers: If you desire to purchase any items from an unapproved supplier that you believe meets our specifications and criteria, the supplier must submit a written request for approval to us as provided in Item 8. We may require that samples from the supplier be delivered to Painting with a Twist or its designee for inspection. Painting with a Twist may impose a reasonable fee to cover the costs of inspection and testing, which must be paid by the supplier.

(5) Technology Fee: It is vital for the Painting with a Twist System to feature state-of-the-art digital, e-commerce and other modern ordering capabilities, platforms, "apps" and other now or hereafter developed infrastructure, tools, systems and analytics, and that these capabilities are constantly evolving and require continued investment and innovation. To support some of the costs of these capabilities, we charge a monthly Technology Fee. This fee is subject to change in our sole discretion to keep up with maintaining and improving our technology as further provided in Item 11.

(6) National Conference Registration Fee: You must attend the Painting with a Twist national conference or convention. We reserve the right to charge you a registration fee up to $500.00 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.

(7) Late Fee for Delinquent Monthly and Annual Profit and Loss Statements: You must submit to us a monthly Profit and Loss Statement within thirty (30) calendar days after the end of each calendar month and annual financial statements, including a Profit and Loss Statement and Balance Sheet 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 us a late fee of up to $50.00 per day for each day following notice that you are late in addition to any other remedies under the franchise agreement. If a late fee is assessed against you, you must pay all amounts due to us within ten (10) days after written notice to you.

(8) Management Fee: The Management Fee will only be due to us if (a) you are in material default under your Franchise Agreement or become disabled/incapacitated/absent (and unable to perform as the

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"Franchisee" under your Franchise Agreement), and (b) we exercise our right to temporarily operate your Franchised Business in an effort to assist in getting the operations of the Franchised Business back into compliance with the Franchise Agreement and System standards.

ITEM 7

ESTIMATED INITIAL INVESTMENT

A. YOUR ESTIMATED INITIAL INVESTMENT: FRANCHISE AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[FN1]	$25,000	Lump Sum	At signing of franchise agreement	Franchisor
Real Estate Lease for Premises - 2 months*[FN2]	$4,500 - $17,000	As arranged	As arranged	Landlord
"Grand Opening" Advertising	$3,500	As arranged	Within first month of opening	Approved Vendors
Training Expenses[FN3]	No charge for initial training of three employees			
Travel and living Expenses while Training [FN4]	$3,000 - $6,000	As arranged	Before opening	Airlines, hotels and restaurants
Insurance[FN5]	$1,500 - $3,500	As arranged	Yearly	Agent/company of your choice
Furniture, Fixtures and Equipment[FN6]	$12,000 - $25,000	As arranged	Before opening	Suppliers
Other Prepaid Expenses[FN7]	$1,000 - $3,500	As arranged	Before opening	Suppliers and Government Agencies
Opening Inventory[FN8]	$3,000 - $5,000	As arranged	Before opening	Suppliers
Signage	$4,000 - $8,000	As arranged	Before opening	Suppliers
Leasehold Improvements[FN9]	$30,000 – $90,000	As arranged	Before opening	Suppliers

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Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer Hardware & Software[FN10]	$2,000– 4,000	As arranged	Before opening	Suppliers
Legal, Accounting & Organizational Costs	$2,000 - $8,000	As arranged	As arranged	Government, Attorneys, Accountants
Additional Funds[FN11] - 3 months	$25,000 - $40,000	As arranged	As arranged	Suppliers. Employees
Design Fee[FN12]	$1000 - $1,500	Lump sum	Before opening	Franchisor
Architectural	$2,000 - $5,000	Lump sum	Before opening	Suppliers
Liquor License [FN13]	$1,000 - $15,000	Lump sum	Before opening	Government Agencies
TOTAL[FN14,15]	**$120,500 - $260,000**			

NOTES:

General Comments: The above figures are estimates of the complete investment in establishing your Franchised Business. 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 Franchised Business. 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 Painting with a Twist are non-refundable unless otherwise stated. The refund ability of amounts paid to third parties are dependent 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 Franchised Business. You should review the notes thoroughly.

(1) Initial Franchise Fee: See Item 5 for the conditions when this fee may be partially refundable and the VetFran discount applied. We do not finance any fee.

(2) Real Estate Lease for Premises: Locations for Franchised 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 Painting with a Twist. You may also lease the land and an existing facility and convert the facility to your Franchised Business or enter into a build-to-suit lease under which lease the landlord agrees to construct a structure which is used as your

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Franchised 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. Painting with a Twist 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 a lease deposit and the amount of lease payments for the first two months that you operate your Franchised Business. Lease payments vary considerably depending upon regional and local factors and the type of lease negotiated by you. For a typical Franchised Business, you must lease approximately 1,700 to 2,300 square feet of space. Lease payments for a typical Painting with a Twist Business 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) Training Expenses: Painting with a Twist 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 and your manager must attend approximately four days of training in Mandeville, Louisiana. See Item 11 for additional information on the initial training expenses.

(4) 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.

(5) 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. This does not include health insurance on you and/or your employees.

(6) Furniture, Fixtures and Equipment: We will provide a complete list of furniture needed for your Franchised Business. The amount will depend upon the size of your location. We will provide a complete list of equipment needs and specifications. We estimate that the range given will also be enough to purchase the initial décor package and other miscellaneous equipment.

(7) 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.

(8) Opening Inventory: Painting with a Twist estimates that the range given will be sufficient to cover a supply of canvases, paints, brushes, and other supplies for the opening of your Franchised Business.

(9) 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 Franchised Businesses. 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

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remodeling of your Franchised 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 Franchised Business. Painting with a Twist will provide a complete list of improvements and design and decor criteria for your Franchised Business.

(10) 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: 3 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor; 4 GB RAM; 100 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 10 (or higher) or MAC OS 10.11 (or higher); current available Web Browser (Google Chrome recommended); Adobe Acrobat Reader; standard desktop publishing software (Microsoft Office, OpenOffice, etc.); Quickbooks Pro (2015 or higher).

(11) Additional Funds: This amount reflects the minimum suggested amount of additional funds you will need for the first three months you operate your Franchised 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, we relied on our prior experience in this business as well as certain historical data submitted by our franchisees, including, certain average operating expenses for Franchised Businesses during the period from January 1, 2019 to December 31, 2019.

(12) Design Fee: Before starting any construction or renovations to your Franchised Business or undertaking any leasehold improvements at the location accepted by Painting with a Twist, you must submit a drawing of the physical layout of your Franchised Business to Painting with a Twist for review. Painting with a Twist 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 you must follow to ensure that the design of its Franchised Business conforms to Painting with a Twist's then-current standards, plans and specifications.

(13) Liquor License: Some states and local municipalities require Painting with a Twist franchisees to obtain a "liquor" license or permit. You are required to offer an option to your customers for the consumption of alcohol within your studio. The requirements to achieve this may differ depending on laws in your area. Depending on your area and the laws in your area, this cost could greatly exceed this estimate.

(14) Total Investment: Painting with a Twist relied on its prior experience in this business to compile these estimates.

(15) Financing: Painting with a Twist does not offer, either directly or indirectly, financing to you for any items.

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B. YOUR ESTIMATED INITIAL INVESTMENT: DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee[FN1]	$12,500	Lump Sum	Upon execution of Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business [FN2]	$120,500 - $260,000	See Chart A of this Item 7		
TOTALS	**$133,000 - $272,500**			

NOTES:

(1) General Note: All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate two (2) Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.

(2) Development Fee: The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of two (2) Franchised Businesses (provided you comply with your development obligations under the Development Agreement). If you choose to open more than two (2) Franchised Businesses, your Development Fee will be calculated as $12,500.00 for each additional Franchised Business, after your initial Franchised Business, that we will grant you the right to open and operate under the Development Agreement**.**

(3) Initial Investment to Open Initial Franchised Business: This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement. You will be required to enter into our then-current form of Franchise Agreement for the initial Franchised Business you open under your Development Agreement. The range includes all the items outlined in Chart 7.A. of this Item. It does not include any of the costs you will incur in opening any additional Franchised Business(es) that you are granted the right to open and operate under your Development Agreement.

(4) Subsequent Franchise Fee: *(Not Included in this Chart 7.B.)*. As previously disclosed in Item 5, you will be required to pay us a Subsequent Franchise Fee of $12,500.00 in connection with each additional Franchised Business, after your first Franchised Business. These fees are not included in Chart 7.B. above; however, because they will not likely be paid within three (3) months of the date you open your initial Franchised Business granted under your Development Agreement. You are not required to pay any subsequent franchise fee in connection with your initial Franchised Business.

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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 Painting with a Twist and use the display sales, marketing and promotional material provided in the manner and for the time periods designated by Painting with a Twist. You must ensure that all items and printed materials used in your Franchised Business bear the Proprietary Marks in the manner required by Painting with a Twist. Painting with a Twist 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 Painting with a Twist. If a supplier does not meet our specifications stated in the Manuals 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 Franchised Business in accordance with specifications set by Painting with a Twist 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 or as Franchisor may specify in writing from time to time.

You must use a computer system (including both hardware and software) that meets our specifications and are required to access and use the FAM System for which you must pay us a monthly Technology 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).

You must currently purchase certain approved canvases, paints, brushes, easels, texture and screens required for the operation of your Franchised Business from your choice of three approved national distributors that deliver product to your Franchised Business. These distributors are Art Supply Distributors ("ASD"), TD Art Supply ("TD Art") and JoAnn (currently providing only certain canvases). You may also purchase certain approved canvas products that meet our specifications from Michaels and certain approved paints from Dick Blick. You must purchase your wood products from P. Graham Dunn. MDF cutouts and pallets are available from Diverse Woodworking and all of the above suppliers, except JoAnn, Michaels and Dick Blick. You may not purchase these products from any other supplier without our written approval. We may add or disapprove designated suppliers from time-to-time.

Our co-founder, Renee Maloney and her daughter own an interest in ASD. One of our multi-unit franchisees of Painting with a Twist owns an interest in TD Art. Neither we nor any of our officers currently own an interest in any designated or approved supplier.

Designating suppliers and vendors benefits the Painting with a Twist System in several important ways: (i) it allows us to control the quality and consistency of our products to ensure that we provide quality products to our guests; (ii) it allows us to use our volume buying power to lower prices; (iii) obtain potential marketing benefits from certain suppliers; and (iv) enhances our new product development innovation. We

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attempt to negotiate purchase agreements with suppliers, including price terms, for your benefit. We consider your use of the designated products essential to the success of the Painting with a Twist System. We may, at any time, change the source of these designated products. We estimate that your purchases from designated suppliers will be approximately 18% of your total investment and 15% of your ongoing expenses in the operation of your Franchised Business. You do not receive material benefits from Painting with a Twist if you use designated or approved suppliers.

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 Franchised Business from supplier or distributor's warehouse and the number of other Franchised Businesses in your area. When entering new markets, you should be aware that your freight costs may be higher than Painting with a Twist franchises in other markets and adjust your cost projections accordingly. Painting with a Twist does not know of any pending price increases, but Painting with a Twist 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 Painting with a Twist, the supplier must submit to us a written request for approval. We may require that samples from the supplier be delivered to us or our designee for inspection. We may impose a reasonable charge to cover the costs of inspection and testing, which must be paid by the supplier. We will notify you in writing of our decision within a reasonable period following our evaluation. We have no obligation to approve any alternative product, supplier or distributor and may revoke our approval at any time.

If you obtain services from third-party providers, we 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, we may require, as a condition of approval of the provider, the signing of confidentiality and non-competition agreements in a form satisfactory to us. We 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.

We may consider certain criteria in determining whether a supplier will be approved, including, but not limited to: price, ability to produce or deliver the products, services, supplies or equipment in accordance with Painting with a Twist standards and specifications for quality and uniformity; production and delivery capabilities and ability to meet supply commitments; conflicts of interest; meeting our reporting requirements for orders/sales by franchisees; financial stability; minimum standards of licensing, insurance and regulatory requirements; the cost to us of testing, evaluating and administering the supplier; the cost of providing technological enhancements and integrating the supplier into our System; and the negotiation of a mutually satisfactory agreement to protect Painting with a Twist's intellectual property along with other conditions of approval. Our criteria for specific types of suppliers are either made available to you in the Manuals or will be made available to you upon written request.

We will maintain a written list of approved supplies (generally identified by brand name) and suppliers, which is updated and issued to you on a regular basis. We do not provide confidential specifications to you or suppliers, except on a limited basis.

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Revenues from Franchisee Purchases.

We did not receive any revenue or benefit, directly or indirectly, from designated suppliers based on purchases by Painting with a Twist's franchisees in 2019, though we reserve the right to derive revenue from franchisee purchases in the future. We request that our suppliers pay a sponsorship fee to attend our franchise convention to help defray our costs.

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 Franchised Business.

Insurance.

Article 16 of your Franchise Agreement requires you to obtain and maintain insurance coverage as specified by us from time to time in the Manuals or otherwise in writing. You shall also designate us as an additional named insured, with an insurance company approved by us, for the following current insurance coverages: (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 $2,000,000 aggregate with full replacement value of business contents property coverage (Painting with a Twist 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) All risk coverage insurance on all property insuring the Franchised Business premises and contents, including, without limitation, the construction of improvements, all supplies, inventory, fixtures, and equipment and personal property, containing a replacement value endorsement in an amount equal to the full replacement value; and (v) Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars ($1,000,000) combined single limit, and Two Million Dollars ($2,000,000) general aggregate limit. If Franchisee conducts an Offsite Event for Authorized Products and/or Services, Franchisee shall obtain separate non-owned auto coverage insurance, sexual abuse and molestation coverage and general liability insurance coverage. Franchisee may not directly or indirectly conduct such Offsite Event(s) until such insurance is obtained and Franchisor is name 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.

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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	Article(s) in Franchise Agreement or Addendum	Section in Development Agreement	Item Number(s)
a. Site selection and acquisition/lease	Articles 1.3 and 1.4	Section 2	Item 11
b. Pre-opening purchases/leases	Articles 10.2, and 10.4	Section 5	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Articles 2 and 4.2	Section 4	Items 6, 7, 8 and 11
d. Initial and ongoing training	Articles 3.2, 4 and 13.2	Not Applicable	Items 6, 7 and 11
e. Opening	Articles 1 and 2	Sections 4 and 5	Items 7, 8 and 11
f. Fees	Articles 1.6, 2.2, 4.1, 4.3, 4.4, 4.5, 4.6, 5.1, 5.2 and 13.2	Section 2	Items 5, 6, and 7
g. Compliance with standards and policies/Operating Manual	Articles 6 and 7	Section 9	Items 8, 9, 16 and 17
h. Trademarks and proprietary information	Article 9	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Articles 6.3, 6.5, 6.6, 7.1 and 7.2	Not Applicable	Items 8 and 16
j. Warranty and customer service requirements	Articles 6.5 and 7.2	Not Applicable	N/A
k. Territorial development and sales quotas	Article 1	Section 4	Item 12
l. Ongoing product/service purchases	Article 10	Not Applicable	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Articles 6.4 and 7.3	Not Applicable	Items 6, 8 and 11
n. Insurance	Article 16	Not Applicable	Items 6 and 7
o. Advertising	Article 8	Not Applicable	Items 6 and 11

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Obligation	Article(s) in Franchise Agreement or Addendum	Section in Development Agreement	Item Number(s)
p. Indemnification	Article 18	Not Applicable	Items 6 and 13
q. Owner's participation/management/ staffing	Article 4.2	Section 5	Item 15
r. Records and reports	Articles 5.2 and 11	Not Applicable	Items 8 and 17
s. Inspections and audits	Articles 6 and 7.6	Not Applicable	Items 6 and 11
t. Transfer	Article 13		Item 17
u. Renewal	Article 3.2	Not Applicable	Item 17
v. Post-termination obligations	Article 15	Section 10	Item 17
w. Non-competition covenants	Article 12	Section 11	Item 17
x. Dispute resolution	Article 19	Section 19	Item 17
y. Personal Guaranty of all obligations of agreement	Articles 1.1, 13.1 and Attachment A	Not Applicable	Item 15

ITEM 10

FINANCING

Painting with a Twist does not offer direct or indirect financing. Painting with a Twist 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 Franchised Business, Painting with a Twist may provide you with the following assistance, which it will provide in its discretion:

Site Location Assistance and Approval: Painting with a Twist will provide you with general site selection criteria and guidance in the selection of an acceptable site. Painting with a Twist does not own any of the location premises currently leased and has no present intention to do so (Franchise Agreement—Article 1.4; Development Agreement – Section 5.1.1).

The franchise is granted for a location to be approved by Painting with a Twist. You alone must locate a site for your Franchised Business that must be accepted by Painting with a Twist. We will evaluate and either accept or reject the location for your Franchised Business based upon the factors we consider in

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evaluating a location (Franchise Agreement - Article 1.4; Development Agreement – Section 5.1.1). Our acceptance will not be unreasonably withheld. Factors considered by us 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, Painting with a Twist market penetration and proximity to other businesses, including other Franchised Businesses. We also consider whether the lessor will agree to the Painting with a Twist permitted use language and other required lease provisions. Painting with a Twist is under no obligation to physically visit the site. If we determine that the location is not acceptable at that time or is too close to another Franchised Business, the site will not be accepted and you must locate a new site for your Franchised Business.

Painting with a Twist will approve or disapprove the proposed site as soon as reasonably possible in accordance with the procedures in the Manuals or as may be provided in writing by us, but no later than thirty (30) days after you submit for evaluation the proposed lease, site information required by Franchisor and all other information requested for the proposed site. Failure to acquire a site acceptable to us and open the Franchised Business within one (1) year of the Effective Date of your Franchise Agreement may result in the termination of your Franchise Agreement. In that event, we will refund you twenty-five percent (25%) of your Initial Franchise Fee (Franchise Agreement – Articles 1.3, 1.4; Development Agreement – Section 5.1.1).

Review of Lease: Painting with a Twist will review the lease for the location of your Franchised Business to ensure that provisions required by Painting with a Twist are included in the lease and that the terms of the lease are generally acceptable to Painting with a Twist. You alone must negotiate the business and financial terms of your lease (Franchise Agreement - Article 1.4; Development Agreement – Section 5.1.1). Painting with a Twist recommends that you have your own legal counsel review your lease. The Painting with a Twist Contingent Assignment of Lease is required as an addendum of your lease agreement and is attached to this Disclosure Document as Exhibit I.

Approved Plans and Specifications: Painting with a Twist will provide you with the specifications and layouts for the structures, equipment, furnishings, decor and signs identified with Franchised Businesses and approved suppliers and specifications for products and supplies (Franchise Agreement – Articles 2, 10, 17.1; Development Agreement – Section 5.1.1). Painting with a Twist may provide or deliver some of these items directly to you.

Review of Final Site and Construction Plans: Painting with a Twist 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 – Article 2; Development Agreement – Section 5.1.1).

Manuals: Painting with a Twist will loan or make available on-line to you with the confidential Painting with a Twist Operations Manual and other manuals or writings that Painting with a Twist makes available to all franchisees (Franchise Agreement – Articles 6.2 and 17.1). The Painting with a Twist Operations Manual consists of approximately 142 pages. Our Manuals contain the current System standards and information relating to your obligations as a franchisee. The content of the Manuals belongs to us and you will have no ownership interest in the Manuals. The Manuals may be modified, updated and revised periodically to reflect changes in the System standards and other policies affecting Painting with a Twist franchisees. The table of contents of the Operational Manual is attached to this Disclosure Document as Exhibit E.

Initial Training

Painting with a Twist will provide initial training to operate your Franchised Business (Franchise Agreement – Articles 3.2, 4 and 17.1). Before you open your Franchised Business, you and your designees

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must also attend and complete, to Painting with a Twist's exclusive satisfaction, a training program in Mandeville, Louisiana or at another training location selected by Painting with a Twist and/or complete management training courses on-line before you open your Franchised Business ("Management Training") (Franchise Agreement – Article 4.1, 4.2). The Management Training program is mandatory and conducted on an as-needed basis, depending upon the number of attendees, at Painting with a Twist headquarters in Mandeville, Louisiana, and will last four (4) to six (6) days. You will be scheduled to attend the program after you've completed site selection and once you have hired your initial staff, and within a reasonable time before your scheduled opening date. The Management Training will include training in all phases of the operation of a Franchised Business, including staff/instructor training and shop management. When you open your Franchised Business, Painting with a Twist will send one Painting with a Twist representative to your Franchised Business location, at no cost to you, for on-site training and assistance (Franchise Agreement – Article 4.5, 17.1). Painting with a Twist may require any of your principals or employees who become actively involved in the management of your Franchised Business to attend and satisfactorily complete the required training programs (Franchise Agreement – Article 4). 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 Painting with a Twist, then Painting with a Twist shall have the right to require Franchisee's trainee to attend other training class(es) or to perform additional training until Painting with a Twist is reasonably satisfied that Franchisee's trainee has satisfactorily completed the training course. You may not open your Franchised Business until training is completed to Painting with a Twist's satisfaction.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-job Training	Location
Pre-Opening	0	20	Your Franchise Location (via phone or online)
Interview and Hiring	0	20	Your Franchise Location (via online)
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
TOTAL	50-60	70-80	

All aspects of training are integrated. There is no definite starting and stopping times or each subject, and the timing depends on the progress the students make each day. Our training programs are under the direction of Mary Mierl, or any other representative designated by Franchisor. Ms. Mierl is also responsible for the overall supervision of the training program, and has over ten years of experience with Painting with a Twist. Other instructors will include Painting with a Twist artists and operations and marketing representatives. Our corporate artists currently include, but are not limited to Beckie Thomas, Jane Schauer, Emily Naccari, and Rob Fairburn, who each have over five years in staff/instructor training and over four years of experience with Painting with a Twist. All instructors will have a minimum of two years' experience in their subject area.

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The instructional materials for our training programs include videos, handouts, the Manuals, 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 4).

Artworks in Painting with a Twist's Art Library: Painting with a Twist will provide you with access to all approved artworks in Painting with a Twist's art library (Franchise Agreement—Article 6.5).

Time to Open

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 Franchised 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 Franchised Business open and operating no later than twelve (12) months after you sign the Franchise Agreement. (Franchise Agreement—Article 1.3).

Single Unit: You, at your own expense, shall: (i) renovate the location into a Franchised Business; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of your location into a Franchised Business. You shall commence operation of your Franchised Business no later than thirty (30) days following substantial completion of the renovation and equipment installation at your location, but shall not commence operations without Painting with a Twist's written approval (Franchise Agreement—Article 2.1).

Development Agreement: If you have entered into a Development Agreement to open and operate multiple Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement—Section 4.2).

If you fail to open any Franchised Business within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Franchised Business(es) that were already open and operating as of the termination date. We must approve the location you choose for each Franchised Business you are required to open under the Development Agreement.

Post-Opening Obligations

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

On-Site Assistance: Painting with a Twist will provide you with on-site assistance upon the opening of your Franchised Business. During the opening of your Franchised Business, Painting with a Twist, at its expense, will provide at least one Painting with a Twist representative to you at your Franchised Business location to facilitate the opening of your Franchised Business (Franchise Agreement – Article 4.5, Article 17.1).

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Marketing and Advertising Guidance and Approval: Painting with a Twist will provide you with materials and advice to support your marketing and advertising efforts (Franchise Agreement - Article 8). Painting with a Twist 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 Painting with a Twist representatives on a periodic or as-needed basis to receive consultation and guidance concerning the operation of your Franchised Business (Franchise Agreement - Article 17.1). Painting with a Twist 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 Painting with a Twist (Franchise Agreement – Articles 6, 17.1). Painting with a Twist 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 6). Painting with a Twist will not provide any legal or accounting services or advice at any time.

Additional Training: Painting with a Twist will periodically, as it considers necessary, provide you with advanced training in operating your Franchised Business (Franchise Agreement - Article 4.6). You are solely responsible for hiring and training the employees of the Franchised Business. Additional training sessions after the initial Management Training may be available, at Painting with a Twist's discretion, at your expense. Painting with a Twist may offer additional optional training programs, including both advanced and refresher training, for you and your employees. Currently, the optional training programs offered by Painting with a Twist include regular online webinars that provide franchisees with instruction and guidance relating to business operations and upgrades to the FAM System. Painting with a Twist may designate certain additional training courses for you or your employees as mandatory (Franchise Agreement – Article 4.6).

Painting with a Twist 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. Painting with a Twist may not mandate more than two additional training sessions in a twelve (12) month period unless they are online courses (Franchise Agreement – Article 4.6). 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 4). 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.

New Products and Services: Painting with a Twist will evaluate and consider for approval the products or services you submit for approval for use in your Franchised Business (Franchise Agreement - Articles 10.2, 10.3).

Use of the FAM System: Painting with a Twist will provide you with access to the FAM System for your use in developing and operating your Franchised Business (Franchise Agreement—Article 11).

Advertising

Local Advertising: For the grand opening of your Franchised Business, you must spend a minimum of $3,500.00 in local advertising and marketing. Afterwards, you must expend a minimum of $1,000.00, increased by five percent (5%) annually each year on the anniversary date of opening of the Franchised Business, per month on local advertising through mediums approved by Painting with a Twist. Franchisor may require you to submit copies of 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 8.2).

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All advertising, promotional and marketing activities conducted by you in your local market area will be subject to the prior approval of Painting with a Twist. You shall submit to Painting with a Twist pursuant to the Notice requirements of your Franchise Agreement all advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by Painting with a Twist. If any advertising or marketing activities are later disapproved, you must discontinue such use promptly upon written notice from Painting with a Twist.

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

(i) System Advertising Fund: You must pay two percent (2%) of your weekly gross sales to Painting with a Twist system advertising fund ("System Advertising Fund") (Franchise Agreement- Article 8.3). 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 Painting with a Twist 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. 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, market research and advertising agencies; the cost of developing and maintaining an Internet website; and personnel and other departmental costs for marketing 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 may 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 and make available for you within one hundred twenty (120) days following the end of the fiscal year and sixty (60) days following the period ending June 30, an unaudited statement of contributions and expenditures for the System Advertising Fund. The statement will be presented to you upon your written request.

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All sums paid by you into the System Advertising Fund shall be kept in accounts separate from the other monies of Painting with a Twist and shall not be used to defray any of Painting with a Twist general expenses, except for reasonable administrative costs and overhead as Painting with a Twist may incur in activities reasonably included in the administration and direction of the System Advertising Fund and advertising programs for you and the System. Painting with a Twist 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, Painting with a Twist 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 Franchised Businesses 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, 2019), the System Advertising Fund spent 76% of its income on digital media placement and advertising, 5% on email marketing, 6% on website improvements, 4% on brand development and creative services and 9% on overhead support.

We have created a national Franchise Advisory Council ("Council") made up of franchisees elected by the franchisee community. The Council serves in an advisory capacity role only to provide input on advertising programs and policies and other new and existing programs of Painting with a Twist. We have the authority to change or dissolve the Council at any time without reason.

(ii) Local Advertising Cooperatives: Painting with a Twist may establish regional or local marketing cooperatives, which may be named a "Regional Fund" or "Cooperative" (each a "Cooperative"), establish the bylaws and other rules under which each Cooperative will determine whether you must participate in a Cooperative operate (Franchise Agreement- Article 8.3). If the Franchised Business 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:

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

No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Painting with a Twist's prior written approval;

Upon dissolution of the Cooperative, any funds remaining in the Cooperative shall be paid out to each member on a pro rata basis according to each member's proportionate funding of the Cooperative; and

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. Franchisor shall administer the Cooperative and will prepare governing documents, such as bylaws, for the franchisees review.

Company owned studios or affiliates of Painting with a Twist that operate 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 expended 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

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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 8.3).

As of the date of this disclosure document, Painting with a Twist has not established local marketing cooperatives.

Computer System & Technology

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: 3 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor; 4 GB RAM; 100 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 10 (or higher) or MAC OS 10.11 (or higher); current available Web Browser (Google Chrome recommended); Adobe Acrobat Reader; standard desktop publishing software (Microsoft Office, OpenOffice, etc.); Quickbooks Pro (2015 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. The estimated cost of purchasing your required Computer hardware and software to open your Franchised Business is between Two Thousand Dollars ($2,000) and Four Thousand Dollars ($4,000). 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.

It is vital for the Painting with a Twist System to gain competitive advantages by featuring digital, e-commerce and other modern ordering capabilities, platforms, "apps" and other now or hereafter developed infrastructure, tools, systems and analytics, and that these capabilities are constantly evolving and require continued investment and innovation. To support some of the costs of these capabilities, we charge a monthly Technology Fee. This fee is subject to change in our sole discretion to keep up with maintaining and keeping up with the rapid industry changes to improve our technology. It includes the maintenance and optimization of the FAM System and other software and information technology programs and services to maintain and enhance the System (Franchise Agreement - Article 5.1).

We 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 11.2). We reserve the right to change the software used with the Painting with a Twist 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 cards, debit cards and gift 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" or other gateway we designate. 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.

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Website

We may, but are not obligated to, establish an Internet website that provides information about the System and the products and services offered by Franchised 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 Franchised Business and other Franchised Businesses. If we do create these pages, we may require you to prepare all or a portion of the page for your Franchised 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 11.2).

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 Franchised 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 11.13).

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 11.13).

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 11.12).

Payment of Fees

You are required to pay all fees due under the Franchise Agreement by automated bank draft. You must sign the ACH Service Agreement 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 5.2).

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ITEM 12

TERRITORY

You shall operate your Franchised Business only from a specified location approved by Painting with a Twist. Painting with a Twist will designate a general geographic area, such as a city or sector of a city ("Site Selection Area"), solely for the purpose of limiting the area within which you may seek a site location for your Franchised Business. You will not receive an exclusive territory; however, upon executing a lease for your Franchised Business and prior to the opening of your Franchised Business, we will designate a geographical area defining your protected territory (your "Protected Territory"). The size of the Protected Territory will be determined by general demographics of the area with a minimum residential population of 50,000, 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 Franchised Business under the trademark "Painting with a Twist" within the Protected Territory. You may face competition from other channels of distribution of competitive brands that we control.

Under the Franchise Agreement, you may sell proprietary products and services to retail customers who live anywhere but who choose to use your Franchised Business. You may conduct an Offsite Event in accordance with the terms and conditions set forth in the Manuals. However, you may not conduct an Offsite Event within the Protected Territory of another Franchised Business without our approval. Without prior approval by Painting with a Twist, 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 shall obtain the prior approval of Painting with a Twist for all advertising, promotional and marketing activities conducted by you in your local market area.

Painting with a Twist further reserves the right to negotiate options, rights of first refusal, and other similar rights to acquire additional franchises upon request by another 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 Painting with a Twist for the rights to that area.

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

Relocation

Relocation of your Franchised Business requires our prior written approval, which may be withheld in our sole discretion. We may charge our then-current relocation fee for services we will provide in connection with the relocation of your Franchised Business before we will review a proposed new site. The Protected Territory may not be changed or altered if you relocate your Franchised Business.

Development Agreement: Development Area

If you are granted the right to open multiple Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size

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of your Development Area will substantially vary from other System developers based on: (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Development Agreement.

Each Franchised Business you timely open and commence operating under our then-current form of Franchise Agreement will be operated: (i) from a distinct approved location located within the Development Area; and (ii) within its own Protected Territory that we will define once the approved location and lease for that Franchised Business has been approved.

You will not receive an exclusive territory; however, we will not own or operate, or license a third party the right to own or operate, a Franchised Business utilizing the Proprietary Marks and System within the Development Area until the earlier of: (i) the date the last Franchised Business is scheduled to open as set forth in the Development Schedule; or (ii) the termination of the Development Agreement for any reason. You may face competition from other channels of distribution or competitive brands that we control.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will terminate, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Protected Territories that were granted under the Franchise Agreement(s) you entered into for those Franchised Business(es). You will not have the option, right of first refusal or similar rights to develop any other Franchised Businesses under the Development Agreement. If you wish to develop Franchised Businesses in addition to those in your Development Agreement, you should submit a new application to us.

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

Reserved Rights

Painting with a Twist retains the right, in its sole discretion, to own and operate Franchised Businesses 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 Franchised Business at any location(s) outside Franchisee's Protected Territory under the same or different marks.

Painting with a Twist further reserves the right to use its Proprietary 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. Painting with a Twist also retains the right to sell products and services through alternative channels of distribution, such as mail order, catalog sales, telemarking, Internet, television, newspaper, and any other advertising media to consumers located anywhere, and acquire or be acquired by other business systems or entities, including within your Protected Territory. You have no right to share in any revenue generated from these activities.

As stated in Item 1, Painting with a Twist acquired substantially all of the assets of Bottle & Bottega, Inc. ("Bottle & Bottega") headquartered in Chicago, Illinois. We now own and continue to operate the two company-owned businesses in Chicago, Illinois under the Bottle & Bottega proprietary marks and license

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the use of the proprietary marks to the Bottle & Bottega franchised businesses. We plan to convert the franchised businesses currently operating under the Bottle & Bottega proprietary marks to the Painting with a Twist Proprietary Marks and System in the future. We do not intend to offer any further franchises under the Bottle & Bottega proprietary marks.

ITEM 13

TRADEMARKS

Painting with a Twist 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 of the System. Your use of the Proprietary Marks is limited solely to the operation of the Franchised Business at its approved location and only in accordance with the System. You do not obtain any additional rights to use any of our Proprietary Marks under any Development Agreement you execute. 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
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

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Trademark, Service Mark or Design	U.S. Application or Registration No.	Date of Application or Registration	Comment
PAINTING WITH A PURPOSE (logo)	5,160,569	March 14, 2017	Registered
PAINTING WITH A TWIST	5260859	August 8, 2017	Registered
PAINTING WITH A TWIST	5260880	August 8, 2017	Registered
PAINTING WITH A TWIST	5261071	August 8, 2017	Registered
PAINTING WITH A TWIST	5261074	August 8, 2017	Registered
PAINTING WITH A TWIST	5261077	August 8, 2017	Registered
PAINTING WITH A TWIST	5261082	August 8, 2017	Registered
PAINTING WITH A TWIST	5261084	August 8, 2017	Registered

All required affidavits have been filed for the Proprietary Marks listed in this Item. No registrations have come up for renewal. Painting with a Twist 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 Franchised Business.

There are currently no agreements in effect, which significantly limit the rights of Painting with a Twist to use or license the use of its Proprietary Marks in any manner material to your Franchised 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.

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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 Franchised Business and only at the location or in advertising for the Franchised 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 Franchised 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 Franchised 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 ten (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 Painting with a Twist Businesses ("Copyrights"). The following copyrights are registered or pending registration with the United States Registrar of Copyrights:

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Title of Work	U.S. Application or Registration No.	Date of Application or Registration	Comment
Abigail's Blossom Tree 1	VA 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
Cracked Fleur de Lis	VA 1-868-898	March 28, 2013	Registered
Crazy Reindeer	VA-2-058-818	June 3, 2016	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
Georgia Love	VA 2-059-051	June 3, 2016	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
Happy Hydrangeas	VA 2-057-828	February 6, 2017	Registered
High Five	VA 1-915-635	April 29, 2014	Registered
Love Letters in the Sand	VA 1-915-562	April 29, 2014	Registered

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Title of Work	U.S. Application or Registration No.	Date of Application or Registration	Comment
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
Painting with a Twist Vertical With Stemless Wine Glass	VA 2-088-427	March 28, 2017	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
Spirits	VA 1-899-007	May 29, 2013	Registered
St. Aug Lighthouse	VA 1-978-258	January 14, 2015	Registered
Sunset of Love - Couples	VA 2-059-043	June 3, 2016	Registered
Texas Love	VA-2-058-220	June 3, 2016	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

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Title of Work	U.S. Application or Registration No.	Date of Application or Registration	Comment
To the Moon & Back	VA 2-001-689	August 19, 2015	Registered
Walk By Faith	VA 2-059-327	June 3, 2016	Registered
Wet Kiss Set	VA-2-058-820	June 3, 2016	Registered
White Coat Set	VA 1-915-509	April 29, 2014	Registered
Yum Yum	VA 1-868-900	March 28, 2013	Registered
Painting with a Purpose	VA 2-098-208	May 10, 2017	Registered

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 Franchised Business.

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

Painting with a Twist 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 Painting with a Twist and tender the full defense of the claims against you to Painting with a Twist. Painting with a Twist shall have complete control of the legal action and may settle the claims at any time without providing notice to you. Painting with a Twist 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 Painting with a Twist 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 Painting with a Twist and must cooperate fully with Painting with a Twist in defending or settling the litigation.

Painting with a Twist 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 Painting with a Twist to quit using the Copyrights, Painting with a Twist is not obligated to provide you with compensation, nor do you have any other remedy under the franchise agreement.

Painting with a Twist 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 Franchised Business that may be communicated to you or of which you may be apprised by virtue of your operation of the Franchised

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Business. 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 Franchised Business. 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 Franchised Business. 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 Franchised Business and to restrict their ability to compete with the Franchised Business 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 Franchised Business, including, but not limited to, any modifications or additions to the services offered by the Franchised Business, 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.

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ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Participation in Business: As an owner of your Franchised Business, you do not have to conduct on-premises supervision or to personally participate in the direct operation of your Franchised Business. However, Painting with a Twist recommends that you are actively involved in the operation of your Franchised Business. You or your designated manager must devote full-time to the development of your Franchised Business, unless otherwise approved in writing by Painting with a Twist. Your Franchised 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 the 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 fifteen percent (15%) of the total voting power of your ownership interests (including each individual holding in excess of twenty percent (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 A. 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 Painting with a Twist has approved.

You must offer all products and services at retail that Painting with a Twist designates as required for all Painting with a Twist locations, including new products or services that Painting with a Twist develops in the future. There are no limits on Painting with a Twist'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 Painting with a Twist to implement any change to the types of products and services designated by Painting with a Twist. You may not offer or sell any other products or services without the prior written consent of Painting with a Twist. 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 Franchised Business, including but not limited to, any regulations governing the consumption of alcohol.

All Franchised Businesses must offer Painting with a Twist approved products and services as designated in the Operations Manual or in other writings.

You shall open for business and maintain the prescribed days and hours of operation at the Franchised Business as prescribed by Painting with a Twist in the Manuals or otherwise in writing from time to time.

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You shall diligently and efficiently exercise your best efforts to achieve the maximum Gross Sales possible from your Premises.

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 your Franchised 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	Article in Franchise Agreement	Summary
a. Length of the term of the franchise	Article 3.1	10 years from the date the Franchised Business opens for business.
b. Renewal or extension of the term	Article 3.2	Your renewal rights permit you to remain as a franchisee 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 3.2	"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 Painting with a Twist; give written notice; remodel your Franchised Business; demonstrate the ability to operate for the renewal term; satisfy renewal training requirements; sign a general release; and sign a then-current 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

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Provision	Article in Franchise Agreement	Summary
f. Termination by franchisor with "cause"	Article 14	Painting with a Twist can terminate only if you default.
g. "Cause" defined – curable defaults	Article 14.4	Curable defaults: You have 10 days after Painting with a Twist's written notice to cure: failure, refusal or neglect to promptly pay any monies owed to Painting with a Twist or any third-party vendors or submit the financial or other information required by Painting with a Twist; you have 30 days after Painting with a Twist's written notice to cure if you fail to perform or comply with any one or more terms or conditions of the Franchise Agreement, Manuals or other agreements. A default in the Franchise Agreement does not constitute a default in the Area Development Agreement.
h. "Cause" defined – non-curable defaults	Articles 14.2 and 14.3	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 Painting with a Twist, 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 Painting with a Twist, to have an adverse effect on the System, Proprietary Marks or the goodwill associated with Painting with a Twist'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, 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 or, upon destruction of your business, failure to rebuild and resume operation within a reasonable time; you make a misrepresentation or omission in your franchise application; cross-default of another agreement with us or our affiliates, or any Lease for the Premises and fail to cure within cure period; 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 misuse the Proprietary Software; failure to maintain insurance as required under the Franchise Agreement; failure to

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Provision	Article in Franchise Agreement	Summary
		comply with any law or regulation within 15 days of receiving a notice of noncompliance; 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; fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.
i. Franchisee's obligations on termination/non-renewal	Article 15	Obligations include immediately ceasing to operate your Franchised 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 the Franchised 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 Franchised Business if we exercise our rights under a Contingent Assignment of Lease.
j. Assignment of contract by franchisor	Article 13.1	No restriction on Painting with a Twist's right to assign.
k. "Transfer" by franchisee – defined	Article 13.1	Includes transfer of contract, assets or ownership interest.
l. Franchisor approval of transfer by franchisee	Article 13	Painting with a Twist 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 13.1 and 13.2	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: Painting with a Twist does not exercise its right of first refusal; you are not in default; all of your then-due monetary obligations have been satisfied and other obligations met; you and your shareholders or members have executed a general release under seal of any and all claims against Painting with a Twist; you satisfy all of Painting with a Twist'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 Painting with a Twist, or have agreed to at closing; you, your manager or other employees responsible for the operation of the franchise have satisfactorily completed Painting with a Twist's training program; you execute other documents as Painting with a Twist may require, including our then-current franchise agreement; you paid the Transfer Fee 30 days in advance of the transfer; you comply with post-term

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Provision	Article in Franchise Agreement	Summary
		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 Franchised Business to any prospective transferee; you agree to remodel and renovate, and modify existing improvements and replace existing equipment to meet our then-current design standards; the purchase price and terms of the transfer, in our sole discretion, are not burdensome to the prospective transferee as to impair its future operation of the business; 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 Franchised Business	Article 13.2	Painting with a Twist can match any offer for your Franchised Business.
o. Franchisor's option to purchase franchisee's franchised business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Article 13.3	In the event of your death, disability, or incapacitation, your legal representative shall have the right to continue the operation of the Franchised Business as franchisee under your franchise agreement if: (i) within 60 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 Franchised Business on your behalf and at your expense for such period of time and under such terms and conditions as we determine.
q. Non-competition covenants during the term of the franchise	Articles 12	No involvement in similar business anywhere; cannot divert business to a competitor.
r. Non-competition covenants after the franchise is terminated or expires	Article 12	No involvement in similar business for 24 months at a site within a radius of 30 miles of any of your former Franchised Businesses or any other then existing Franchised Business; no diverting business to any competitor, soliciting business from former customers, or contacting our suppliers or vendors for a competitive business purpose.

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Provision	Article in Franchise Agreement	Summary
s. Modification of the agreement	Article 21	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 21	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 19	You and Painting with a Twist resolve disputes or disagreements first through internal dispute resolution, then non-binding mediation, then litigation at the jurisdiction and venue of any court of general jurisdiction in Mandeville, Louisiana, unless individual state law directs otherwise.
v. Choice of forum	Article 19	Arbitration and litigation must be in Louisiana, unless individual state law directs otherwise.
w. Choice of law	Article 19	Louisiana law applies, unless individual state law directs otherwise.

B. Development Agreement

Provision	Section in Development Agreement	Summary
a. Term of the Development Agreement	4.1	The Development Agreement will commence on the Effective Date and end on the date the last Franchised Business is scheduled to open unless terminated earlier.
b. Renewal or extension of the term	Not Applicable	Not Applicable.
c. Requirements for you to renew or extend	Not Applicable	Not Applicable.
d. Termination by you	Not Applicable	Not Applicable.
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	9	We may terminate your Development Agreement with cause.
g. Cause defined - default which can be cured	9.3, 9.4	You shall have sixty (60) days after receipt of notice to remedy a failure to comply with the Development Schedule. You shall have thirty (30) days after receipt of notice to remedy the following defaults: (i) failure to submit reports or other information required under the Development Agreement; (ii) failure to maintain standards/procedures prescribed in the Franchise Agreement or Manuals; (iii) engaging in illegal, fraudulent, unfair or deceptive business practices; (iv) unauthorized use of Proprietary Marks; (v) commencement of any business operation or market of any product/service under a

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Provision	Section in Development Agreement	Summary
		name that is confusingly similar to the Proprietary Marks; (vi) failure to obtain Franchisor's prior approval or consent as required under the Development Agreement; (vii) default under the terms of the Franchise Agreement or other development agreement between Franchisor and Developer; (viii) failure to obtain execution of the agreements and covenants required under Sections 7.1.6 and 11.1 of the Development Agreement; (ix) unauthorized transfer of any rights or obligations under the Development Agreement or any interest in Developer; (x) failure to transfer following death or mental incompetency; (xi) failure to timely pay taxes or other governmental charges, rent, lease payments, or payments to suppliers or other trade creditors; or (xii) failure to comply with any of your other obligations under the Development Agreement.
h. Cause defined - default which cannot be cured	9.1, 9.2	Your Development Agreement is automatically terminated if: (i) you become insolvent or make a general assignment for the benefit of creditors; (ii) a petition in bankruptcy is filed by you or against you and not opposed by you; (iii) you are adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for your business or assets is filed and consented to by you; (v) a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) proceedings for a composition with creditors under any state or federal law are instituted by or against you; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); (viii) Developer is dissolved; (ix) a suit to foreclose any lien or mortgage against your premises or equipment is instituted against you and not dismissed within thirty (30) days; (x) execution is levied against your business or property; or (xi) your real or personal property is sold after levy thereupon by any sheriff, marshal, or constable. Your Development Agreement can be terminated by us if: (i) you are convicted of a felony, a fraud, a crime involving moral turpitude, or found liable in a civil claim for fraud, or any unfair or deceptive act or practice that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein; (ii) you fail to comply with the in-term covenants in Section 11; (iii) you disclose or divulge any confidential information provided to you by Franchisor; (iv) you knowingly maintain false books or records or knowingly submit any false reports to Franchisor, or if you made any material false statements to Franchisor in connection with your application for

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Provision	Section in Development Agreement	Summary
		development rights or any franchise; (v) you are in default under Section 9.4 more than three (3) times during the term of the Development Agreement for failure to comply with any of the requirements imposed under this Development Agreement, whether or not cured after notice; or (vi) you knowingly fail to comply with the requirements of Section 12.
i. Your obligations on termination/ non-renewal	Not Applicable	Not Applicable.
j. Assignment of contract by us	8.10	We have the right to assign our rights under the Development Agreement.
k. "Transfer" by you - definition	8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l. Our approval of transfer by franchisee	8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m. Conditions for our approval of transfer	8.5	Franchisor may require, as a condition of its approval: (i) all of your accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and divisions shall be satisfied; (ii) you have substantially complied with all of the terms and provisions of this Development Agreement, any amendment hereof or successor hereto, and all other agreements between you and Franchisor, its subsidiaries, affiliates or divisions, and, at the time of transfer, shall not be in default thereof; (iii) if the obligations of Developer were guaranteed by the transferor(s), the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor, and Franchisor will not unreasonably withhold its consent to a release of the transferor(s) from the guarantee; (iv) we both execute a mutual release under seal; and (v) the price paid for the transfer of the Development Agreement shall not exceed 125% of the development fees charged to Developer by Franchisor.
n. Our right of first refusal to acquire your business	8.4	Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of written notice of a bona fide offer, to send written notice to Seller that Franchisor intends to purchase Seller's interest on the same terms and conditions offered by the third party. If Franchisor does not exercise its option as provided hereunder, Seller may sell the interest, subject to Franchisor's consent as otherwise required under this Section 8. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. This Section 8.4 shall apply to any transfer if such transfer, alone or together with other previous, simultaneous or proposed transfers would have the effect of transferring financial or management control of Developer.

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Provision	Section in Development Agreement	Summary
o. Our option to purchase your business	Not Applicable	Not Applicable.
p. Your death or disability	8.3	Within sixty (60) days after the death or mental incapacity of Developer, or principal of Developer, the executor, administrator, or personal representative of such person shall transfer that person's interest, without having to obtain approval by Franchisor, to one or more heirs or beneficiaries of such person who agree in writing to be bound by the terms and conditions of this Agreement, or to a third party approved by Franchisor.
q. Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
s. Modification of the Franchise Agreement	17	Any modification of the Development Agreement must be in writing and signed by both parties.
t. Integration/ merger clauses	17	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.
u. Dispute resolution by mediation	19.2	At our option, all claims or disputes between you and us must be submitted first to mediation in Mandeville, Louisiana in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect and if mediation is not successful, then by litigation.
v. Choice of forum	19.3	Subject to Section 19.2 of the Development Agreement, all claims must be brought before a court of general jurisdiction nearest to Mandeville, Louisiana, or the United States District Court for the Eastern District of Louisiana. You consent to the personal jurisdiction and venue of these courts (subject to state law).
w. Choice of law	19.1	The Development Agreement is governed by the laws of the Louisiana (subject to state law).

ITEM 18

PUBLIC FIGURES

Painting with a Twist does not use any public figures to promote its franchise.

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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, 2019 to December 31, 2019 (the "Measurement Period"), that were continuously open for at least 24 months prior to end of Measurement Period. The Measurement Period was established to allow for a more consistent measurement comparison after the typical start-up phase of soft-opening and, learning and marketing the business.

As of the end of the Measurement Period, there were 283 Painting with a Twist franchises operating. The data in Part 1 below utilizes historical data for 255 Painting with a Twist franchisees (the "Reporting Franchisees Part 1"). 28 Painting with a Twist franchises were excluded from the calculations because the franchises were not open during the entire Measurement Period. The data in Part 2 utilizes historical data for 222 Painting with a Twist franchisees (the "Reporting Franchisees Part 2). 61 Painting with a Twist franchises were excluded from the calculations because they were not open during the entire Measurement Period and/or did not report the data necessary to be included in the analysis.

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.

The information is based on operations during calendar year 2019 and does not reflect operations occurring during the COVID 19 pandemic.

PART I: AVERAGE AND MEDIAN ANNUAL GROSS REVENUE

The chart below presents the Average Annual Gross Revenue[1] and Median Annual Gross Revenue[2] for all Reporting Franchisees Part 1 during the Measurement Period.

TABLE I
AVERAGE ANNUAL GROSS REVENUE AND MEDIAN ANNUAL GROSS REVENUE
For the period from January 1, 2019 to December 31, 2019

Category	High	Low	Average[1]	Median[2]	Number and Percent Exceeding the Average
All	$539, 000	$35,000	$226,000	$218,000	119 (47%)
Top Third[3]	$539,000	$258,000	$320,000	$303,000	31 (36%)

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Middle Third[3]	$256,000	$186,000	$219,000	$218,000	42 (49%)
Bottom Third[3]	$185,000	$35,000	$139,000	$142,000	43 (51%)

Notes to Part I:

1. Average Annual Gross Revenue is defined as the sum of the Annual Gross Revenue of the Reporting Franchisees divided by 255, the number of Reporting Franchisees Part 1. "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 currently include any revenue derived from alcohol or retail sales made during events, and we do not currently charge a royalty in connection with any revenue derived from alcohol sales, but may do so in the future.

2. The Median Annual Gross Revenue achieved by Reporting Franchisees Part 1 during the Measurement Period was $217,630. "Median" means that 1/2 of the Reporting Franchisees Part 1 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 Part 1", we took the top 85 performing Reporting Franchisees Part 1 based on Annual Gross Revenue. For the "Middle Third Reporting Franchisees Part 1", we took the middle 85 performing Reporting Franchisees Part 1 based on Annual Gross Revenue. For the "Bottom Third Reporting Franchisees Part 1", we took the bottom 85 performing Reporting Franchisees Part 1 based on Annual Gross Revenue.

PART II: EXPENSE INFORMATION FOR REPORTING FRANCHISEES

The chart below presents certain expense information of the 222 Reporting Franchisees Part 2.

Category	All	Percentage of Revenue[1]
Average Annual Gross Revenue[1]	$233,010	100%
Average Artist Pay[2]	$40,480	17%
Average Operating Supplies[3]	$21,259	9%
Average Annual Advertising	$17,232	7%
Average Charitable Donations	$2,900	1%
Average Rent[4]	$46,856	20%

Notes to Part II:

1. Average Annual Gross Revenue is defined as the sum of the Annual Gross Revenue of the Reporting Franchisees Part 2 divided by 222, the number of Reporting Franchisees Part 2. Please see Note 1 to Table I-A for additional information. Percentage of Revenue was

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determined by taking the applicable line item expense and dividing it by Average Annual Gross Revenue, which is $233,010.

2. "Artist Pay" is defined as the amount each Reporting Franchisees Part 2 allocated to paying the compensation 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 Part 2.

3. "Operating Supplies" is defined as the amount paid by each Reporting Franchisees Part 2 in the Measurement Period to cover all supplies needed to operate the events 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 Part 2 during the Measurement Period and dividing it by the total number of Reporting Franchisees Part 2.

4. "Rent" includes the rent paid by the Reporting Franchisees Part 2 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 Part 2 during the Measurement Period and dividing it by the total number of Reporting Franchisees Part 2.

Note to Item 19:

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

1. 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. Exhibit H to this franchise disclosure document contains the names, addresses and telephone numbers of all of 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. 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

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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 Joe Lewis, President & CEO, at 2121 N. 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 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	258	298	+40
	2018	298	316	+18
	2019	316	283	-33
Company-Owned	2017	6	5	-1
	2018	5	5	0
	2019	5	5	0
Total Outlets	2017	264	303	+39
	2018	303	321	+18
	2019	321	288	-33

Notes to Table 1:

The Company-Owned outlets include CNC, PWEX, Vino and the two outlets acquired from Bottle & Bottega (See Item 1). The count for "Outlets at End of the Year" for 2018 includes the Bottle & Bottega outlets acquired in 2018.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)
For years 2017 to 2019

State	Year	Number of Transfers
ARKANSAS	2017	0
	2018	0
	2019	1
CALIFORNIA	2017	0
	2018	0

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State	Year	Number of Transfers
	2019	2
COLORADO	2017	2
	2018	1
	2019	1
DELAWARE	2017	0
	2018	1
	2019	0
FLORIDA	2017	4
	2018	4
	2019	3
KENTUCKY	2017	0
	2018	0
	2019	0
LOUISIANA	2017	1
	2018	2
	2019	0
MICHIGAN	2017	0
	2018	1
	2019	0
MISSOURI	2017	4
	2018	1
	2019	0
MONTANA	2017	1
	2018	0
	2019	0
OHIO	2017	0
	2018	0
	2019	1
PENNSYLVANIA	2017	1
	2018	0
	2019	2
TEXAS	2017	3
	2018	6
	2019	2
UTAH	2017	0
	2018	0
	2019	0
	2017	16

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State	Year	Number of Transfers
TOTAL	2018	16
	2019	12

Table No. 3
Status of Franchised Outlets
For years 2017 to 2019

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	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	1	1
ARKANSAS	2017	5	0	0	0	0	0	5
	2018	5	0	1	0	0	1	3
	2019	3	1	1	0	0	0	3
ARIZONIA	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
CALIFORNIA	2017	2	4	0	0	0	0	6
	2018	6	3	0	0	0	0	9
	2019	9	2	0	0	0	0	11
COLORADO	2017	6	3	0	0	0	0	9
	2018	9	1	0	0	0	1	9
	2019	9	0	0	0	0	0	9
CONNECTI-CUT	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
DELAWARE	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	1	3
FLORIDA	2017	50	8	0	0	0	1	57
	2018	57	3	4	0	0	1	55
	2019	55	0	2	0	0	3	50
GEORGIA	2017	6	2	0	0	0	0	8
	2018	8	1	0	0	0	0	9

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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
	2019	9	0	0	0	0	0	9
HAWAII	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
ILLINOIS	2017	2	0	0	0	0	1	1
	2018	1	8	0	0	0	0	9
	2019	9	0	1	0	0	1	7
INDIANA	2017	6	0	0	0	0	0	6
	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	1	5
IOWA	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
KANSAS	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	1	0
KENTUCKY	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	1	2
	2019	2	0	0	0	0	1	1
LOUISIANA	2017	9	0	0	0	0	2	7
	2018	7	2*	1	0	0	0	8
	2019	8	0	0	0	0	0	8
MAINE	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	1	0	0	0	0
MARYLAND	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
MASSA-CHUSETTS	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	1	0	0	0	2
	2017	14	2	0	0	0	0	16

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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
MICHIGAN	2018	16	0	0	0	0	0	16
	2019	16	0	3	1	0	0	12
MINNESOTA	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	1	0	0	0	1
MISSISSIPPI	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	1	2
MISSOURI	2017	7	0	0	0	0	0	7
	2018	7	0	0	0	0	0	7
	2019	7	0	0	0	0	1	6
MONTANA	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
NEBRASKA	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
NEW JERSEY	2017	5	2	0	0	0	0	7
	2018	7	2	0	0	0	2	7
	2019	7	0	0	0	0	1	6
NEW MEXICO	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
NEW YORK	2017	12	0	0	0	0	0	12
	2018	12	3	0	0	0	2	13
	2019	13	1	0	0	0	1	13
NORTH CAROLINA	2017	6	0	0	0	0	0	6
	2018	6	1	0	0	0	0	7
	2019	7	0	0	0	0	2	5
OKLAHOMA	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1

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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
OHIO	2017	7	0	0	0	0	0	7
	2018	7	2	0	0	0	1	8
	2019	8	0	0	0	0	2	6
OREGON	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
PENN-SYLVANIA	2017	22	5	0	0	0	0	27
	2018	27	1	0	0	0	2	26
	2019	26	1	1	0	0	3	23
SOUTH CAROLINA	2017	1	1	0	0	0	0	2
	2018	2	1	0	0	0	0	3
	2019	3	1	0	0	0	0	4
TENNESSEE	2017	7	3	0	0	0	0	10
	2018	10	1	0	0	0	0	11
	2019	11	0	0	0	0	0	11
TEXAS	2017	67	4	0	0	0	1	70
	2018	70	2	2	0	0	2	68
	2019	68	0	0	0	0	6	62
UTAH	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
VIRGINIA	2017	2	2	0	0	0	0	4
	2018	4	1	0	0	0	0	5
	2019	5	0	0	0	0	1	4
WASHINGTON	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
WISCONSIN	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2017	258	45	0	0	0	5	298
	2018	298	39*	8	0	0	13	316

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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
TOTAL	2019	316	6	11	1	0	27	283

* The 2018 figure includes 2 Company-Owned outlets that were sold to a franchisee and includes the Bottle & Bottega outlets acquired by Painting with a Twist in October 2018.

Table No. 4
Status of Company-Owned Outlets
For Years 2017 to 2019

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
LOUISIANA	2017	4	0	0	1	0	3
	2018	3	0	0	0	2	1
	2019	1	0	0	0	0	1
ILLINOIS	2017	0	0	0	0	0	0
	2018	0	2	0	0	0	2
	2019	2	0	0	0	0	2
NEW YORK	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
TEXAS	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
TOTAL	2017	6	0	0	1	0	5
	2018	5	2	0	0	2	5
	2019	5	0	0	0	0	5

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Table No. 5
Projected Openings as of December 31, 2019

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	0	1	0
ARKANSAS	0	0	0
ARIZONA	0	0	0
CALIFORNIA	1	2	0
COLORADO	0	0	0
CONNECTICUT	0	0	0
DELAWARE	0	0	0
FLORIDA	2	2	0
GEORGIA	2	2	0
HAWAII	0	0	0
ILLINOIS	0	0	0
INDIANA	0	0	0
IOWA	0	0	0
KANSAS	0	0	0
KENTUCKY	0	0	0
LOUISIANA	0	1	0
MAINE	0	0	0
MARYLAND	0	0	0
MASSACHUSETTS	0	0	0
MICHIGAN	1	0	0
MINNESOTA	0	0	0
MISSISSIPPI	0	0	0
MISSOURI	0	0	0
MONTANA	0	0	0
NEBRASKA	0	0	0
NEVADA	1	1	0
NEW JERSEY	0	0	0
NEW MEXICO	0	0	0
NEW YORK	0	0	0
NORTH CAROLINA	0	1	0

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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
OHIO	0	0	0
OKLAHOMA	0	0	0
PENNSYLVANIA	1	0	0
SOUTH CAROLINA	0	1	0
TENNESSEE	1	0	0
TEXAS	4	2	0
UTAH	0	0	0
VIRGINIA	0	0	0
WASHINGTON	0	0	0
WISCONSIN	0	0	0
TOTAL	13	13	0

Explanatory Notes:

Note 1: Our fiscal year end is December 31, 2019.
Note 2: There were no area developers as of December 31, 2019

The name, business address and business telephone number of each current Painting with a Twist franchisee as of December 31, 2019 is attached as Exhibit H. Also included in Exhibit H, are the names, city, state and business telephone number (or, if unknown, home telephone number) of each Painting with a Twist franchisee or developer whose franchise agreement or development agreement has, between January 1, 2019 and December 31, 2019, been terminated, canceled, not renewed, or who has, during the same time period, otherwise voluntarily or involuntarily ceased to do business, or who has not communicated with us within 10 weeks of the date of this disclosure document. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of December 31, 2019, 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 us. 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 D are our audited, fiscal year end financials for the years ending December 31, 2017, 2018, and 2019.

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ITEM 22

CONTRACTS

The following agreements are attached to this Disclosure Document in the pages immediately following:

A. Franchise Agreement
   A. Guaranty Agreement
   B. Confidentiality Agreement
   C. ACH Service Agreement
B. Area Development Agreement
F. General Release
G. Franchisee Compliance Certification
I. Contingent Assignment of Lease
J. State Law Addenda

ITEM 23

RECEIPT

Exhibit K of this 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: Richard Leveille, Painting with a Twist, L.L.C., at 2121 North Causeway Boulevard, Suite 200, Mandeville, Louisiana 70471 (franchising@paintingwithatwist.com).

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EXHIBIT A

FRANCHISE AGREEMENT

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EXHIBIT A

PAINTING WITH A TWIST, L.L.C.

FRANCHISE AGREEMENT

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PAINTING WITH A TWIST FRANCHISE AGREEMENT

This Painting with a Twist Franchise Agreement ("Agreement") is made effective on _____ (the "Effective Date") by and between **Painting with a Twist, L.L.C.**, a Louisiana limited liability company, whose principal place of business is 2121 N. Causeway Blvd., Suite 200, Mandeville, Louisiana 70471 (the "Franchisor" or "Painting with a Twist"), and _____, a(n) _____ limited liability company, whose address is _____(the "Franchisee").

RECITALS:

Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and continues to develop a system (the "System") for operating distinctive businesses specializing primarily in providing a fun and engaging social setting where guests drink wine or other beverages while creating art or crafts using Painting With A Twist branded products and other services and products that Franchisor approves from time to time through an approved studio location utilizing the System and Proprietary Marks (each, a "Franchised Business").

Franchisor is the owner of certain marks and other intellectual property, including the mark "Painting with a Twist" which have been filed or registered with the United States Patent and Trademark Office, and may, in the future become the owner, licensee or authorized distributor for other trademarks, including logos and designs (the "Proprietary Marks");

Franchisor's System is comprised of various proprietary and, in some cases, distinguishing elements, including the Proprietary Marks, 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, all of which may be changed, improved, and further developed by Franchisor from time to time.

Franchisor is in the business of granting qualified parties a franchise for the right to independently own and operate a single Franchised Business utilizing the Proprietary Marks and System at a location that Franchisor approves in writing (the "Premises");

Franchisee desires to acquire, and Franchisor is willing to grant Franchisee the right to operate a non-exclusive franchise for the right to operate a single Franchised Business from an approved location, and under the terms and conditions stated in this Agreement.

In consideration of the foregoing, the parties agree as follows:

ARTICLE 1. FRANCHISE RIGHT GRANTED, LOCATION.

1.1. GRANT AND LICENSE.

Beginning on the Effective Date of this Agreement and subject to the terms and conditions of this Agreement, Franchisor hereby awards Franchisee the right to open and operate one (1) Franchised Business as well as a non-exclusive right and license to use the Proprietary Marks designated by Franchisor. If Franchisee is a business entity, each individual holding in excess of fifteen percent (15%) of the total voting power of Franchisee's ownership interest (including each individual holding in excess of twenty percent (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. Any individual who directly or indirectly owns an interest in Franchisee, and any individual who attends Franchisor's Management Training (as defined in Article 4 of this Agreement), must execute the Confidentiality Agreement attached as Attachment B and a non-compete agreement in a form approved by Franchisor.

1.2. RIGHTS NOT GRANTED.

This Agreement does not grant Franchisee any rights to: (i) operate additional Franchised Businesses or operate the Franchised Business at any location other than the Premises; (ii) offer any product or service via e-commerce; (iii) establish an independent website or establish a URL incorporating the Proprietary 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. SITE SELECTION AREA.

(i) With Franchisor's acceptance, Franchisee will locate, lease and open, within twelve (12) months from the Effective Date, a Franchised Business within the geographical area of _____ (the "Site Selection Area"). The Site Selection Area is described solely for the purpose of limiting the area within which Franchisee may seek a site location for the Franchised Business. If Franchisee is unable to secure an approved site and open a Franchised Business in the Site Selection Area within this twelve (12) month period, this Agreement may be terminated by Franchisor pursuant to Article 14.4 of this Agreement.

(ii) Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their Franchised Business within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for the Franchised Business, and resulting Protected Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on Franchisor's then-current guidelines.

(iii) In the event this Agreement is cancelled pursuant to the terms set forth in this Article 1.3, Franchisor shall refund to Franchisee twenty-five percent (25%) of the "Initial Franchise Fee" described in Article 5.1. Other than this instance, the Initial Franchise Fee is not refundable, in whole or in part, under any other circumstances.

1.4. PREMISES SELECTION AND ACCEPTANCE.

In order to obtain Franchisor's acceptance of a Premises from which Franchisee is authorized to operate its Franchised Business, Franchisee must first:

(i) Submit for Franchisor's evaluation the proposed lease, site information required by Franchisor 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 Franchised Business 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. Within thirty (30) days of Franchisee providing the required documentation to Franchisor, Franchisor will reasonably evaluate and critique the

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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.

(ii) If and when Franchisor is satisfied with any one of the sites and the lease terms are acceptable, Franchisor will give Franchisee written authorization to proceed with preliminary lease negotiations. Franchisor reserves the right to reject any site or lease proposal Franchisee submits and to require that Franchisee obtain information on alternative sites.

(iii) Franchisor reserves the right to timely reasonably review, evaluate and approve Franchisee's proposed lease for the Premises ("Lease") prior to execution. Before Franchisee signs the Lease, Franchisee must submit a copy of the Lease to Franchisor for its authorization and review. 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. Upon execution of the Lease, Franchisee must provide a copy of the fully executed Lease, including all exhibits, attachments and addenda thereto. Franchisee shall not agree to an amendment or modification of the Lease terms thereafter without notice and approval by Franchisor. Franchisee shall also provide Franchisor with any notices by Landlord, such as a notice of default, or other such notices that may materially affect the terms of the Lease.

(iv) After Franchisor has accepted a site for the Franchised Business in writing and Franchisee has acquired the site as set forth herein, the site will constitute the Premises.

(v) 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 Franchisee has conducted an independent investigation of the suitability of the site and 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 Franchised Business. 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. 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.

1.5. LIMITED PROTECTED TERRITORY.

Upon Franchisee executing the Lease for the Premises and prior to the opening of Franchisee's Franchised Business, Franchisor shall designate in writing to Franchisee a geographical area surrounding the Franchisee's Franchised Business ("Protected Territory"). The Protected Territory will be defined by identifiable boundaries and include a residential population count of at least fifty thousand (50,000), based upon then-current Painting with a Twist site selection data. The boundaries of the Protected Territory may be shaped, at Franchisor's reasonable discretion, to match the population criteria and natural or geographic features. As long as Franchisee is not in default under this Agreement, Franchisor will neither establish, nor license another party or entity to establish a Franchised Business under the "Painting with a Twist" trademark within the Protected Territory. Franchisee understands that this Agreement grants it no rights: (i) to distribute such Painting with a Twist 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 may not be changed or altered should Franchisee have to relocate its Franchised Business for any reason.

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1.6. RELOCATION.

Once the Franchisor approves the Premises of the Franchised Business, Franchisee may only use the Premises to operate the Franchised Business. Upon written request of Franchisee, Franchisor, in its sole discretion, may grant Franchisee permission to relocate its Franchised Business to a location approved by Franchisor. Any relocation will be at Franchisee's sole expense. Except as provided herein or in Article 13.1(iii) below, Franchisee must pay Franchisor its then-current relocation fee for services Franchisor will provide in connection with the relocation of Franchisee's Franchised Business before Franchisor will review a proposed new site for the Franchised Business.

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, or to license others the right to own and operate, Franchised Businesses at any location(s) outside Franchisee's Protected Territory under the same or different marks; (b) use the Proprietary 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) engage and license others 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.

2.1. BUILD-OUT; REQUIRED LICENSES.

Franchisee, at its own expense, shall: (i) renovate the Premises into a Franchised Business in accordance with Franchisor's specifications and standards set forth in the Operations Manual or otherwise in writing; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of its Premises into a Franchised Business; and (iii) Franchisee shall fully complete the renovation, construction and equipping within a reasonable time thereafter. Franchisee shall commence operation of each Franchised Business no later than thirty (30) days following substantial completion of the renovation and equipment installation at the Premises, but shall not commence operations without Franchisor's written approval. In no event shall Franchisee construct or remodel the interior or exterior of any Franchised Business 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 Franchised Business prior to commencing business at its Franchised Business and shall maintain all licenses in full force and effect during the term of this Agreement.

2.2. DESIGN PLAN.

Before commencing any construction or renovations to the Franchised Business or undertaking any leasehold improvements at the Premises, Franchisee must submit a drawing of the physical layout of the Franchised Business 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")

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that Franchisee must follow to ensure that the design of Franchisee's Franchised Business conforms to Franchisor's then-current standards, plans and specifications. If the renovations, construction, or remodeling of Franchisee's Franchised Business 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 Franchised Business conforms to all codes and ordinances, including the ADA. Franchisee must pay Franchisor or its designee its then-current design fee 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 Franchised Business to Franchisor.

ARTICLE 3. TERM AND RENEWAL.

3.1. TERM.

The term of this Agreement shall commence on the Effective Date and shall expire ten (10) years from the date the Franchised Business opens for business, unless sooner terminated under the terms hereof ("Term").

3.2 RENEWAL.

Franchisee may renew the rights granted by this Agreement for four (4) additional terms of five (5) years each ("Additional Terms"), subject to the following conditions:

(i) Franchisee gives Franchisor written notice of Franchisee's election to renew not less than nine (9) and not more than fifteen (15) months before the end of the then current term.

(ii) Franchisee must not have: (i) any uncured defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's approved/designated suppliers and vendors, or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received two (2) or more separate, written notices of default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date.

(iii) At Franchisor's request, Franchisee shall undertake and complete the renovation or modernization of its Franchised Business.

(iv) Franchisee shall execute Franchisor's then-current franchise agreement and related agreements, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.

(v) Franchisee has demonstrated, to Franchisor's satisfaction, that Franchisee has the right to operate the Franchised Business at the Premises for the duration of the renewal term.

(vi) Franchisee and/or the "Designated Manager" (as applicable) satisfies Franchisor's then-current training requirements for renewing franchisees at Franchisee's expense, including paying Franchisor's then-current refresher training fee if applicable, as of the date of such renewal, if any.

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(vii) Franchisee signs a general release, in the form Franchisor prescribes, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising out of or related to this Agreement or any federal, state, or local law or ordinance, with the release being consistent with any applicable state statute regulating franchises.

ARTICLE 4. TRAINING.

4.1. Franchisee will designate individuals as trainees to attend Franchisor's management training in Mandeville, Louisiana and/or complete management training courses on-line ("Management Training") or at another training location selected by Franchisor. Franchisor will offer Management Training for Franchisee and its management employees at times selected by Franchisor. Franchisor will bear the costs of providing Franchisee's initial Management Training, 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.

4.2. Franchisee will not allow any Franchised Business to be opened or managed by any person who has not attended and successfully completed Management Training or other training course designated by Franchisor. If Franchisee is an individual, and does not manage its Franchised Business 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 manager; and (ii) successfully complete the course.

4.3. 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.

4.4. In the event of a sale to a third party of Franchisee's Franchised Business after opening, the transferee must attend and satisfactorily complete Management Training 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 13 herein. No Franchised Business shall open until Franchisor certifies that the transferee is approved to operate the respective Franchised Business.

4.5. Franchisor will provide training for Franchisee at Franchisee's Franchised Business at the time of its opening. During the opening of Franchisee's Franchised Business, Painting with a Twist, at its own expense, will provide at least one Painting with a Twist representative to you at your Franchised Business location to facilitate the opening of your business.

4.6. Additional training sessions after the initial Management Training may be available, at Franchisor's discretion, at Franchisee's expense. Franchisee's attendance at additional training sessions may be mandatory if requested by the Franchisor or if they are scheduled in Franchisee's state. Franchisor may not mandate more than two additional training sessions in a twelve (12) month period unless they are online courses. 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.

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Additionally, Franchisee, at Franchisee's expense, may be required to attend (i) regional meetings when and if established by Franchisor, (ii) must attend Franchisor's national convention or conference when and if scheduled and must pay the conference or convention registration fee. In addition to being in default of this Agreement, Franchisee must pay the national conference or registration fee even if Franchisee does not attend the national conference or convention.

ARTICLE 5. FEES, REPORTS, BOOKS AND RECORDS.

5.1. FEES.

(i) Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Twenty-Five Thousand Dollars ($25,000.00) (the "Initial Franchise Fee"). Except as provided in Article 1.3 of this Agreement, the Parties acknowledge and agree that the Initial Franchise Fee will be deemed fully earned and non-refundable upon payment.

(ii) Franchisee shall pay to Franchisor weekly during Term six percent (6%) of the weekly Gross Sales of Franchisee's Franchised Business ("Royalty Fee"). For the purposes of this Agreement, "Gross Sales," means gross revenues 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 Franchised Business, and gross revenues received by Franchisee from any other business operated at the Premises, excluding sales taxes and discounts approved in writing by Franchisor.

(iii) 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").

(iv) Franchisee acknowledges that it is vital for the Painting with a Twist System to feature digital, e-commerce and other modern ordering capabilities, platforms, "apps" and other now or hereafter developed infrastructure, tools, systems and analytics, and that these capabilities are constantly evolving and require continued investment and innovation. Franchisee agrees to pay to Franchisor a monthly fee ("Technology Fee"), subject to change in Franchisor's sole discretion for the maintenance and optimization of the FAM System and improving other software and information technology programs and services to maintain and enhance the System, (defined and described in Article 11).

5.2. REPORTS AND INSPECTION OF RECORDS.

(i) 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 5.1) and, if implemented by Franchisor, the System Advertising Fee (see Article 5.1) of Gross Sales payable under the terms of this Agreement as well as the Technology Fee (see Article 5.1) along with any other fee allowed under this Agreement or the ACH Service Agreement.

(ii) Franchisee shall report its Gross Sales using the FAM System (see Article 11) 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

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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 Franchisees 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 lease for the Premises, 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.

(iii) Franchisee shall submit to Franchisor an accurate monthly Profit and Loss Statement within thirty (30) calendar days after the end of each calendar month, using the chart of accounts, format and method prescribed by Franchisor, signed and certified by Franchisee, and shall provide Franchisee's sales, expenses and financial status with respect to the Franchised Business. In addition, Franchisee shall submit to Franchisor annual financial statements, including a Profit and Loss Statement and Balance Sheet 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. In addition to any other remedy under this Agreement, Franchisee shall pay to Franchisor a late fee of up to $50.00 per day for each day following Franchisor notice, 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 pay 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 upon written request of Franchisor. Franchisor reserves the right to require such further information concerning Franchisee's Franchised Business as Franchisor may from time to time reasonably request. Furthermore, Franchisee shall provide Franchisor with any reports as Franchisor may from time to time require, in the form, method 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 sixty (60) 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 Franchised Business.

Franchisee must maintain accurate business records, reports, accounts, books, and data relating to the operation of Franchisee's Franchised Business. 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 Franchised Business 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 Franchised Business 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 Franchised Business 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.

(iv) If any audit or other investigation reveals an under-reporting or under-recording error of

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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 Franchised Business is located.

(v) Franchisee acknowledges that Franchisor regularly reviews ongoing operations at Franchised Businesses 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, whether on a daily, weekly or monthly basis. Non-compliance with this obligation constitutes a material violation of this Agreement.

5.3 TAXES AND INDEBTEDNESS.

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.

ARTICLE 6. MANUALS AND STANDARDS OF FRANCHISEE QUALITY, CLEANLINESS, AND SERVICE.

6.1. STANDARDS.

In order to promote the value and goodwill of the Proprietary Marks and the System, and to protect Franchisor's Marks and the System, Franchisee agrees to conduct its business in accordance with the standards promulgated by Franchisor as set forth in this Article.

6.2. MANUALS.

During the Term, Franchisor will loan or make available on-line to Franchisee Franchisor's operations manual, which Franchisor periodically may amend, and other handbooks, bulletins, training and materials Franchisor designates (collectively, the "Manuals"). In the Manuals, Franchisor will list authorized products and/or services (the "Authorized Products and/or Services") to be sold by Franchisee, and promulgate standards of operation for a Franchised Business, including standards of quality, cleanliness, and service for all furnishings, interior and exterior decor, supplies, fixtures, and equipment used in connection with each Franchised Business. Franchisee agrees to operate its Franchised Business in accordance with the then-current standards, specifications and procedures set forth in the Manuals and this Agreement. 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 Premises, without Franchisor's prior written approval shall constitute a material violation of this Agreement.

(i) The Manuals (and copies thereof) remain Franchisor's property and must be returned to Franchisor or if Franchisor consents, promptly destroyed 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, to assure that its employees and any other party under Franchisee's control, shall never reveal any of the contents of the Manuals or any other secret provided by Franchisor, except as is necessary for the operation of Franchisee's Franchised Business. If Franchisee is not involved in the management of Franchisee's Franchised Business, 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.

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6.3. HOURS.

Franchisee agrees to open for business and maintain the prescribed days and hours of operation at the Franchised Business as prescribed by Franchisor in the Manuals or otherwise in writing from time to time. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Premises. It is acknowledged that the hours of operation of other Franchisees may vary in relation to each respective location, and local legal restrictions, if any.

6.4. APPEARANCE.

From time to time, Franchisee's Franchised Business may need interior and exterior repairs, maintenance, 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 to comply with Franchisor's then-current standards and specifications described in the Manuals. Franchisor shall not require any such work at a particular Franchised Business less than three (3) years after the opening of the Franchised Business except: (i) if repairs, maintenance or repainting are necessary to maintain the appearance of the interior and exterior of the Premises in a clean and orderly reasonable condition satisfactory to Franchisor; or (ii) upon the sale of the Franchisee's Franchised Business. Within ninety (90), days or such longer time period that Franchisor reasonably determines that is needed under the circumstances, Franchisee shall fully implement and complete such changes to the Franchised Business subject to receipt of all necessary landlord and governmental permits.

6.5. PRODUCT LINE AND SERVICE.

Franchisee agrees to only offer such products or services as specified by Franchisor in this Agreement or in the Manuals, from time to time. Franchisor will provide Franchisee with access to all approved artworks in Franchisor's art library as well as any future approved art created by the Franchisor or other franchisees within the System. No work of art 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.

6.6. FIXTURES AND OTHER GOODS.

No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, or equipment bearing any of the Proprietary Marks shall be used in or upon any Franchised Business unless the same shall have been first submitted to and approved in writing by Franchisor, as provided in Article 10.

6.7. OFFSITE EVENTS.

Franchisee may conduct events outside of Franchisee's Franchised Business 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 Article 16.1 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 without the prior written consent of Franchisor or in accordance with the Manuals. Franchisee agrees to indemnify and hold

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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.

6.8. 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 Franchised Business in a businesslike, proper and efficient manner.

6.9. PERSONAL CONDUCT AND BEST EFFORTS.

Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring the Proprietary 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 Franchised Business or the goodwill associated with the Proprietary Marks and the System.

6.10. 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 Franchised Business.

6.11. 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 Franchised Business 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 7. SERVICES, INSPECTIONS, SIGNS.

7.1. 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 Franchised Business and not thereafter disapproved in writing by Franchisor. All Authorized Products and/or Services shall be distributed under the specific name designated by Franchisor. Franchisor has the right, subject to applicable law, to establish minimum prices and/or maximum prices to be charged by Franchisee for the products and services Franchisee offers at the Franchised Business. Franchisee must honor all such maximum prices and minimum prices Franchisor establishes in accordance with this Section. Franchisee must also honor and offer all coupons, discounts, campaigns, loyalty programs, gift cards or gift certificates, or similar promotions Franchisor designates and cannot offer coupons, discounts, gift cards or gift certificates, or similar promotions that are not part of a System-wide promotion or program without Franchisor's prior written approval.

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(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.

7.2. COMPLIANCE.

Franchisee shall operate its Franchised Business 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. Franchisee shall not allow any Premises or part of a Premises to be used for any immoral or illegal purpose.

7.3. SIGNS, DESIGNS AND FORMS OF PUBLICITY.

(i) Franchisee shall maintain a suitable sign at, on, or near the front of the Premises, identifying the Premises as a Franchised Business. Such sign shall conform in all respects to Franchisor's requirements stated in the Manuals and in accordance with the layout and Design Plan approved for the Premises.

(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 8) unless first submitted to Franchisor and approved in writing. 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. Franchisor may subsequently disapprove such material at any time thereafter. Upon written notice from Franchisor, Franchisee shall discontinue and or remove such disapproved material and any objectionable advertising materials or any other materials not suitable for display, in Franchisor's sole discretion.

7.4. UNIFORMS AND EMPLOYEE APPEARANCE.

Franchisee shall cause all employees, while working in the Franchised Business 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.

7.5. 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 Premises without Franchisor's prior written approval. Franchisee agrees to purchase, install and maintain a music system, approved by Franchisor, in its Premises. The music selections must be approved by Franchisor.

7.6. INSPECTION.

(i) Franchisor's authorized representatives shall have the right to enter upon the Premises of Franchisee's Franchised Business during business hours, without disrupting Franchisee's business

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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 and/or Services 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.

ARTICLE 8. ADVERTISING.

8.1. GENERALLY.

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

(ii) Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Franchised Businesses operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.

(iii) All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals. Franchisor shall approve, in Franchisor's sole discretion, all advertising and marketing activities conducted by Franchisee. Franchisee must submit to Franchisor pursuant the Notice requirements in this Agreement, all advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by Franchisor. If any advertising or marketing activities are later disapproved, Franchisee shall discontinue use of such promptly upon written notice by Franchisor.

(iv) Franchisee cannot 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 Franchised Businesses 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 forgoing, Franchisee may accept customers from outside Franchisee's Protected Territory at Franchisee's Premises, 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 Franchised Business or any products or services offered by the Franchised Business via the Internet or any other means of e-commerce without Franchisor's consent.

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8.2. LOCAL ADVERTISING.

(i) Franchisee agrees to spend the then-current amount that Franchisor has established 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 Franchised Business to the public. At Franchisor's request, Franchisee shall, within five (5) days from such request, promptly submit all receipts, invoices, etc. to Franchisor as verification of compliance with this Article 8.2(i).

(ii) Thereafter, Franchisee agrees to spend a minimum of $1,000.00, increased by five percent (5%) annually each year on the anniversary date of the opening of the Franchised Business, per month on local advertising directed to the Protected Territory, 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 Article 8.2(ii). Included with this requirement, Authorized Products and/or Services shall be marketed by approved materials to be utilized in Franchisee's Franchised Business. The approved and authorized materials may include, in Franchisor's discretion, requirements concerning organization, graphics, product and/or service descriptions, illustrations, and any other matters related to the materials, whether or not similar to those listed. In Franchisor's discretion, the materials may vary depending upon region, market size, and other factors. Franchisor may change the materials from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or non-uniform Franchised Business(es) within regions, in which case Franchisee will be given a reasonable time (not longer than thirty (30) days) to discontinue use of any old materials and implement use of the new materials.

8.3. SYSTEM ADVERTISING FUND.

(i) 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 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.

(ii) 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 may 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.

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(iii) 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.

(iv) Franchisor will prepare and make available for Franchisee within one hundred twenty (120) days following the end of the fiscal year and sixty (60) days following the period ending June 30 during the Term, an unaudited statement of contributions and expenditures for the System Advertising Fund. The statement will be presented to Franchisee upon Franchisee's written request.

(v) Franchisor may, in its sole discretion, establish regional marketing funds or local marketing cooperatives, which may be named a "Regional Fund" or "Cooperative" (each a "Cooperative"), establish the bylaws and other rules under which each Cooperative will operate, and determine whether Franchisee must participate in a Cooperative. 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. Franchisor has the right to change, combine or dissolve Cooperatives. If the Franchised Business is within the territory of more than one Cooperative, Franchisee is 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;

(b) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior written approval;

(c) Upon dissolution of the Cooperative, any funds remaining in the Cooperatives shall be paid out to each member on a pro rata basis according to each member's proportionate funding of the Cooperative; and

(d) 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. Franchisor shall administer the Cooperative and will prepare governing documents, such as bylaws, for the franchisees review.

ARTICLE 9. COMPANY NAMES AND MARKS AND ADDITIONAL NAMES AND MARKS.

9.1. Franchisee must use only the designated Proprietary Marks, and must use them only in the manner Franchisor authorizes and permits.

9.2. Franchisee must use the Proprietary Marks only for the operation of the Franchised Business at the Premises and for advertising the Franchised Business.

9.3 Franchisee will use all of the Proprietary Marks without prefix or suffix and in conjunction with the symbols "TM," "SM," "S," or "R," as applicable. Franchisee may not use Proprietary 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 the Proprietary 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.

9.4 Franchisee must identify itself as the owner of the Franchised Business (in the manner

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Franchisor prescribes) in conjunction with any use of the Proprietary 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 Premises.

9.5. Franchisee's right to use the Proprietary 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.

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

9.7. Franchisee will execute all documents Franchisor deems necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

9.8. Franchisee must promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary 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 the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary 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 the Proprietary 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 the Proprietary Marks. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has used the Proprietary 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 the Proprietary 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 the Proprietary Marks, Franchisee will execute any and all documents and do such acts as Franchisor deems 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 the Proprietary 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.

9.9. Franchisee expressly understands and acknowledges that:

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

(ii) The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

(iii) During the Term 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, the Proprietary Marks;

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

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(v) Any and all goodwill arising from Franchisee's use of the Proprietary 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 the Proprietary Marks;

(vi) Except as specified in this Agreement, the license of the Proprietary Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others, (i) to use the Proprietary Marks itself in connection with selling products and services; (ii) to grant other licenses for the Proprietary Marks; and (iii) to develop and establish other systems using the Proprietary 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 the Proprietary 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 10. USE AND PURCHASE OF EQUIPMENT, SUPPLIES AND OTHER PRODUCTS.

10.1. 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.

10.2. To insure the consistent high quality and uniformity of products used by Franchised Businesses, Franchisee shall purchase all equipment, inventory, and other supplies, products, and materials used in the operation of its Franchised Business as Franchisor may specify from time to time, and as applicable, solely from suppliers and/or distributors that Franchisor designates in its sole and absolute discretion, which may include Franchisor or its affiliate(s). 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 to Franchisor for such approval. Franchisor has 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 as Franchisor may determine to be necessary or desirable for the operation of the System. Franchisor may charge a fee for Franchisor's reasonable costs, to review the application of the supplier or distributor and complete any inspections necessary to evaluate the supplier. Franchisor has no obligation to approve any alternative product, supplier or distributor and may revoke its approval at any time. If a supplier's approval has been revoked, Franchisees shall still be permitted to use reasonable amounts of inventory already purchased from such supplier unless that inventory can be purchased back or sold at Franchisee's cost or Franchisor determines that there is a safety, quality or exigent circumstance that requires the discontinuance of that product. 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 a reasonable period after completion of such application and inspection.

10.3. Franchisor may require Franchisee to purchase designated items and products, and products bearing the Proprietary Marks, as specified in the Manuals 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.

10.4. In operating its Franchised Business, Franchisee shall install equipment, signs, furnishings,

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supplies and fixtures in accordance with the standards and specifications recommended by Franchisor or that will continue to be recommended by Franchisor.

ARTICLE 11. FRANCHISE ADMINISTRATIVE AND MANAGEMENT SYSTEM, COLLECTION OF DATA.

11.1. 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 Franchised Business in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's Gross Sales, purchases, costs and expenses; (iii) enable Franchisor to develop System wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new Authorized Products and/or Services or the removal of existing unsuccessful Authorized Products and/or Services; (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.

11.2. In developing and operating Franchisee's Franchised Business, Franchisee shall use Franchisor's proprietary internet-based franchise administrative/management system and any periodic improvements thereto or such other system that Franchisor may designate in the future (the "FAM System"). 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 input into the FAM System by Painting with a Twist 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 the 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 Franchised Business. 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 in connection with the connectivity and use of the FAM System and any 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.

11.3. 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.

11.4. 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

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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.

11.5. 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.

11.6. During the Term, Franchisor will provide 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.

11.7. 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 date, or form 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.

11.8. 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 who 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.

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11.9. 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.

11.10. 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.

11.11. On Franchisor's request, Franchisee must apply for and maintain debit card, credit card, gift 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.

11.12. 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.

11.13. 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 or on social media, 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/or 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 Franchised Business 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 Franchised Business, at Franchisee's expense, using a template that Franchisor provides. All such

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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 Franchised Business, 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; 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 Article, 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 12. COVENANT REGARDING OTHER BUSINESS INTERESTS.

12.1. During the Term, Franchisee, and if Franchisee is an entity then each individual that directly or indirectly owns at least ten percent (10%) interest in Franchisee, as well as each of Franchisee's officers, directors, and principals, may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (a) 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, creating art or crafts in a social setting where guests drink wine or other beverages, or provides any other services offered by or engages in any other business similar to that which is the subject of the Franchised Business ("Competing Services"); or (b) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary 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, Franchisee, and if Franchisee is an entity then any individual that directly or indirectly owns at least ten percent (10%) interest in Franchisee, Franchisee's officers, directors, or principals, may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (a) 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 location within a radius of thirty (30) miles of Franchisee's former Franchised Business or of any other then existing Franchised Business; (b) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System; or (c) solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

(ii) In the event any portion of the above covenants violates laws affecting Franchisee, or is

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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.

12.2. During the Term, 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 Franchised Business that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business. Franchisee will not, during the Term 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, 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 Franchised Business. 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 Article, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm.

12.3. 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 Franchised Business and to restrict their ability to compete with the Franchised Business 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.

12.4. If Franchisee, Franchisee's employees, or principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, including, but not limited to, any modifications or additions to the services offered by the Franchised Business, 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

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intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Article 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.

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

ARTICLE 13. NATURE OF INTEREST, AND TRANSFER.

13.1. 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.

(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 Franchised Business, or (ii) a current Painting with a Twist 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 thirty percent (30%) of the then-current Initial Franchise Fee if the transfer does not involve a relocation, or a fee that is forty percent (40%) of the then-current Initial Franchise Fee if the transfer will require a new location for the Franchised Business;

(b) for any other transfer of a controlling interest to a person other than those specified in Article 13.1(iii)(a), a fee that is fifty percent (50%) of the then-current Initial Franchise Fee if the transfer does not involve a relocation, or a fee that is sixty percent (60%) of the then-current Initial Franchise Fee if the transfer will require a new location for the Franchised Business.

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;

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provided, however, that Franchisor may charge a reasonable administrative fee for such non-controlling transfers.

(iv) 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.

(v) If Transferee is an individual, Franchisor hereby consents to the assignment of this Agreement and any and all obligations referable thereto with payment of a reasonable administrative fee charged by Franchisor to a corporation, or other entity, principally owned by Transferee 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 Guaranty Agreement, attached hereto as Attachment A, regardless of your ownership in the business entity.

13.2. CONSENT TO TRANSFER.

For all proposed transfers or assignments of this Agreement, 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) Franchisee's written request for transfer of either a partial or whole interest in this Agreement or Franchisee's Franchised Business must be accompanied by an offer to Franchisor of a right of first refusal at the same price offered by any bona fide buyer. 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.

(ii) All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;

(iii) Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

(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 transferees 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.

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(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 Franchised Business 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-current standard franchise agreement form used by Franchisor (which may contain materially different terms than this Agreement), 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, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;

(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 Franchised Business.

(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 Franchised Business as Franchisee has supplied Franchisor hereunder.

(xvi) Franchisee agrees to remodel and renovate, and modify existing improvements and replace existing equipment to meet Franchisor's then-current design standards pursuant to Article 6.4 of this Agreement by a date specified by Franchisor.

(xvii) The purchase price and terms of the proposed transfer, in Franchisor's sole discretion, are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;

(xviii) 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.

13.3. 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

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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 Franchised Business as franchisee under this Agreement if: (i) within sixty (60) days from the date of death, disability or incapacity (the "60-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 training fees). 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) *Franchised Business Operation During and After 60-Day Period.* Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 60-Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) will appoint a previously approved acting interim manager to operate the Franchised Business during the 60-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 Franchised Business 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 Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (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, in addition to royalties and other amounts due under this Agreement, 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 Franchised Business. 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 Franchised Business.

ARTICLE 14. TERM, DEFAULT AND TERMINATION.

14.1 GENERALLY.

Franchisor may terminate this Agreement as described in this Article.

14.2. AUTOMATIC TERMATION 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 Franchised Business.

(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

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are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Franchised Business 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 Franchised Business in violation of Article 13 hereof.

14.3. 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 Franchised Business;

(ii) Franchisee's conduct of the Franchised Business 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, the Proprietary 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 Manuals, 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, 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 Franchised Business or, upon destruction of its Franchised Business, failure to rebuild and resume operation within a reasonable time.

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

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

(ix) If Franchisee violates the in- term restrictive covenant contained in Article 12.2;

(x) If a levy of writ of attachment or execution or any other lien is placed against Franchisee

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or any of Franchisee's principals or any of their assets which is not released or bonded against within thirty (30) days;

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

(xii) Franchisee misuses or makes unauthorized use of any Proprietary Software;

(xiii) 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 16;

(xiv) 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 Franchised Business;

(xv) 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;

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

(xvii) If Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.

14.4. DEFAULTS WITH OPPORTUNITY TO CURE.

Except as otherwise provided in this Agreement, Franchisee shall have ten (10) days after Franchisor's written notice of default within which to remedy Franchisee's failure to promptly pay any monies owed to Franchisor, Franchisor's affiliates, or any third-party vendors, when due, or to submit the financial or other information required by Franchisor under this Agreement.

Unless a shorter cure period is designated for a default under this Article 14, 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. If any such default is not cured within that time period, or such longer time period as applicable by law may require, Franchisor may, at its option, terminate this Agreement and all rights granted by it, immediately upon receipt of a written notice of termination of this Agreement to Franchisee.

14.5. 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 costs of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within five (5) days after cure.

14.6. 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.

14.7. Franchisor's delay in exercising or failing to exercise any right or remedy under this

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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.

ARTICLE 15. RIGHTS AND OBLIGATIONS UPON TERMINATION.

15.1 Upon the termination of Franchisee's rights granted under this Agreement, (whether during the Term 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 the Proprietary 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 the Proprietary Marks, System, and color scheme. At Franchisor's sole and reasonable direction, Franchisee shall at its own cost, make cosmetic changes to Franchisee's Franchised Business 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 Premises.

(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 the Proprietary Marks and the use thereof shall be and remain the property of Franchisor.

(vii) If Franchisee has registered any of the Proprietary 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 the Proprietary Marks therefrom.

(viii) 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 Franchised Business. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option.

(x) Franchisee shall immediately return to Franchisor all Manuals in Franchisee's Franchised Business.

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(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 Franchised Business.

(xiv) Franchisee shall execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Article 15.

(xv) Franchisee shall immediately vacate the Premises, 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.

15.2. 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 Franchised Business 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 five (5) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). If Franchisor exercises its option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business 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 Franchised Business. 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.

15.3. 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 Franchised Business.

ARTICLE 16. INSURANCE.

16.1. Franchisee shall obtain and maintain insurance coverages as specified by Franchisor herein or from time to time in the Manuals or otherwise in writing. Franchisee 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:

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(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 $2,000,000 aggregate with full replacement value of business contents property coverage.

(ii) Business interruption insurance, including Premises 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) All risk coverage insurance on all property insuring the Franchised Business premises and contents, including, without limitation, the construction of improvements, all supplies, inventory, fixtures, and equipment and personal property, containing a replacement value endorsement in an amount equal to the full replacement value.

(v) Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars ($1,000,000) combined single limit, and Two Million Dollars ($2,000,000) general aggregate limit. 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 name as an additional insured.

16.2. In the event of damage to the Franchised Business covered by insurance, the proceeds of any such insurance shall be used to restore the Franchised Business to its original condition as soon as possible, unless such restoration is prohibited by the 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.

16.3. Franchisee shall, prior to opening its Franchised Business, 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 one (1) business day to cure any lapses in insurance coverage. Franchisee must submit a certification of insurance that demonstrates compliance with this Article. 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.

16.4. 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 Franchised Business.

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

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16.6. 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 17. SOLE OBLIGATIONS OF FRANCHISOR.

17.1. Franchisor agrees to provide the following services to Franchisee:

(i) To reasonably assist Franchisee with any operational or financial problem encountered by Franchisee, after written notice to Franchisor of Franchisee's problem and the type of assistance needed. Franchisor may provide any assistance at Franchisor's designated office or where Franchisee is located at a mutually agreed upon time.

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

(iv) To loan or make available online to Franchisee a copy of its Manuals, which contain mandatory and suggested specifications, standards and procedures produced by Franchisor. These Manuals are confidential and remain Franchisor's property.

(v) To train Franchisee in accordance with this Agreement, and to provide Franchisee with assistance in opening the Franchised Business.

17.2. Franchisor shall not be held in breach of this Agreement until (i) Franchisor has received notice of any alleged breach from Franchisee; 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.

17.3 Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

ARTICLE 18. RELATIONSHIP OF PARTIES, INDEMNIFICATION.

18.1. Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Franchised Business, 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

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Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, stating: " Franchisee operates Franchisee's Franchised Business as an independently owned and operated franchise of Painting with a Twist," or such other language as Franchisor designates in writing. 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 Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.2. Franchisee agrees 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 Franchised Business, including the use, condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business, the sale or delivery of painting classes; (b) the use of the Proprietary Marks; (c) the transfer of any interest in this Agreement or Franchisee's Franchised Business 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. Franchisee's indemnification obligations described in this Article 18.2 will not apply if the loss, liability, damage or cost is solely due to the Franchisor's breach of this Agreement, gross negligence or willful misconduct.

ARTICLE 19. DISPUTE RESOLUTION: ARBITRATION AND LEGAL PROCEEDINGS

19.1. 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).

21.2. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Article 19.6 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.

19.3. 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 sent forth in Article 19.2 above, must be submitted first to mediation, in the city of Franchisor's principal place

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of business 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 19.3 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 the Proprietary Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

19.4. Nothing contained in this Agreement will prevent Franchisor from applying to and obtaining from any court of competent jurisdiction a 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 hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Louisiana set forth above.

19.5. Franchisor's officers each have the authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

19.6. 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.

19.7. 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.

19.8. 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.

19.9. Each party agrees that no cause of action arising out of or under this Agreement may be maintained by one party against the other 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 non-breaching party becomes aware of facts or circumstances reasonably indicating that the non-breaching party

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may have a claim against the breaching party hereunder, whichever occurs later, and that any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off.

19.10. 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.

19.11. 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.

19.12. Franchisee will pay all costs, expenses and interest, including reasonable attorney's fees, that Franchisor incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

ARTICLE 20. EXECUTION, REQUESTS, CONSENTS, WAIVERS, FORMS OF AGREEMENT, AMENDMENT.

20.1. This Agreement takes effect upon its execution by both 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.

20.2. 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 to Franchisor. 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.

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20.3. 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.

20.4. 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 not to exceed thirty (30) days or for such other reasonable period of time as the parties agree in writing or will excuse performance, if the parties agree in writing.

20.5. 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 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. Any misrepresentation by Franchisee under this Article 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. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, rules, regulations, and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

20.6. No warranty or representation is made by the Franchisor that for System franchisees all franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.

20.7. Except as provided in Article 21.2 and Franchisor's right to unilaterally modify the System and the Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.

ARTICLE 21. MISCELLANEOUS PROVISIONS.

21.1. 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.

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

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21.3. 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 Premises for Franchisee's Franchised Business. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the representations the Franchisor made in the Franchise Disclosure Document it provided to Franchisee. This Article shall not be read to waive any rights Franchisee may have under any state statute or regulation.

21.4. 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.

21.5. All notices to Franchisor and Franchisee required by the terms of this Agreement, unless otherwise provided, shall be deemed to have occurred and been accepted if sent by personal delivery, a nationally recognized overnight delivery service with confirmation of receipt, or by certified or registered mail return receipt requested, addressed to Franchisor at the address first stated above in this Agreement, or at such other address as Franchisor designates in writing. All notices to Franchisee required by the terms of this Agreement shall be addressed to Franchisee at the Premises, or at such other or additional address as Franchisee designates specifically for notice in writing. If Franchisor or Franchisee refuses acceptance of any notice, acceptance shall be deemed to have occurred forty-eight (48) hours after rejection of such notice.

ARTICLE 22. REPRESENTATIONS AND ACKNOWLEDGMENTS.

22.1. Franchisee acknowledges that Franchisee has conducted an independent investigation of the Franchised Business 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.

22.2. 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 Franchised Business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Franchisee's Franchised Business.

22.3. 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.

22.4. 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.

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22.5. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement and Franchisor's Franchise Disclosure Document utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).

22.6. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not (a) presently involved in any business activity that could be considered competitive in nature to the System, unless heretofore disclosed to Franchisor in writing, or (b) violating any existing contractual obligations by entering into this Agreement.

22.7 Franchisee's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with the Franchise Disclosure Document give to Franchisee by Franchisor.

22.8 Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals that are specifically required to offer and provide services at and operate the Franchised Business at the Premises and within the Protected Territory; and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.

22.9 Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a Franchised Business; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

22.10 Each of the undersigned parties warrants that it has the full authority to sign and execute this Agreement. If Franchisee is a legal entity, the person executing this Agreement on behalf of such legal entity warrants to Franchisor, both individually and in his/her capacity as a principal owner or officer that all of the principals or owners of the legal entity, as applicable, have read and approved this Agreement, including any restrictions which this Agreement places upon rights to transfer their interest in the legal entity.

[*SIGNATURES ARE ON FOLLOWING PAGE*]

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This Painting with a Twist Franchise Agreement is entered into as of the Effective Date set forth above.

WITNESSES:

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

FRANCHISEE:

By:_____

Print Name:

Title:

Date:_____

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

By:_____

Print Name: _____

Title:

Date: _____

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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 solidarily, 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, (1) change the manner or frequency of payment or change or extend the time of payment of, renew, or alter any liability of the Franchisee under the Franchise Agreement in accordance with the Franchise Agreement 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 or 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:_____

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ATTACHMENT B

CONFIDENTIALITY AGREEMENT

_____ (hereinafter known as "Undersigned") has expressed an interest in receiving certain information from Painting with a Twist, L.L.C. ("Painting with a Twist") for the purpose of becoming a(n) owner/officer/director/employee _____ ("Franchisee"). In order to do so, Undersigned shall require access to Painting with a Twist's confidential and proprietary information and processes, (the "information"). As a condition to Painting with a Twist's delivery of the information to Undersigned, Painting with a Twist is requiring that Undersigned agree to the terms set forth in this agreement ("Agreement").

In consideration of the promises and mutual obligations and undertaking expressed herein, Painting with a Twist and Undersigned hereby agree as follows:

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 Painting with a Twist.

Undersigned acknowledges that all Confidential Information shall never be disclosed to anyone or any entity, directly or indirectly, without the express written authorization of Painting with a Twist. Undersigned acknowledges that all Confidential Information shall be owned and shall continue to be owned by Painting with a Twist.

Undersigned acknowledges that all Confidential Information shall never ever be duplicated nor copied in any manner whatsoever without the express written permission from Painting with a Twist. Undersigned acknowledges that, upon instruction by Painting with a Twist, all Confidential Information shall be returned and/or destroyed by Undersigned upon the termination of Undersigned's relationship with Painting with a Twist.

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 Painting with a Twist 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 Painting with a Twist in the event Painting with a Twist and Undersigned elect not to pursue future business with each other.

Should Undersigned or its representatives, in the reasonable opinion of Painting with a Twist's counsel, be required by applicable law or regulation to disclose the information, Undersigned may do so only to comply with such law or regulation. Undersigned shall notify Painting with a Twist before disclosing such information to allow Painting with a Twist to pursue a protective order.

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Undersigned's obligation to maintain the Confidential Information gained or learned in confidence shall continue for term of three (3) years from the date of the most recent disclosure.

Undersigned acknowledges and agrees that the Confidential Information is of vital importance to Painting with a Twist, and that its unauthorized disclosure, would cause Painting with a Twist irreparable injury, and that monetary damages would not be sufficient to compensate Painting with a Twist for any breach of this Agreement by Undersigned. In the event of a breach of this Agreement by Undersigned, Painting with a Twist 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 Painting with a Twist from pursuing any other remedies, including monetary remedies, available to it for any such breach by Undersigned and/or its representatives. Such remedy shall not apply to information that was already known to Undersigned or was otherwise generally available to the public.

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.

Undersigned further agrees that in the event of a breach of this Agreement by Undersigned, Undersigned additionally agrees to be liable for all costs related to the breach of this Agreement, including reasonable attorney fees, court costs and all other related costs.

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.

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

_____
By:
Title:

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ATTACHMENT C

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. ("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 date or 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:_____

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EXHIBIT B

AREA DEVELOPMENT AGREEMENT

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PAINTING WITH A TWIST

AREA DEVELOPMENT AGREEMENT

Dev. Area _____

PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT AGREEMENT

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PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT AGREEMENT

This Painting with a Twist, L.L.C. Area Development Agreement ("Development Agreement or "Agreement") is entered into and made effective as of _____20__ ("Effective Date") by and between Painting with a Twist, L.L.C., a Louisiana limited liability company having its principal place of business at 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471 ("Franchisor or Painting with a Twist"), and _____, a _____, with an address of _____("Developer").

RECITALS

A. WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique and distinctive system for the establishment and operation of businesses specializing primarily in providing a fun and engaging social setting where guests drink wine or other beverages while creating art using Painting with a Twist branded products and other services and products that Franchisor approves from time to time (hereinafter referred to as the "System") and Franchisor offers franchises to persons whose primary business will be the sale of products and services under Franchisor's System and Proprietary Marks from a specific retail location (hereinafter referred to as "Franchised Business(es)");

B. WHEREAS, the distinguishing characteristics of the System include, without limitation, unique and specialized training, management, and marketing techniques and materials; procedures and methods of operation; copyrighted artwork; uniform standards, specifications, and procedures for products, equipment and services; distinctive appearance; and advertising and promotional programs, all of which may be changed, improved, and further developed by Franchisor from time to time;

C. WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin ("Proprietary Marks"), including but not limited to the name and mark PAINTING WITH A TWIST and such other names, marks and indicia as may now or hereafter be designated by Franchisor in writing for use in connection with the System;

D. WHEREAS, Franchisor continues to develop, use, and control the use of the Proprietary Marks in order to identify for the public the source of products and services marketed thereunder and to represent the high standards of quality associated therewith;

E. WHEREAS, Developer desires to obtain rights to establish and operate multiple Franchised Businesses in the geographical areas described herein and in accordance with the terms and conditions hereof;

NOW, THEREFORE, in consideration of the promises, mutual undertakings, and commitments set forth herein, Franchisor and Developer hereby agree as follows:

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SECTION I. GRANT OF DEVELOPMENT RIGHTS

1.1 Franchisor hereby grants to Developer the right and option, subject to the terms and conditions of this Agreement, to establish and operate multiple Franchised Businesses to be located in the geographic area ("Development Area") specified in Section 3.1.

1.2 Except as otherwise provided in this Agreement and subject to the following, during the term of this Agreement, Franchisor will not establish or operate Franchised Businesses, nor grant a franchise to any person other than Developer to establish or operate Franchised Businesses, under the System and Proprietary Marks in the Development Area. Franchisor may establish, operate or grant a franchise or license to others to operate Franchised Businesses under the System and Proprietary Marks at any non-traditional location, as defined by Franchisor within the Development Area at any time. Franchisor may also license or sell, at both wholesale and retail, product or service lines that are being sold in Painting with a Twist Franchised Businesses under the same or similar Proprietary Marks or any other proprietary marks, at any location or distribution point within and outside the Development Area at any time.

1.3 Each Franchised Business established by Developer shall be subject to a separate Painting with a Twist agreement executed by Franchisor and Developer. The form of franchise agreement for each Franchised Business shall be the standard form of franchise agreement then being offered by Franchisor in the jurisdiction where the Franchised Business is proposed to be located.

1.4 This Agreement is not a franchise or license agreement and does not grant Developer any rights to use the Proprietary Marks or grant sub franchises to others. Developer's rights to use the Proprietary marks are limited and governed by the terms of separate franchise or license agreements between Franchisor and Developer.

SECTION 2. DEVELOPMENT FEE AND INITIAL FRANCHISE FEES

2.1 Upon execution of this Development Agreement, Developer shall pay to Franchisor _____ ($____) ("Development Fee"), which shall be deemed fully earned by Franchisor upon execution of this Agreement. The Development Fee shall be proportionally applied to reduce the initial franchise fee required under the Franchise Agreement executed for each additional Franchised Business after the first agreement ("Additional Franchised Business") authorized pursuant to this Agreement. For example, an executed Agreement authorizing the purchase of franchises for two (2) Franchised Businesses would require a total development fee of Twelve Thousand Five-Hundred Dollars ($12,500.00), which equals a development fee of Twelve Thousand Five Hundred Dollars ($12,500.00) for the additional franchise after the first one purchased; therefore, the initial franchise fee (as set forth in Section 2.3) for the Additional Franchised Business would be reduced by the Twelve Thousand Five Hundred Dollar ($12,500.00) development fee.

2.2 Upon execution of this Agreement, Developer shall execute and forward to Franchisor a signed Painting with a Twist franchise agreement (and ancillary agreements and related documents), together with the initial franchise fee for the first Franchised Business to be developed by Developer.

2.3 Notwithstanding the terms of any franchise agreement executed by Developer under this Agreement, the initial franchise fee for each such franchise agreement after the first agreement shall be $25,000, less the portion of the Development Fee applied to each franchise in accordance with Section 2.1 (the "Subsequent Franchise Fee"). All other fees shall be payable as provided in each franchise agreement.

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SECTION 3. DEVELOPMENT AREA; OPTIONS

3.1 The area ("Development Area") within which Developer may locate Franchised Businesses is described in the Development Area Description attached hereto.

3.2 During the term of this Development Agreement, Developer shall have the right and option, subject to the terms and conditions set forth herein, to purchase franchises for _____ (_____) Franchised Businesses to be located in the Development Area. Each option shall be exercisable as follows:

3.2.1 Prior to and as a condition of exercising each option, Developer has been and is in compliance with all material terms and conditions of each of its franchise agreements and all other agreements with Franchisor, its subsidiaries or affiliates, and has been and is operating its franchises in compliance with Painting with a Twist Confidential Operations Manual.

3.2.2 Developer shall notify Franchisor in writing of its desire to purchase an additional franchise, whereupon Franchisor shall provide Developer the then-current standard form of franchise agreement, together with any disclosure or other documents required by law.

3.2.3 Developer shall execute the then-current standard form of franchise agreement as described in Section 1.3 and such other ancillary agreements and all other required ancillary agreements and documents and forward them to Franchisor, together with the initial franchise fee as provided under Section 2.

SECTION 4. TERM AND DEVELOPMENT SCHEDULE

4.1 The term of this Development Agreement shall commence on the Effective Date set forth above and shall expire on the date the last Franchised Business is scheduled to open under the Development Schedule, unless terminated earlier in accordance with the procedures outlined in this Development Agreement.

4.2 During the term of this Agreement Developer shall establish and operate Franchised Businesses in the Development Area in accordance with the Development Schedule attached hereto and further described as follows ("Development Schedule"):

4.2.1 Contemporaneous with the execution of this Agreement, Developer shall execute a franchise agreement for the first Franchised Business to be developed in the Development Area. Notwithstanding the terms of the first franchise agreement, Developer shall open the first Franchised Business for business by the date set forth in the Development Schedule.

4.2.2 Thereafter, Developer shall exercise its options to purchase the remaining number of franchises as agreed upon in Section 3.2 to be located in the Development Area and execute the respective franchise agreements at least six (6) months before each particular Franchised Business must be open and in operation under the Schedule or upon signing a lease for the Franchised Business, whichever occurs first. Notwithstanding the terms of the franchise agreements, Developer shall open each Franchised Business for business by the date set forth in the Development Schedule.

4.3 Except as provided in Section 9.3, failure to have Franchised Businesses open and in operation in the Development Area in accordance with the Schedule shall constitute a material default

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under this Agreement. Upon such default, unless timely cured by Developer within sixty (60) days after receipt of written notice, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder.

SECTION 5. OBLIGATIONS OF FRANCHISOR AND DEVELOPER

5.1 Obligations of Franchisor.

5.1.1 Franchisor agrees to make available to Developer, or assist Developer in obtaining the following:

(a) Such standard construction plans, specifications for the structures, equipment, furnishings, decor and signs identified with Painting with a Twist Franchised Businesses and approved suppliers for products and supplies as Franchisor makes available to all Developers from time to time;

(b) General site selection criteria, lease criteria and guidance in the selection of acceptable sites for the locations of Developer's Franchised Businesses;

(c) Review of site plans and final construction plans and specifications for conformity to the construction standards and specifications of the System;

(d) Such assistance as Franchisor determines is required in connection with the development of the Development Area, including assistance by Franchisor's personnel or its agents;

(e) Such other resources and assistance as may hereafter be developed and offered by Franchisor to Franchisor’s other developers, if applicable to Developer.

5.1.2 Franchisor will provide to Developer, from time to time upon Developer's request, Franchisor's then-current form of franchise agreement for use by Developer in exercising its options hereunder.

5.2 Obligations of Developer.

5.2.1 Except as Franchisor may otherwise expressly permit in writing, Developer (or, if Developer is a legal entity, a principal of Developer) and/or its designee shall devote full time, energy, and best efforts to the development and operation of Franchised Businesses in the Development Area. In particular, but without limiting the foregoing, Developer shall cooperate in accordance with the following:

(a) Franchisor may require that any principal or employee of Developer who is actively involved in the development and operation of Franchised Businesses in the Development Area attend and satisfactorily complete such training programs as Franchisor may require;

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(b) Developer shall cause its employees to attend and satisfactorily complete all mandatory training programs, including basic and advanced training, refresher courses, and business seminars, as Franchisor may require from time to time; and

(c) Developer or its employees shall be responsible for all personal expenses incurred by them in connection with training programs, including, without limitation, costs and expenses of transportation, lodging, meals, and wages and employee benefits. Franchisor reserves the right to charge reasonable fees for materials and/or participation in any training courses or seminars offered by or on behalf of Franchisor.

5.2.2 Developer shall be responsible for conducting local advertising and promotional activities for Franchised Businesses owned by Developer in accordance with the terms of the franchise agreements. In particular, but without limiting the foregoing, Developer shall be responsible for the preparation and submission to Franchisor of the following:

(a) Annual advertising plans with budgets, updated quarterly;

(b) Periodic detailed accounting of media expenditures and verification of placement; and periodic written evaluation of effectiveness of advertising activities.

5.2.3 Developer shall also submit to Franchisor upon request from time to time such other forms, reports, records, monthly financial statements, information, and data as Franchisor may reasonably require, in the form and at the times and places reasonably specified by Franchisor.

5.2.4 Within sixty (60) days after the end of each fiscal year of Developer during the term of this Agreement, Developer, at its expense, shall submit to Franchisor a profit- and-loss statement showing the results of Developer's operations during said fiscal year and a balance sheet as of the end of the fiscal year. Each financial statement shall be accompanied by a sworn statement signed by Developer or by Developer's CPA, treasurer or chief financial officer attesting that the items contained therein are true and accurate, that they completely and fully describe and disclose the information sought in such statement, and that the signer has made diligent and careful efforts to ascertain the truth, accuracy and completeness of such information.

SECTION 6. DEVELOPER'S FORM OF ORGANIZATION

6.1 If Developer is or becomes a corporation, partnership, limited liability company, or other entity, Developer shall comply with the following requirements:

6.1.1 Developer shall confine its activities to the development and operation of the Development Area and performing all necessary functions thereto as part of Painting with a Twist System.

6.1.2 Developer's articles of incorporation and bylaws, partnership agreement or articles of organization or operating agreement (or comparable governing documents) shall at all times provide that its activities are confined exclusively to those specified in subsection 6.1.1, and that the issuance and transfer of voting stock or other ownership interest in Developer is restricted by the terms of this Agreement.

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6.1.3 Developer shall furnish Franchisor promptly upon request copies of Developer's articles of incorporation, bylaws, partnership agreement, articles of organization, operating agreement and other governing documents, and any other documents Franchisor may reasonably request, and any amendments thereto.

6.1.4 Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities except in accordance with the provisions of Section 8 hereof. All securities issued by Developer shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

> The transfer of these securities is subject to the terms and conditions of an Area Development Agreement with Painting with a Twist, L.L.C. dated _____. Reference is made to said Agreement and to the restrictive provisions of the Articles and Bylaws of this Corporation.

6.2 Developer shall furnish Franchisor promptly upon request copies of any other documents, including trust or other documents which may reasonably relate to the operation of the Franchised Businesses, as Franchisor may reasonably request, and any amendments thereto.

6.3 Developer shall maintain a current list of all general and limited partners, managers and members, and all owners of record and all beneficial owners of any class of voting stock of Developer, and any other persons having an ownership interest in Developer, and shall furnish the list to Franchisor promptly upon request.

6.4 Each individual holding in excess of fifteen percent (15%) of the total voting power in Developer (including each individual holding in excess of twenty percent (20%) of the total voting power in any corporation, partnership or limited liability company having a controlling interest in Developer) shall, upon the request of Franchisor, execute this Agreement or enter into a continuing guaranty agreement under seal, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the obligations of Developer under this Agreement; provided, however, that each individual who has executed this Agreement shall continue to be bound by this Agreement or enter into a continuing guaranty agreement under seal, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the obligations of Developer under this Agreement, regardless of that individual's ownership interest in the new entity.

SECTION 7. CONFIDENTIAL INFORMATION

7.1 Developer expressly understands and agrees that a confidential relationship is established between Franchisor and Developer under this Agreement and that, as a result thereof, Franchisor will be disclosing and transmitting to Developer certain confidential and proprietary information in connection with the System and Developer's development of the Development Area. Developer hereby agrees that:

7.1.1 Developer shall treat and maintain such information as confidential during the term of this Agreement and thereafter.

7.1.2 Developer shall use such information only for its operations under this Agreement.

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7.1.3 Developer shall disclose such information only to its employees or agents and not to anyone else.

7.1.4 Developer shall restrict disclosure of such information to only those of its principals, employees or agents who are directly connected with the performance of work requiring knowledge thereof and shall disclose only as much information as is required to enable those employees or agents to carry out their assigned duties.

7.1.5 Developer shall advise its principals, employees and agents of the confidential nature of such information and the obligation not to disclose it.

7.1.6 Developer shall obtain and deliver to Franchisor signed confidentiality agreements from any or all of Developer's principals, employees, agents or other persons who may have access to confidential information. Such agreements shall be in a form satisfactory to Franchisor and shall identify Franchisor as a third-party beneficiary with the independent right to enforce them.

7.2 Any and all recipes, formulas, customer and supplier lists, product specifications and other information, knowledge, techniques and know-how, including any and all records thereof in any form, which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement.

7.3 Developer acknowledges that any failure to comply with the requirements of this Section 7 will cause Franchisor irreparable injury, and Developer agrees to pay all court costs and reasonable legal and accounting fees incurred by Franchisor in obtaining specific performance of, or an injunction again violation of, the requirements of this Section VII.

SECTION 8. TRANSFER OF INTEREST

8.1 Developer understands and acknowledges that the rights and duties of Developer set forth in this Agreement are personal to Developer and that Franchisor has granted this development agreement in reliance on the business skill, financial capacity, and personal character of Developer and Developer's principals. Accordingly, Developer agrees that Franchisor's express prior written consent shall be a necessary condition precedent to the sale, assignment, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation of any of the following:

8.1.1 Any direct or indirect interest in this Agreement or the rights granted hereunder;

8.1.2 Any direct or indirect interest in Developer; and

8.1.3 All or substantially all of the assets of Developer.

8.2 If Developer is an individual or partnership, Developer shall be entitled to transfer Developer's interest in this Agreement to a corporation, limited liability company or limited partnership formed for convenience of ownership. Franchisor may charge a reasonable administrative fee for such transfer. Franchisor's consent to any such transfer shall be subject to the following conditions:

8.2.1 Developer, or one or more trusts of which Developer is trustee, shall be the owner of at least a majority of the total voting power of the corporation or limited liability company or

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shall be a general partner of the limited partnership owning at least a majority of the total voting power of the general partners of the limited partnership;

8.2.2 Developer shall comply with the terms and conditions set forth in Section 6.

8.3 Within sixty (60) days after the death or mental incapacity of Developer (or, if Developer is a corporation, partnership or limited liability company, a principal of Developer), the executor, administrator, or personal representative of such person shall transfer that person's interest, without having to obtain approval by Franchisor, to one or more heirs or beneficiaries of such person who agree in writing to be bound by the terms and conditions of this Agreement, or to a third party approved by Franchisor. All such transfers shall be subject to the conditions set forth in Sections 8.5.1 through 8.5.4 and 8.7 but shall not be subject to the conditions of Section 8.6.

8.4 Any person ("Seller") who receives and desires to accept a bona fide offer from a third party to purchase fifty percent (50%) or more of Seller's interest in (a) Developer's voting securities or voting interests, if Developer is a corporation, partnership or limited liability company, or (b) this Agreement or, (c) the franchise, shall notify Franchisor in writing of each such offer. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notice, to send written notice to Seller that Franchisor intends to purchase Seller's interest on the same terms and conditions offered by the third party. To enable Franchisor to determine whether it will exercise its option, Developer and Seller shall provide such information and documentation, including financial statements, as Franchisor may require. If the consideration, terms, or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same, Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, Franchisor and Developer may appoint an independent appraiser, whose determination shall be binding, and the costs of such appraisal shall be divided equally between Franchisor and Developer. If Developer and Franchisor cannot agree on an appraiser, each party shall designate an appraiser and both appraisers will agree on and designate a third independent appraiser to make the determination of fair market value, whose determination shall be binding. If Franchisor does not exercise its option as provided hereunder, Seller may sell the interest, subject to Franchisor's consent as otherwise required under this Section 8. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. This Section 8.4 shall apply to any transfer if such transfer, alone or together with other previous, simultaneous or proposed transfers would have the effect of transferring financial or management control of Developer.

8.5 Franchisor will not unreasonably withhold its consent to a transfer of any interest in Developer or this Agreement; provided, however, that Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

8.5.1 All of Developer's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and divisions shall be satisfied;

8.5.2 Developer shall have substantially complied with all of the terms and provisions of this Agreement, any amendment hereof or successor hereto, and all other agreements between Developer and Franchisor, its subsidiaries, affiliates or divisions, and, at the time of transfer, shall not be in default thereof;

8.5.3 If the obligations of Developer were guaranteed by the transferor(s), the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to

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Franchisor, and Franchisor will not unreasonably withhold its consent to a release of the transferor(s) from the guarantee;

8.5.4 Developer and the transferor(s) shall execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its subsidiaries, affiliates, and divisions, and its respective officers, directors, shareholders, employees, and agents; and

8.5.5 The price paid to Developer by the transferee for the transfer of the Agreement shall not exceed 125% of the development fees chard to Developer by Franchisor.

8.6 If a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring financial or management control of Developer, Franchisor may require, in its sole discretion and in addition to the conditions provided in Section 8.5, any or all of the following as conditions of its approval:

8.6.1 The transferee (or, if the transferee is a corporation, partnership or limited liability company, the principals of the transferee) shall demonstrate to Franchisor's satisfaction that it meets Franchisor's then-current standards for new developers/Developers under the System; possesses good moral character, business reputation, and credit rating; has the aptitude and ability to develop the Development Area (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to develop the Development Area;

8.6.2 The transferee shall execute, for a term ending on the expiration date of this Agreement, the standard form of area development agreement then being offered by Franchisor and such other ancillary agreements (including guaranty agreements provided under Section 6.4) as Franchisor may require, which agreements shall supersede this Agreement in all respects and the terms of which agreements may materially differ from the terms of this Agreement; provided, however, that no additional initial development fee shall be required; and

8.6.3 The transferee shall complete, and/or cause its employees to complete, to Franchisor's satisfaction, such initial and refresher training as Franchisor may require;

8.7 Developer or the transferee shall pay to Franchisor a nonrefundable transfer fee to compensate Franchisor for its reasonable costs and expenses in connection with each proposed transfer subject to Sections 8.5 and 8.6, as follows:

8.7.1 A fee not to exceed ten percent (10%) of the then-current initial franchise fee established by Franchisor for new franchises for the transfer of a controlling interest to a current Painting with a Twist developer 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;

8.7.2 A fee not to exceed twenty percent (20%) of the then-current initial franchise fee established by Franchisor for new franchises for any other transfer of a controlling interest to a person other than those described in Section 8.7.1.

8.8 If securities in Developer are offered to the public, by private offering or otherwise, all materials required for such offering by federal or state law shall be submitted to Franchisor for review prior to their use or filing with any government agency, and any materials to be used in any offering exempt from

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federal or state securities laws shall be submitted to review prior to their use. No such offering shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in underwriting, issuing or offering securities of Developer or Franchisor. Review by Franchisor of any offering shall be limited solely to the subject of the relationship between Developer and Franchisor. Developer and the other participants in the offering shall fully indemnify Franchisor in connection with the offering. For each proposed offering, Developer shall pay Franchisor a nonrefundable fee to compensate Franchisor for its reasonable costs and expenses (including without limitations legal and accounting fees) associated with reviewing the proposed offering. Developer shall give Franchisor written notice at least 60 days prior to the date of commencement of any offering or other transaction subject to this Section 8.8.

8.9 Neither Franchisor's consent to any proposed transfer nor Franchisor's failure to exercise its option to purchase any interest of a seller shall be deemed to constitute a waiver of any claims Franchisor may have against any transferor, any right to demand exact compliance with any terms of this Agreement by any transferor or transferee, any future rights or Developments of Franchisor, or any provision of this Agreement.

8.10 This Agreement shall inure to the benefit of Franchisor, its successors, and assigns, and Franchisor shall have the right to transfer and assign all or any part of its interest herein, including its rights under Section 8.4, to any person or legal entity.

8.11 Except as specifically provided in this Article VIII, any purported assignment or transfer, by operation of law or otherwise, not having the express prior written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement. Franchisor's prior written consent shall not be required for transfer of a non-controlling interest in a publicly held corporation. As used in this Agreement, the term "publicly held corporation" means a corporation registered under the Securities and Exchange Act of 1934. Developer acknowledges and agrees that each condition required to be met by a proposed transferee hereunder is necessary to assure the transferee's full performance of its obligations as "Developer" hereunder.

8.12 Notwithstanding anything to the contrary in this Agreement (including but not limited to Sections 8.1, 8.2, 8.4, 8.5, 8.6, 8.7, 8.8, and 8.11 hereof), if Developer is a corporation, partnership or limited liability company, any one or more principals of Developer may sell, assign, transfer, convey, give, pledge, mortgage, encumber, or hypothecate any direct or indirect interest in Developer, this Agreement or the rights granted hereunder; provided that such principal or principals retain, in the aggregate, in excess of fifty percent (50%) of the total voting power of Developer, subject only to the following conditions:

8.12.1 Developer shall give Franchisor reasonable prior written notice of the proposed transfer along with such background information on the proposed transferee that Franchisor may reasonably request so that Franchisor may investigate the personal character of the proposed transferee; determine whether the proposed transferee has any interests in a competitive business; or determine whether there is any other factor which may indicate that the proposed transfer has the potential to adversely affect the System;

8.12.2 Franchisor will not unreasonably withhold its consent to such transfer and will provide Developer with written approval or disapproval of the transfer as soon as reasonably possible; and

8.12.3 Developer shall obtain execution of the agreements and covenants of the transferee required under Sections 7.1.6 and 11.9, if requested by Franchisor.

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SECTION 9. DEFAULT AND TERMINATION

9.1 This Agreement and all rights granted to Developer hereunder shall automatically terminate if Developer becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or filed against Developer and not opposed by Developer; or

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if Developer is adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Developer is dissolved; or if a suit to foreclose any lien or mortgage against the premises or equipment of Developer is instituted against Developer and not dismissed within thirty (30) days; or if execution is levied against Developer's business or property; or if the real or personal property of Developer is sold after levy thereupon by any sheriff, marshal, or constable.

9.2 Except as otherwise required or prohibited under applicable statute, Developer shall be deemed to be in default, and Franchisor at its option may terminate this Agreement and all rights granted Developer hereunder, effective immediately upon receipt of notice by Developer and without affording Developer any opportunity to cure the default, upon the occurrence of any of the following events:

9.2.1 If Developer (or if Developer is a corporation, partnership or limited liability company, any principal of Developer) is convicted of a felony, a fraud, a crime involving moral turpitude, or found liable in a civil claim for fraud, or any unfair or deceptive act or practice that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

9.2.2 If Developer (or if Developer is a corporation, partnership or limited liability company, any principal of Developer) fails to comply with the in-term covenants in Section 11;

9.2.3 If, contrary to the terms of Article VII, Developer discloses or divulges any confidential information provided to Developer by Franchisor;

9.2.4 If Developer knowingly maintains false books or records or knowingly submits any false reports to Franchisor, or if Developer made any material false statements to Franchisor in connection with its application for development rights or any franchise;

9.2.5 If Developer repeatedly is in default under Section 9.4, for failure to comply with any of the requirements imposed under this Agreement, whether or not cured after notice. For purposes of this Section 9.2.5 and otherwise under this Agreement, "repeatedly" is defined as three (3) or more times during the term of this Agreement; and

9.2.6 If Developer knowingly fails to comply with the requirements of Section 12.

9.3 Except as otherwise prohibited or required under applicable statute, if Developer fails to comply with the Schedule, Developer shall have sixty (60) days after receipt from Franchisor of a written Notice of Default within which to cure such default. Developer may cure such default if Developer signs a real estate lease for a site accepted by Franchisor within the cure period; provided that Developer has not rejected a site that otherwise meets Franchisor’s site selection criteria and would be accepted by Franchisor. If such default is not cured within that time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Developer immediately upon receipt of a written Notice of Termination by Franchisor.

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9.4 Except as provided in Sections 9.1, 9.2 and 9.3 hereof, and except as otherwise prohibited or required under applicable statute, Developer shall have thirty (30) days after receipt from Franchisor of a written Notice of Default within which to remedy any default hereunder and provide evidence thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Developer immediately upon receipt of a written Notice of Termination by Franchisor. Such defaults include, without limitation, the occurrence of any of the following events:

9.4.1 If Developer fails to submit when due any reports, financial information, or other information or documents required by Franchisor under this Agreement;

9.4.2 If Developer fails to observe or maintain any of the standards or procedures prescribed by Franchisor in this Agreement, in Franchisor's Confidential Operations Manuals, or otherwise in writing;

9.4.3 If Developer engages in any illegal, fraudulent, unfair or deceptive business practices;

9.4.4 If Developer misuses or makes any unauthorized use of the Proprietary Marks;

9.4.5 If Developer directly or indirectly commences or conducts any business operation or markets any product or service under any name or proprietary mark which, in Franchisor's sole opinion, is confusingly similar to the Proprietary Marks;

9.4.6 If Developer fails to obtain Franchisor's prior approval or consent as required under this Agreement;

9.4.7 If Developer is in default under the terms of any franchise agreement or other development agreement between Franchisor and Developer;

9.4.8 If Developer fails to obtain execution of the agreements and covenants required under Sections 7.1.6 and 11.1;

9.4.9 If Developer or any partner, member or shareholder in Developer purports to transfer any rights or obligations under this Agreement or any interest in Developer to a third party without Franchisor's prior written consent, when such consent is required by Article VIII;

9.4.10 If a permitted or approved transfer is not affected within a reasonable time, as required under Section 8.3 hereof, following Developer’s death or mental incompetency;

9.4.11 If Developer fails to pay on a timely basis its taxes or other governmental charges, rent, lease payments, or payments to suppliers or other trade creditors; and

9.4.12 If Developer otherwise fails to comply with any of its other obligations under this Agreement.

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SECTION 10. OBLIGATIONS UPON TERMINATION OR EXPIRATION

10.1 Except as set forth herein, upon the expiration of this Agreement, or its termination for any reason, all of Developer's rights hereunder shall terminate. In particular, and without limiting the foregoing, Developer shall:

10.1.1 Immediately deliver to Franchisor or its designee all materials provided by Franchisor relating to development of the Development Area, including, without limitation, plans, specifications, designs, records, data, samples, models, programs, training tapes, handbooks, drawings, customer lists, files, invoices, instructions, correspondence, and all copies thereof, all of which are acknowledged to be Franchisor's property, and retain no copy or record of any of the foregoing except Developer's copy of this Agreement and such documents as Developer reasonably needs for compliance with any provision of law;

10.1.2 Promptly pay all sums owing to Franchisor, its subsidiaries, affiliates, and divisions; and

10.1.3 Comply with all requirements under this Agreement which expressly or by reasonable implication apply to Developer's conduct after termination or expiration.

10.2 Termination or expiration of this Agreement shall not affect the rights of Developer to operate other Franchised Businesses in accordance with the terms of any other franchise agreements then in effect between Franchisor and Developer.

SECTION 11. COVENANTS NOT TO COMPETE

11.1 Franchisor has the right to require any holder of a legal or beneficial interest in Developer (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Developer to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition covenants provided by Franchisor in its then-current Franchise Disclosure Document, upon execution of this Agreement or prior to each such person’s affiliation with Developer.

SECTION 12. TAXES, PERMITS, INDEBTEDNESS

12.1 Developer shall promptly pay when due all taxes levied or assessed, including without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Developer in the development of the Development Area.

12.2 In the event of any bona fide dispute as to Developer’s liability for taxes assessed or other indebtedness, Developer may contest the validity or the amount of the tax or indebtedness in accordance with procedures or the taxing authority or applicable law; however, in no event shall Developer permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the property of Developer or any improvements thereon.

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12.3 Developer shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of its business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits and fire clearances.

12.4 Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Developer.

SECTION 13. INDEPENDENT CONTRACTOR

13.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Developer shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever.

13.2 During the term of this Agreement, Developer shall hold itself out to the public as an independent contractor operating pursuant to an area development agreement from Franchisor. Developer agrees to take such action as may be necessary to do so.

13.3 It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in the conduct of its business or for any claim or judgment arising therefrom against Developer or Franchisor.

SECTION 14. INDEMNIFICATION

14.1 Developer shall indemnify and hold harmless Franchisor, its affiliates, successors and assigns and respective directors, officers, employees, agents and representatives of each (collectively, the "Indemnitees"), from all losses and expenses, which shall include, without limitation, all losses, expenses, damages, costs, settlement amounts, judgments, and attorneys' fees, incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any acts, errors or omissions, or breach of any contract or regulation, of Developer or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

14.2 Notwithstanding anything to the contrary in this Section 14, nothing in this Agreement shall obligate Developer to indemnify any of the Indemnitees for losses and expenses arising out of or based upon such Indemnitees' gross negligence or intentional misconduct.

14.3 If any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 14.1 be commenced or asserted (a "Claim"), in respect of which one or more Indemnitees proposes to demand indemnification from Developer, Developer will be given notice thereof as soon as practicable and shall have the right, exercisable by written notice to the Indemnitee delivered within ten days after Developer is notified of the Claim, to join in the defense, compromise, or settlement thereof through its own

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attorneys and at its own expense. If Developer exercises its right to join the defense, compromise, or settlement of a Claim as permitted above, decisions concerning strategy, procedure, defenses, cross-claims, counterclaims, compromise and settlement shall be made by mutual consent of the Indemnitee and Developer, provided that if such parties cannot agree between themselves on a decision that is material to the handling of the Claim, the Indemnitee shall have the option, exercisable by written notice to Developer, to either:

(a) Take over complete control of the Claim and release Developer from its indemnity liability to the Indemnitee with respect to that particular Claim, or

(b) Turn over complete control of the Claim to Developer and demand indemnification from Developer under the indemnity provisions of this Section 14.

14.4 Regardless of whether the defense of any Claim is being undertaken by the parties jointly or by either of them alone as provided in Section 14.3, the parties each agree with the other to aid in the conduct of such defense to any reasonable extent, including furnishing each other with records or documents related to the Claim, permitting employees connected with the Claim to testify at depositions or in court, and complying with any other reasonable request made by the other party in furtherance of the defense of the Claim.

SECTION 15. APPROVALS AND WAIVERS

15.1 Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing.

15.2 Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer by providing any waiver, approval, consent, or suggestion to Developer in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor.

15.3 No failure of Franchisor to exercise any power reserved to it under this Agreement, or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with any of the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or a different nature; nor shall any delay, forbearance, or omission by Franchisor to exercise any power or right arising out of a breach or default by Developer of any of the terms, provisions, or covenants of this Agreement affect or impair Franchisor's rights; nor shall such constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

SECTION 16. NOTICES

16.1 All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) after being sent via guaranteed overnight delivery by a commercial courier service with confirmation of receipt; or (c) after being sent by Registered Mail, return receipt requested. All notices shall be addressed to the party to be notified at the address stated above or at such other address for notice as may have been designated in writing to the other party.

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SECTION 17. ENTIRE AGREEMENT

17.1 This Agreement, the documents referred to herein and the attachments hereto constitute the entire, full, and complete Agreement between Franchisor and Developer and any other parties hereto concerning the subject matter of this Agreement, and supersede all prior agreements. If Developer is relying upon or has been induced by a representation to execute this Agreement that is not embodied in this Agreement, Developer is hereby expressly advised and agrees not to execute this Agreement unless the representation is included herein. By executing this Agreement, Developer expressly acknowledges that no other representations have induced Developer and/or any other parties hereto to execute this Agreement. No representations, inducements, promises, or agreements, oral or otherwise, not embodied herein or attached hereto were made by any party, and none shall be of any force or effect with reference to this Agreement or otherwise.

17.2 Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, variance or cancellation of this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

SECTION 18. SEVERABILITY AND CONSTRUCTION

18.1 Except as expressly provided to the contrary herein, each portion, section, part, term and/or provision of this Agreement shall be considered severable; and if, for any reason, a portion, section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereof; and said invalid portions, sections, parts, and/or provisions shall be deemed not to be a part of this Agreement.

18.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Article VIII, any rights or remedies under or by reason of this Agreement.

18.3 Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

18.4 All captions in the Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

18.5 All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all those executing this Agreement.

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18.6 This Agreement shall be effective and binding on Franchisor only when executed on behalf of Franchisor by its Chief Executive Officer, President, or such other officer or employee expressly authorized by Franchisor to do so.

SECTION 19. DISPUTE RESOLUTION

19.1 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).

19.2 Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing notice as set forth in Article 19.6 below. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

19.3 At Franchisor's option, all claims or disputes between Developer and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer 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 sent forth in Article 19.2 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, Developer 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 Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer 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 Developer 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 19.3 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 the Proprietary Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

19.4 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. Developer acknowledges that the parties have entered into this Agreement in Mandeville, Louisiana and that Developer 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

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recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Louisiana set forth above.

19.5 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 19, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Developer.

19.6 As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Developer 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.

19.7 Developer 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 Developer under this Agreement or any related agreements.

19.8 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, Developer's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Developer expressly waives all claims for damages Developer incurred as a result of the wrongful issuance.

19.9 Developer further agrees that no cause of action arising out of or under this Agreement may be maintained by Developer 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 Developer becomes aware of facts or circumstances reasonably indicating that Developer 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. Developer 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.

19.10 Developer 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 Developer'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.

19.11 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 DEVELOPER'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 BUSINESSES, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT

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A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19.12 If Developer is in breach or default of any monetary or non- monetary material obligation under this Agreement or any related agreement between Developer 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), Developer must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer'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.

SECTION 20. ACKNOWLEDGEMENTS

20.1 Developer acknowledges that it has conducted an independent investigation of Painting with a Twist System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Developer as an independent business person. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

20.2 Developer acknowledges that it received a copy of the complete Area Development Agreement, the Attachments thereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that it received the disclosure statement required by the Trade Regulation Rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

20.3 Developer acknowledges that it has read and understood this Agreement, the Attachments hereto, and any agreements relating thereto, and that Franchisor has accorded Developer ample time and opportunity to consult with advisers of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

[Signatures appear on the following page.]

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This Agreement is made effective as of the Effective Date set forth above.

WITNESSES:

_____

_____

DEVELOPER:

By:_____

Date:_____

FRANCHISOR:

Painting with a Twist, L.L.C.

_____

_____

By:_____

Title: _____

Date:_____

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Dev. Area _____

PAINTING WITH A TWIST
AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA DESCRIPTION

The Development Area referred to in Section 3.1 of the Area Development Agreement is described as follows:

The area defined at the date of this Agreement as:

See the attached map of the _____ metropolitan area. The boundaries of the Development Area are highlighted. Most of the boundaries of the Development Area constitute streets, county lines or natural landmarks such as rivers, lakes or other bodies of water. With respect to streets and county lines, the Development Area will extend to the middle of such street or county line. As to natural landmarks such as rivers and lakes or other bodies of water, the Development Area shall extend to the shoreline of such body of water. If the boundary of the Development Area does not follow a street, political line or natural landmark, then the boundary line will be interpreted to extend in a straight line from the last point of reference to the next.

[or]

The area located within the boundaries of _____ County, _____.

Initial _____ _____

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Dev. Area _____

PAINTING WITH A TWIST
AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

Developer agrees to have the designated number of Painting with a Twist Franchised Businesses open and in operation in the Development Area in accordance with the following schedule:

Total Number of Developer's Franchised Businesses Open and In Operation In the Development Area	**By (Date)**
TOTAL FRANCHISED BUSINESSES:	

Initial _____ _____

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EXHIBIT C

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

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STATE ADMINISTRATORS

California Department of Business Oversight
TOLL FREE 1-(866) 275-2677

LA Office
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento Office
1515 K Street, Suite 200
Sacramento, CA 95814-4052
(866) 275-2677

San Diego Office
1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

San Francisco Office
One Sansome St., #600
San Francisco, CA 94104
(415) 972-8559

FL Department of Agricultural & Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-11
Indianapolis, IN 46204
(317) 232-6681

Kentucky Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankford, KY 40602
(502) 573-2200

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

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48933
(517) 373-7117

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
(651) 539-1600

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8236

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

OR Dept of Consumer & Business Services
Division of Finance and Corporate
Securities labor and Industries
350 Winter Street, NE, Room 410
Salem, OR 97310-3881
(503) 378-4140

Director, Department of Business Regulations
Rhode Island Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903-4232

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STATE ADMINISTRATORS

South Dakota Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501
(605) 773-3563

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

State of Utah
Division of Consumer Protection
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

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

State of Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

Wisconsin Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705
(608) 266-8550

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AGENTS FOR SERVICE OF PROCESS

California Commissioner of the Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Commissioner of the Department of Business Oversight
One Sansome St., #600
San Francisco, California 94104

Commissioner of the Department of Business Oversight
1515 K Street., Suite 200
Sacramento, CA 95814

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P.O. Box 30054, 525 West Ottawa Street
Lansing, MI 48933

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

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

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505

Director, Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920

South Dakota Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501
(605) 773-3563

Clerk of the State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, VA 23219

Director, Department of Financial Institutions
Securities Division
150 Israel Road, Southwest
Olympia, WA 98501

Wisconsin Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705
(608) 261-9555

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EXHIBIT D

FINANCIAL STATEMENTS

© 2020-2021 Painting with a Twist, L.L.C.

Painting With A Twist, LLC

Financial Statements

December 31, 2019 and 2018

REAGAN & REAGAN

CPAs & Business Advisors

www.randrcpa.com

Painting With A Twist, LLC

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December 31, 2019 and 2018

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REPORT

REAGAN & REAGAN
CPAs & Business Advisors

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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reagan & Reagan CPA, LLC

Covington, LA
February 21, 2020

FINANCIAL STATEMENTS

Painting With A Twist, LLC

Balance Sheets
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash	$ 325,390	$ 415,156
Restricted cash	4,027,629	3,495,695
Accounts receivable:		
Royalties	165,593	169,387
Other	11,240	13,156
System-wide receivables	41,273	81,028
Due from affiliates	-	134,000
Prepaids and other current assets	188,741	336,527
Total current assets	4,759,866	4,644,949
Property and equipment, less accumulated depreciation of $301,231 and $267,097, respectively	248,770	282,904
Intangible assets, less accumulated amortization of $238,961 and $186,844, respectively	194,299	154,376
Goodwill	558,235	558,235
Deposits and other assets	188,506	121,642
Total assets	$ 5,949,676	$ 5,762,106
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 289,263	$ 146,382
Accrued expenses	371,622	654,000
System-wide payables	4,057,014	3,665,931
Deferred revenue	414,001	470,000
Current maturities of notes payable	125,126	-
Total current liabilities	5,257,026	4,936,313
Notes payable	327,252	-
Total liabilities	5,584,278	4,936,313
Members' Equity	365,398	825,793
Total liabilities and members' equity	$ 5,949,676	$ 5,762,106

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

Painting With A Twist, LLC

Statements of Income
Years ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Franchise fees	$ 268,450	$ 631,250
Royalties and other related fees	4,123,051	4,432,996
Advertising fees	1,270,625	-
Corporate studio sales	531,366	123,378
Total revenue	6,193,492	5,187,624
Costs and expenses:		
Studio operating costs:		
Cost of sales	49,800	6,587
Labor	319,307	44,616
Occupancy	112,097	25,519
General and administrative	2,006,802	1,694,665
Payroll and payroll taxes	2,391,164	2,349,132
Selling and marketing	1,185,559	206,707
Depreciation and amortization	86,251	93,079
Total costs and expenses	6,150,980	4,420,305
Income from operations	42,512	767,319
Other income (expense)		
Interest expense	(27,864)	-
Interest income	43,697	7,732
	15,833	7,732
Net income	$ 58,345	$ 775,051

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

Painting With A Twist, LLC

Statements of Cash Flows
Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income	$ 58,345	$ 775,051
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	86,252	93,079
Cumulative effect adjustments of Topic 606	(187,263)	-
Changes in assets and liabilities		
Deferred revenue	(55,999)	(643,750)
Restricted cash	(531,934)	(939,414)
Accounts receivable	3,794	(79,449)
Other receivables	1,916	(13,156)
System-wide receivables	39,755	(81,028)
Due from/to affiliates	134,000	83,186
Prepaid and other current assets	147,786	(257,552)
Deposits and other assets	(66,864)	(115,294)
Accounts payable and accrued expenses	(139,498)	573,241
System-wide payables	391,083	1,150,326
Net cash (used in) provided by operating activities	(118,627)	545,240
Cash flows from investing activities:		
Acquisition of goodwill	-	(558,235)
Purchase of trademark and art copy rights, net	(92,040)	(32,486)
Purchase of property and equipment	-	(24,758)
Net cash used in investing activities	(92,040)	(615,479)
Cash flows from financing activities:		
Proceeds from long-term debt	540,000	-
Payments on long-term debt	(87,622)	-
Member distributions	(331,477)	(553,270)
Net cash provided by (used in) financing activities	120,901	(553,270)
Net decrease in cash	(89,766)	(623,509)
Cash, beginning of period	415,156	1,038,665
Cash, end of period	$ 325,390	$ 415,156
Supplemental cash flow information:		
Cash paid during the year for interest:	$ 27,864	$ -

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, 2019 and 2018

	Members' Equity
Balance at January 1, 2018	$ 604,012
Net income for the period	775,051
Member distributions	(553,270)
Balance at December 31, 2018	825,793
Cumulative effect adjustment of Topic 606	(187,263)
Net income for the period	58,345
Member distributions	(331,477)
Balance at December 31, 2019	$ 365,398

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

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's 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, Cash Equivalents and Restricted Cash

The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits and investments. As of December 31, 2019, and December 31, 2018, the Company maintained balances in various cash accounts in excess of federally insured limits. All highly liquid instruments purchased with an original maturity of three months or less are considered cash equivalents.

Cash held related to the advertising funds and the Company's gift card programs are classified as restricted cash as there are legal restrictions on the use of these funds and as such, the Company intends to use these funds solely to support the advertising funds and gift card programs rather than to fund operations. Total cash balances related to the advertising funds and gift card programs as of December 31, 2019 and December 31, 2018 were $4,027,629 and $3,495,695, respectively.

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 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.

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.

Goodwill

Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization, but instead is tested for impairment at least annually (or more often, if necessary).

Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit. Step one of the impairment test is based upon a comparison of the carrying value of net assets, including goodwill balances, to the fair value of net assets. Fair value is measured using a combination of the income approach and the market approach. The income approach consists of utilizing the discounted cash flow method that incorporates the Company's estimates of future revenues and costs, discounted using a risk-adjusted discount rate. The Company's estimates used in the income approach are consistent with the plans and estimates used to manage operations. The market approach utilizes multiples of profit measures to estimate the fair value of the assets. The Company evaluates all methods to ensure reasonably consistent results. Additionally, the Company evaluates the key input factors in the model used to determine whether a moderate change in any input factor or combination of factors would significantly change the results of the tests. Based on the Company's analysis, no impairment charges were recognized on goodwill for the years ended December 31, 2019 and December 31, 2018.

However, an impairment charge may be triggered in the future if cash flows of the Company's royalties and franchise fees decline significantly, or if there are significant adverse changes in the operating environment of the franchise industry.

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 a minimum, on an annual basis. The Company does not believe that any impairment exists as of December 31, 2019 and 2018.

Deposits and Other Assets

Deposits and other assets consist primarily of deposits and cash surrender values of life insurance policies where the Company is the owner and beneficiary of variable universal life insurance policies. The total cash surrender value, net of surrender charges, at December 31, 2019 and 2018 was $179,677 and $112,913 respectively.

Equity-Based Compensation

Equity options granted to employees and 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, other receivables, restricted cash, prepaids and other current assets, amounts due to and from affiliates, accounts payable and accrued expenses, system-wide payables, deposits and deferred revenue) approximate their carrying values.

Revenue Recognition

Revenue is recognized is accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

Franchise fees and royalties and other related fees

The Company sells individual franchises through franchise agreements with 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.

Royalties are accrued as earned and are calculated each period based on reported franchisees' sales.

The Company has determined that a portion of the initial franchise services are distinct from the continuing rights and services offered during the term of the franchise agreement and should not be treated as a single performance obligation; therefore, a portion of such fees are recognized upon the opening of the franchise location. See Note 7.

The Company charges a transfer fee when an existing painting studio is transferred to a new franchisee. Transfer fees are based on management's estimates of anticipated costs and are earned upon execution of the transfer agreement, because substantially all obligations to the new franchisee are met.

The Company requires all franchisees to pay a technology fee ranging between $55 and $105 per month and is included in royalties and other related fees in the statement of income.

Corporate studio sales

Sales from company-owned studio revenues are recognized as revenue at the point of completion of the art classes. The Company reports this revenue net of sales and use taxes collected from customers and remitted to governmental taxing authorities.

Advertising fees and related income

The Company's franchise agreements typically require the franchisee to pay continuing advertising fees each reporting period based on a percentage of franchisee gross sales.

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.

System-wide Payables

During 2016, the Company started a system-wide gift card fund that consists of a cash balance, which is restricted to the 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, 2019 and December 31, 2018, the gift card liability was $4,057,014 and $3,477,725, respectively.

The Company accounts for the assets and liabilities of this fund 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.

Advertising Costs

Advertising costs are treated as period costs and expensed as incurred. During the years ended December 31, 2019 and December 31, 2018, advertising costs amounted to $906,800 and $180,377, respectively. See Note 7.

Rent Expense

Rent expense for the Company's leases which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The lease terms include renewal options which are reasonably assured of being exercised. The difference between the rent expense and rent paid is recorded as prepaid or deferred rent in the balance sheet.

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.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the lease guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

The Company has reviewed recently 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.

Recently Adopted 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)", which supersedes the revenue recognition requirements in Accounting Standards Codification 605, "Revenue Recognition." This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and assets recognized from costs incurred to obtain or fulfill a contract.

The Company adopted Topic 606 at the beginning of the first quarter of 2019 using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of these standards did not have a material impact on the Company's Statement of Income in 2019. The primary impact of adoption was the enhancement of the Company's disclosures related to contracts with customers and revenue recognized from those performance obligations, which includes revenue related to initial fees charged to franchisees and revenue recognized related to gift cards. See Note 7, Revenue Recognition.

Further, the Company implemented internal controls related to the recognition and presentation of the Company's revenues under this new standard.

Business Acquisitions

On October 1, 2018 the Company acquired certain assets of Bottle & Bottega, Inc., an Illinois corporation, which provides interactive art entertainment programs and private events to individuals and groups both in a studio and at off-site locations.

As part of the acquisition, the Company acquired 2 corporate studio locations and 17 franchise agreements related to studios owned and operated by franchisees.

The acquisition of the acquired Bottle & Bottega business was completed pursuant to an Asset Purchase Agreement dated October 1, 2018. Under the Asset Purchase Agreement, the Company acquired the net assets of the acquired business, other than certain excluded assets and liabilities. See Note 5 for discussion relating to the promissory note entered into by the Company on January 26, 2019.

Following is a summary of the assets acquired:

Estimated fair value of assets acquired:		
Property and equipment	$	24,757
Intangible assets		17,008
Goodwill		558,235
Total assets acquired	$	600,000

The allocations of purchase price to the assets acquired in connection with the acquired Bottle & Bottega business are based on current estimates of fair values.

NOTE 2 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2019 and December 2018:

		2019		2018
Furniture and fixtures	$	122,030	$	122,030
Computers and equipment		106,966		106,966
Leasehold improvements		321,005		321,005
		550,001		550,001
Less: Accumulated depreciation		(301,231)		(267,097)
Property and equipment, net	$	248,770	$	282,904

The Company recorded depreciation expense related to these assets of $34,134 and $47,534 in 2019 and 2018, respectively.

NOTE 3 – INTANGIBLE ASSETS

Following is a summary of intangible assets at December 31, 2019 and December 2018:

	2019	2018
Art copy rights	$ 166,997	$ 147,388
Trademark	111,496	111,496
Intangibles - other	154,767	82,336
	433,260	341,220
Less: Accumulated amortization	(238,961)	(186,844)
Net Intangible assets	$ 194,299	$ 154,376

Amortization expense for the years ended December 31, 2019 and December 31, 2018 was $52,117 and $45,545 respectively. Estimated future amortization expense as of December 31, 2019 is as follows:

Year ending:	
2020	$ 54,901
2021	48,958
2022	37,380
2023	30,562
2024	17,943
Thereafter	4,555
Total future amortization expense	$ 194,299

NOTE 4 – ACCRUED EXPENSES

Following is a summary of accrued expenses at December 31, 2019 and December 31, 2018:

	2019	2018
Legal and professional fees	$ 67,120	$ 41,798
Legal contingencies	250,000	-
Business acquisition costs	-	540,000
State franchise tax	11,010	9,300
Severance costs	-	10,938
Marketing and other fees	8,982	41,005
Payroll expenses	34,510	10,959
Total accrued liabilities	$ 371,622	$ 654,000

NOTE 5 – LONG-TERM DEBT

The following is a summary of the Company's long-term debt as of December 31:

	2019	2018
Bank loan, payable in monthly installments of $10,427, at a fixed rate of 5.95% per annum, secured by Company assets, with a final estimated last payment equal to the remaining balance due, maturing January 2024.	$ 452,377	$ -
	$ 452,377	$ -
Less: Current portion of long-term debt	(125,126)	-
Long-term debt, net of current maturities	$ 327,251	$ -

On January 16, 2019, in connection with the acquisition of the acquired Bottle & Bottega, Inc. business (See Note 1), the Company entered into a promissory note with a local banking institution to fund the remaining amount due. The amount of the note is $540,000 and requires monthly payments of principle and interest of $10,427, beginning February 16, 2019 and bears an interest rate of 5.95%, per annum, fixed. The note is secured by Company receivables, inventory, equipment, fixtures and general intangibles.

The following is a summary of principal maturities of long-term debt for each year until maturity:

Year ending:	
2020	$ 102,427
2021	108,690
2022	115,337
2023	125,923
	$ 452,377

The bank loan includes a debt service coverage covenant that requires the Company maintain a minimum annual debt service coverage of not less than 1.50 to 1.00 each fiscal year. In addition, the Company must maintain a minimum net worth of not less than $750,000 as of the end of each fiscal year.

At December 31, 2019, the Company was in violation of the minimum net worth covenant. See Note 13.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company leases office space from a related party entity. The terms of the leases are five years with two 5-year renewal options. Rent expense paid to this related party for the years ended December 31, 2019 and December 31, 2018 was $85,937 and is included in general and administrative expenses in the accompanying Statements of Income.

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, 2019 and 2018, there were no balances due to the Company from entities under common control or ownership. These balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

During 2017, the Company loaned the system-wide marketing and advertising fund $134,000. The amount outstanding at December 31, 2019 and 2018 was $0 and $134,000, respectively, and is included in Due From Affiliates on the balance sheet. The balance owed to the Company was non-interest bearing, unsecured and due on demand.

Three of the franchise locations in operation as of December 31, 2019 were owned and operated by related parties. As of December 31, 2018, there were four franchise locations owned and operated by related parties.

NOTE 7 – REVENUE RECOGNITION

The Company adopted the revenue recognition standards under Topic 606 at the beginning of the first quarter of 2019 using the modified retrospective method. The adoption of these standards did not have an impact on the Company's recognition of revenue from company-owned studios or its recognition of continuing royalty fees from franchisees, which are based on a percentage of franchisee revenues and are recognized in the period the related franchised studios' sales occur.

Franchise Fees

The adoption of Topic 606 impacted the Company's accounting for initial fees charged to franchisees. In the past, the Company recognized initial franchise fees when all material services or conditions relating to the sale of the franchise had been substantially performed or satisfied by the Company, which was generally when a new franchise studio opened. In accordance with the new guidance, the Company has determined that some of the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and those costs should be treated as a separate performance obligation. Therefore, the Company recognizes a portion of the initial fees received from the franchisees as revenue over the term of the respective franchise agreement, ranging from 7-10 years.

An adjustment to beginning retained earnings and deferred revenue of $187,263 was established on the date of adoption, January 1, 2019, associated with the initial fees received through January 2, 2019 that would have been deferred and recognized over the term of each respective franchise agreement if the new guidance had been applied in the past.

Under the new method, the Company recognized franchise fee revenue of $268,450 during 2019. Under the previous method, the Company recognized franchise fee revenue of $631,250. At December 31, 2019 and December 31, 2018, the balance of the deferred franchise fees was $414,001 and $470,000, respectively and is included in deferred revenue on the Balance Sheets.

Royalty and Other Related Fees

Royalties from franchise studios are based on a percentage of studio revenue and are recognized in the period the related franchised studios' sales occur. For the years ended December 31, 2019 and December 31, 2018, the Company recognized $4,123,051 and $4,432,996 in royalty and other related fee revenue, respectively.

Transfer fees of $67,875 and $157,750 were charged during the years ended December 31, 2019 and December 31, 2018, respectively and are included in royalties and other related fees.

Advertising Fees

The adoption of the new guidance changed the reporting of advertising fund contributions from franchisees and the related advertising fund expenditures, which were not previously included in the Statements of Income. The new guidance requires these advertising fund contributions and expenditures to be reported on a gross basis in the Statements of Income. The assets and liabilities held by the advertising funds, which were previously reported as restricted assets and liabilities of advertising funds, respectively, are now

included within the respective Balance Sheet caption to which the assets and liabilities relate. Additionally, advertising costs that have been incurred by the Company outside of the advertising funds are also included within selling and marketing expenses in the Statements of Income.

Gift Card Redemptions/Breakage Revenue

The Company and its franchisees sell gift cards that are redeemable at any of the franchise or corporate owned studio locations. The Company manages the gift card program, and therefore collects all funds from the activation of gift cards and reimburses franchisees for the redemption of gift cards in their studios. A liability for unredeemed gift cards is included in system-wide payables in the balance sheets.

There are no expiration dates or service fees charged on the gift cards. While the franchisees continue to honor all gift cards presented for payment, the likelihood of redemption may be determined to be remote for certain cards due to long periods of inactivity. In these circumstances, the Company may recognize revenue from unredeemed gift cards ("breakage revenue") if they are not subject to unclaimed property laws. The Company's gift card breakage is estimated and recognized over time in proportion to actual gift card redemptions, based on historical redemption rates. Significant judgment is required in estimating breakage rates and in determining whether to recognize breakage revenue over time or when the likelihood of redemption becomes remote. The Company did not record any gift card breakage for the years ended December 31, 2019 and December 31, 2018.

NOTE 8 – 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 with following assumptions:

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

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.

During 2018, the non-employee was terminated by the Company. See Note 11.

The Company has incurred no compensation expense related to the capital interest option for the years ended December 31, 2019 and December 31, 2018.

NOTE 9 – LINE OF CREDIT

The Company has a line of credit agreement with a banking institution of $150,000. At December 31, 2019 and 2018, the Company had no draws outstanding, respectively on the line of credit. Bank advances on the line of credit are payable on demand and bears interest at the Wall Street Journal Prime Index rate plus 1.0%. The line is reviewed annually and is due on demand.

NOTE 10 – 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. Certain of the Company's leases contain escalation clauses and renewal options. Rent expense is recognized on a straight-line basis over the life of the lease.

As of December 31, 2019, the Company's future minimum rental payments for leased properties having a lease term in excess of one year are as follows:

Year ending:	
2020	$ 135,711
2021	100,481
2022	97,278
2023	81,065
2024	-
Thereafter	-
Total minimum lease payments	$ 414,535

NOTE 11 – LEGAL PROCEEDINGS AND CONTINGENCIES

The Company is involved in legal proceedings and other matters arising from the conduct of the Company's business activities.

Although there can be no assurance as to the ultimate outcome, the Company intends to vigorously defend these lawsuits. The Company has accrued for legal claims when, and to the extent that, amounts associated with the claims become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts accrued for those claims.

During 2018, Louisiana Art Supply, LLC, the Company's largest supplier of art canvases and art supplies to franchisees, filed a claim against the Company and a former executive employee of the Company for breach of contract, interference with contract, unfair trade practices and detrimental reliance. The claim alleges that the Company, through its management, breached its obligations by allowing franchisees to purchase art-supplies from other vendors, despite the absence of a written contract between the Company and Louisiana Art Supply, LLC. The Company intends to vigorously defend this lawsuit and does not believe the ultimate disposition of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

During 2018, a former executive employee with a capital interest option agreement, filed a claim against the Company seeking specific performance of certain ownership interests in the Company and seeks an order declaring such option agreement valid and that all perquisites necessary to exercise said option, and for equitable relief, including, but not limited to, the transfer of certain interests in the Company. The

Company has not reached a settlement with this former employee, and the claim remains pending, however the Company has accrued a potential settlement contingent liability based on management's estimate of possible loss. See Note 4.

On January 4, 2019, a former executive employee amended its originally filed Petition for Damages, expounding on the original claim, adding facts regarding the termination and the internal operation of the Company as well as Louisiana Art Supply, LLC, the Company's largest supplier of art canvases and art supplies to franchisees. In addition, the claim alleges that the Company and Louisiana Art Supply, LLC should be deemed a single business enterprise. The Company intends to vigorously defend this lawsuit and does not believe the ultimate disposition of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition to the litigation described above, 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.

NOTE 12 – 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, 2019 and 2018, the Company did not have any financial assets or liabilities to value.

NOTE 13 – SUBSEQUENT EVENTS

As discussed in Note 5, the Company was in violation of its minimum net worth covenant. The Company obtained a waiver on February 24, 2020, which waived this violation for the year ending December 31,

2019. Had this waiver not been obtained, the Company would have been in default on its commercial loan agreement at December 31, 2019.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 21, 2020 and determined that there were no other items for disclosure.

Painting With A Twist, LLC

Financial Statements

December 31, 2018 and 2017

REAGAN & REAGAN

CPAs & Business Advisors

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Painting With A Twist, LLC

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REPORT

REAGAN & REAGAN
CPAs & Business Advisors

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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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 12, 2019

FINANCIAL STATEMENTS

Painting With A Twist, LLC

Balance Sheets
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash	$ 415,156	$ 1,038,665
Restricted cash	3,495,695	2,556,281
Accounts receivable:		
Royalties	169,387	89,938
Other	13,156	-
System-wide receivables	81,028	-
Due from affiliates	134,000	223,026
Prepaids and other current assets	336,527	78,975
Total current assets	4,644,949	3,986,885
Property and equipment, less accumulated depreciation of $267,097 and $219,563, respectively	282,904	305,680
Intangible assets, less accumulated amortization of $186,844 and $141,299, respectively	154,376	167,435
Goodwill	558,235	-
Deposits and other assets	121,642	6,348
Total assets	$ 5,762,106	$ 4,466,348
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 146,382	$ 82,295
Accrued expenses	654,000	144,846
System-wide payables	3,665,931	2,515,605
Deferred revenue	470,000	1,113,750
Due to affiliates	-	5,840
Total current liabilities	4,936,313	3,862,336
Total liabilities	4,936,313	3,862,336
Members' Equity	825,793	604,012
Total liabilities and members' equity	$ 5,762,106	$ 4,466,348

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

Painting With A Twist, LLC

Statements of Income
Years ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Franchise fees	$ 631,250	$ 1,042,500
Royalties and other related fees	4,432,996	4,419,296
Corporate studio sales	123,378	-
Total revenue	5,187,624	5,461,796
Costs and expenses:		
Studio operating costs:		
Cost of sales	6,587	-
Labor	44,616	-
Occupancy	25,519	-
General and administrative	1,694,665	2,233,450
Payroll and payroll taxes	2,349,132	2,086,966
Preopening	-	50,127
Selling and marketing	206,707	352,636
Depreciation and amortization	93,079	92,697
Total costs and expenses	4,420,305	4,815,876
Income from operations	767,319	645,920
Other income (expense)		
Interest expense	-	(6,972)
Other income	7,732	11,435
	7,732	4,463
Net income	$ 775,051	$ 650,383

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

Painting With A Twist, LLC

Statements of Cash Flows
Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income	$ 775,051	$ 650,383
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	93,079	92,697
Changes in assets and liabilities		
Deferred revenue	(643,750)	(301,250)
Restricted cash	(939,414)	(1,263,433)
Accounts receivable	(79,449)	(2,216)
Other receivables	(13,156)	-
Notes receivable	-	130,000
System-wide receivables	(81,028)	-
Due from/to affiliates	83,186	(134,000)
Prepaid and other current assets	(257,552)	(9,876)
Deposits and other assets	(115,294)	-
Accounts payable and accrued expenses	573,241	28,548
System-wide payables	1,150,326	1,292,391
Net cash provided by operating activities	545,240	483,244
Cash flows from investing activities:		
Acquisiton of goodwill	(558,235)	-
Purchase of trademark and art copy rights, net	(32,486)	(63,975)
Purchase of property and equipment	(24,758)	-
Net cash used in investing activities	(615,479)	(63,975)
Cash flows from financing activities:		
Repayments on line of credit	-	(130,000)
Member distributions	(553,270)	(489,958)
Net cash used in financing activities	(553,270)	(619,958)
Net decrease in cash	(623,509)	(200,689)
Cash, beginning of period	1,038,665	1,239,354
Cash, end of period	$ 415,156	$ 1,038,665
Supplemental cash flow information:		
Cash paid during the year for interest:	$ -	$ 6,972

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, 2018 and 2017

	Members' Equity
Balance at January 1, 2017	$ 443,587
Net income for the period	650,383
Member distributions	(489,958)
Balance at December 31, 2017	604,012
Net income for the period	775,051
Member distributions	(553,270)
Balance at December 31, 2018	$ 825,793

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

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's 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

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.

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.

Goodwill

Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization, but instead is tested for impairment at least annually (or more often, if necessary).

Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit. Step one of the impairment test is based upon a comparison of the carrying value of net assets, including goodwill balances, to the fair value of net assets. Fair value is measured using a combination of the income approach and the market approach. The income approach consists of utilizing the discounted cash flow method that incorporates the Company's estimates of future revenues and costs, discounted using a risk-adjusted discount rate. The Company's estimates used in the income approach are consistent with the plans and estimates used to manage operations. The market approach utilizes multiples of profit measures to estimate the fair value of the assets. The Company evaluates all methods to ensure reasonably consistent results. Additionally, the Company evaluates the key input factors in the model used to determine whether a moderate change in any input factor or combination of factors would significantly change the results of the tests. Based on the Company's analysis, no impairment charges were recognized on goodwill for the fiscal year ended 2018.

However, an impairment charge may be triggered in the future if cash flows of the Company's royalties and franchise fees decline significantly, or if there are significant adverse changes in the operating environment of the franchise industry.

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 a

minimum, on an annual basis. The Company does not believe that any impairment exists as of December 31, 2018 and 2017.

Deposits and Other Assets

Deposits and other assets consist primarily of deposits and cash surrender values of life insurance policies where the Company is the owner and beneficiary of variable universal life insurance policies. The total cash surrender value, net of surrender charges, at December 31, 2018 and 2017 was $112,913 and $0, respectively.

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, other receivables, restricted cash, prepaids and other current assets, amounts due to and from affiliates, accounts payable and accrued expenses, system-wide payables, deposits and deferred revenue) approximate their carrying values.

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, 2018 and December 31, 2017, the Company recognized $4,432,996 and $4,419,296 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 are based on management's estimates of anticipated costs and are earned upon execution of the transfer agreement, because substantially all obligations to the new franchisee are met. Transfer fees of $157,750 and $88,400 were charged during the years ended December 31, 2018 and December 31, 2017, respectively and are included in royalties and other related fees.

Sales from company-owned studio revenues are recognized as revenue at the point of completion of the art classes.

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 agreements 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. During the years ended December 31, 2018 and December 31, 2017, preopening costs amounted to $0 and $50,127, respectively.

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, 2018 and December 31, 2017, the national advertising fund liability was $188,206 and $79,306, 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, 2018 and December 31, 2017, the gift card liability was $3,477,725 and $2,436,298, 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, 2018 and December 31, 2017, advertising costs amounted to $180,377 and $337,496, respectively.

Rent Expense

Rent expense for the Company's leases which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The lease terms includes renewal options which are reasonably assured of being exercised. The difference between the rent expense and rent paid is recorded as prepaid or deferred rent in the balance sheet.

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 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.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2018 for private companies. The Company will adopt these standards upon their effective date, January 1, 2019. The Company does not believe the new revenue recognition standard will materially impact the 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 expects the adoption of Topic 606 to impact the accounting for initial franchise fees. Currently the Company recognizes revenue from initial franchise fees upon the opening of a franchised location when the Company has performed all material obligations and initial services. Upon the adoption of Topic 606, the Company expects to recognize the revenue related to initial franchise fees over the term of the related franchise agreement.

The Company expects the adoption of the new revenue recognition standard to materially impact the accounting for advertising fees charged to franchisees and other transactions involving the Company's advertising and gift card funds. Upon the adoption of Topic 606, the Company expects to present advertising contributions received from franchisees as revenue and to record all expenses of the national advertising fund and therefore expects that this will increase revenues and expenses on the statements of income.

The Company plans on adopting this standard by utilizing the modified retrospective approach. As such, the Company will continue to finalize accounting policies, quantify the impact of adopting this standard, and design and implement internal controls during the fiscal year ended December 31, 2018. The Company is currently unable to estimate the impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the lease guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its 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.

Business Acquisitions

On October 1, 2018 the Company acquired certain assets of Bottle & Bottega, Inc., an Illinois corporation, which provides interactive art entertainment programs and private events to individuals and groups both in a studio and at off-site locations.

As part of the acquisition, the Company acquired 2 corporate studio locations and 17 franchise agreements related to studios owned and operated by franchisees.

The acquisition of the acquired Bottle & Bottega business was completed pursuant to an Asset Purchase Agreement dated October 1, 2018. Under the Asset Purchase Agreement, the Company acquired the net assets of the acquired business, other than certain excluded assets and liabilities. See Note 12 for discussion relating to the promissory note entered into by the Company subsequent to December 31, 2018.

Following is a summary of the assets acquired:

Estimated fair value of assets acquired:

Property and equipment	$	24,757
Intangible assets		17,008
Goodwill		558,235
Total assets acquired	$	600,000

The allocations of purchase price to the assets acquired in connection with the acquired Bottle & Bottega business are based on current estimates of fair values.

NOTE 2 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2018 and December 2017:

	2018	2017
Furniture and fixtures	$ 122,030	$ 121,718
Computers and equipment	106,966	85,497
Leasehold improvements	321,005	318,028
	550,001	525,243
Less: Accumulated depreciation	(267,097)	(219,563)
Property and equipment, net	$ 282,904	$ 305,680

The Company recorded depreciation expense related to these assets of $47,534 and $50,412 in 2018 and 2017, respectively.

NOTE 3 – INTANGIBLE ASSETS

Following is a summary of intangible assets at December 31, 2018 and December 2017:

	2018	2017
Art copy rights	$ 147,388	$ 130,565
Trademark	111,496	111,496
Intangibles - other	82,336	66,673
	341,220	308,734
Less: Accumulated amortization	(186,844)	(141,299)
Net Intangible assets	$ 154,376	$ 167,435

Amortization expense for the years ended December 31, 2018 and December 31, 2017 was $45,545 and $42,285 respectively. Estimated future amortization expense as of December 31, 2018 is as follows:

Year ending:	
2019	$ 43,745
2020	35,906
2021	31,026
2022	19,556
2023	12,648
Thereafter	11,495
Total future amortization expense	$ 154,376

NOTE 4 – ACCRUED EXPENSES

Following is a summary of accrued expenses at December 31, 2018 and December 31, 2017:

	2018	2017
Legal and professional fees	$ 41,798	$ 61,608
Business acquisition costs	540,000	-
State franchise tax	9,300	-
Severance costs	10,938	-
Marketing and other fees	41,005	-
Payroll expenses	10,959	83,238
Total accrued liabilities	$ 654,000	$ 144,846

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company leases office space from a related party entity. The terms of the leases are five years with two 5-year renewal options. Rent expense paid to this related party for the years ended December 31, 2018 and December 31, 2017 was $85,937 and $170,525, respectively and is included in general and administrative expenses in the accompanying Statements of Income.

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, 2018 and December 31, 2017, $0 and $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 2017, the Company loaned the system-wide marketing and advertising fund $134,000. The amount outstanding at December 31, 2018 and 2017 was $134,000 and is included in Due From Affiliates on the balance sheet. The balance owed to the Company is non-interest bearing, unsecured and due on demand.

Four of the franchise locations in operation as of December 31, 2018 were owned and operated by related parties. As of December 31, 2017, there were 6 franchise locations 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, 2018 and December 31, 2017, the balance of the deferred franchise fees was $470,000 and $1,113,750, respectively and is included in deferred revenue on the Balance Sheets. For the years ended December 31, 2018 and December 31, 2017, the Company recognized $631,250 and $1,042,500 respectively, in franchise fee revenue.

Franchise activity is summarized below:

Operating January 1, 2017	264
Opened	45
Closed	(6)
Balance at December 31, 2017	303
Opened/Aquired	40
Closed	(25)
Balance at December 31, 2018	318

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 with following assumptions:

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

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.

During 2018, the non-employee was terminated by the Company. See Notes 10 and 12.

The Company has incurred no compensation expense related to the capital interest option for the years ended December 31, 2018 and December 31, 2017.

NOTE 8 – LINE OF CREDIT

The Company has a line of credit agreement with a banking institution of $150,000. At December 31, 2018 and 2017, the Company had no draws outstanding, respectively on the line of credit. Bank advances on the

line of credit are payable on demand and bears interest at the bank's prime lending rate plus 2.28 percentage points. The line is reviewed annually and is due on demand. See Note 12.

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. Certain of the Company's leases contain escalation clauses and renewal options. Rent expense is recognized on a straight-line basis over the life of the lease.

As of December 31, 2018, the Company's future minimum rental payments for leased properties having a lease term in excess of one year are as follows:

Year ending:		
2019	$	99,764
2020		91,824
2021		48,012
2022		48,516
2023		40,780
Thereafter		-
Total minimum lease payments	$	328,896

NOTE 10 - CONTINGENCIES

During 2018, Louisiana Art Supply, LLC, the Company's largest supplier of art canvases and art supplies to franchisees, filed a claim against the Company and a former executive employee of the Company for breach of contract, interference with contract, unfair trade practices and detrimental reliance. The claim alleges that the Company, through its management, breached its obligations by allowing franchisees to purchase art-supplies from other vendors, despite the absence of a written contract between the Company and Louisiana Art Supply, LLC. The Company intends to vigorously defend this lawsuit and does not believe the ultimate disposition of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

During 2018, a former executive employee with a capital interest option agreement, filed a claim against the Company seeking specific performance of certain ownership interests in the Company and seeks an order declaring such option agreement valid and that all perquisites necessary to exercise said option, and for equitable relief, including, but not limited to, the transfer of certain interests in the Company. The Company intends to vigorously defend this lawsuit and does not believe the ultimate disposition of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition to the litigation described above, 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.

See Note 12 for claims filed subsequent to December 31, 2018.

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, 2018 and 2017, the Company did not have any financial assets or liabilities to value.

NOTE 12 – SUBSEQUENT EVENTS

On January 4, 2019, a former executive employee amended its originally filed Petition for Damages, expounding on the original claim, adding facts regarding the termination and the internal operation of the Company as well as Louisiana Art Supply, LLC, the Company's largest supplier of art canvases and art supplies to franchisees. In addition, the claim alleges that the Company and Louisiana Art Supply, LLC should be deemed a single business enterprise. The Company intends to vigorously defend this lawsuit and does not believe the ultimate disposition of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

On January 16, 2019, in connection with the acquisition of the acquired Bottle & Bottega, Inc. business (See Note 1), the Company entered into a promissory note with a local banking institution to fund the remaining amount due. The amount of the note is $540,000 and requires monthly payments of principle and interest of $10,427.16, beginning February 16, 2019. The note bears an interest rate of 5.95%, per annum, fixed.

On January 16, 2019, in connection with the acquisition of the acquired Bottle & Bottega, Inc. business (See Note 12), the Company restructured the terms of its line of credit. The borrowing capacity of the line of credit is $150,000, maturing on January 16, 2020 and bears a variable interest rate at the Wall Street

Journal Prime Index rate plus 1.0%. The line of credit was obtained to provide for the ongoing working capital and other financing requirements of the Company.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 12, 2019 and determined that there were no other items for disclosure.

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS

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EXHIBIT F

GENERAL RELEASE

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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 of 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}

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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:_____

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EXHIBIT G

FRANCHISE COMPLIANCE CERTIFICATION

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FRANCHISEE COMPLIANCE CERTIFICATION

FRANCHISEE COMPLIANCE CERTIFICATION

Painting with a Twist, L.L.C. and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate a franchised business (a "Franchised Business"). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the back of this sheet.

Yes____ No ____ 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or Development Schedule attached to this agreement, which you intend to enter into with us?

Yes____ No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?

Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes____ No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?

Yes____ No ____ 5. Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business with these professional advisor(s)?

Yes____ No ____ 6. Do you understand the success or failure of your Franchised Business will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your approved location, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?

Yes____ No ____ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?

Yes____ No ____ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the

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Proprietary Marks or any other mark at any location outside your (a) Protected Territory under the Franchise Agreement and (b) Development Area if you have entered into a Development Agreement, without regard to the proximity of these activities to the premises of your Franchised Business(es)?

Yes____ No ____ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our headquarters in Louisiana?

Yes____ No ____ 10. Do you understand the Franchise Agreement and Development Agreement provides that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?

Yes____ No ____ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?

Yes____ No ____ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Designated Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?

Yes____ No ____ 13. Do you understand that we require you to successfully complete certain initial management training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?

Yes____ No ____ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises, (other than those that you timely open to fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?

Yes____ No ____ 15. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?

Yes____ No ____ 16. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

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Yes____ No ____ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 19. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

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

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

_____	_____
Signature of Franchise Applicant	Signature of Franchise Applicant
_____	_____
Name (please print)	Name (please print)
Dated: _____, 20_____	Dated: _____, 20_____
_____	_____
Signature of Franchise Applicant	Signature of Franchise Applicant
_____	_____
Name (please print)	Name (please print)
Dated: _____, 20_____	Dated: _____, 20_____

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EXHIBIT H

LIST OF CURRENT FRANCHISEES AND FRANCHISEES WHO LEFT THE SYSTEM

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Franchisees in Operation as of December 31, 2019

Franchisee	Contact	Address	City, State	Zip Code	Phone Number
Shri Rama, LLC	Hemen Patel, Sachin Patel and Samir Patel	701 Doug Baker Blvd. #106	Birmingham, AL	35242	(205) 637-7777
N and K at Play, LLC	Katie Collins and Christopher Collins	1401 SE Walton Blvd., Suite 111	Bentonville, AR	72712	(479) 254-1997
Wine and Design, LLC	Sara Lyons and Danielle Freeman	4328 Central Ave., Suite N	Hot Springs, AR	71913	(501) 547-6268
Art Life, LLC	Seth McMurry, Brittany Ford and John Wolfe	400 N. Bowman Road, Suite 32	Little Rock, AR	72211	(501) 410-4422
Creative Artists Group	Victor Cisneros and Amber Cisneros	1094 South Gilbert Road	Gilbert, AZ	85296	(480) 798-1715
WHM Painting-Tempe LLC	Jeremy Mays and Shernell Mays, Michael Hampton and Annette Hampton, Robert Williams and Loita Williams	219 E Baseline Road, Suite H3	Tempe, AZ	85283	(602) 758-7928
HJR Enterprise	Heidi Ralphs	2298 E. Ventura Blvd.	Camarillo, CA	93010	(805) 484-4444
S&E Artistry, LLC	Stacy Khanishian	2125 S. Winchester Blvd. #110	Campbell, CA	95008	(408) 800-4163
JShelby Enterprises, LLC	Jigger Ong	21425 Devonshire Street	Chatsworth, CA	91311	(818) 282-3625
Elias & Ethan Art Studios, LLC	George Beaini and Maria Beaini	4008 Hardwick Street	Lakewood, CA	90712	(562) 232-3352
Iilena Handy and Jolene Dreo	Iilena Handy and Jolene Dreo	548 Contra Costa Blvd., Suite E	Pleasant Hill, CA	94523	(925) 471-5816
Dale Tye and Laura Ah Tye	Dale Tye and Laura Ah Tye	P.O. Box 893	Redwood City, CA	94064	(650) 242-9400
Chicagofornia, INC	Athanasios Angelopoulos	16397 Bernardo Center Drive	San Diego, CA	92128	(858) 304-2318
Flair De Art, LLC	Nish Gokli and Payal Gokli	11040 Bollinger Canyon Road, Suite E-404	San Roman, CA	94582	(925) 452-6897
Visconti Brothers, LLC	Bobette Laureano and Joseph Visconti III	19115 Golden Valley Road	Santa Clarita, CA	91387	(661) 360-6335

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
SOCALSIPART, INC.	Catherine Maina	1867 E. Thousand Oaks Blvd.	Thousand Oaks, CA	91362	(805) 372-7928
SAK Arts, Inc.	Sheri Kavoosi	15072 Goldenwest Street	Westminster, CA	92683	(714) 893-0194
Trident Arts, LLC	Rebeca Flott	14132 East Cedar Ave.	Aurora, CO	80012	(303) 343-2826
Art Girls, LLC	Laura Foy and Danielle Foy	9475 Briar Village Point, Suite 105	Colorado Springs, CO	80920	(719) 375-0553
Artful Living Investments, LLC	Starla Steinbach	2834 N Powers Blvd.	Colorado Springs, CO	80922	(719) 591-2455
Get to the Paint, LLC	Amanda Jean Wannelius	115 North Tejon Street	Colorado Springs, CO	80903	(719) 473-8663
Kingston Creative, Inc.	Laura Foy	1025 Garden of the Gods Road, Suite A	Colorado Springs, CO	80907	(719) 358-7758
Artful Living Trois, LLC	Starla Steinbach	7134 W Alaska Drive	Denver, CO	80226	(720) 508-3645
Twisting the Rockies, LLC	Carolyn Barnes	1962 Blake Street	Denver, CO	80216	(720) 598-5755
Art by Jasmine, LLC	Jasmine Henley	1112 Oakridge Drive #107	Fort Collins, CO	80525	(970) 658-5176
5 to 1 Enterprises, LLC	Joe P. Alviar and Marianne S. Alviar	7600 E. Park Meadows Drive, Suite 950	Lone Tree, CO	80124	(303) 955-0362
The Khan Artist Co.	Stephen Richmond	45 Pratt Street	Hartford, CT	06103	(860) 987-2567
McMee, LLC	Janice McGuire and Ellen Meehan	1460 Post Road E	Westport, CT	06880	(203) 955-1855
Team Rhodi Studios, LLC	Stephanie Rhodes and William Rhodes	240 Dove Run Drive	Middleton, DE	19709	(302) 660-1897
Team Rhodi Studios, LLC	Stephanie Rhodes and William Rhodes	400 Suburban Drive	Newark, DE	19711	(302) 660-1200
SJP Painting LLC	James Pomante and Stephanie Pomante	1812 Marsh Road Unit #409	Wilmington, DE	19810	(302) 246-3199
YJCP CORP	Pooja Patel	851 W State Road 436 #1013	Altamonte Springs, FL	32714	(407) 347-2900

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
Gabric, LLC	Gabriele Knecht and Richard Clark	2288 N. Congress Ave.	Boynton Beach, FL	33426	(561) 736-5770
Penney Uncorked, LLC	Hope Kinney and Sheri Penxa	5917 Manatee Ave. W, Suite 209	Bradenton, FL	34209	(941) 795-7928
Tuten Enterprises of Brandon, LLC	Gina Tuten and Todd Owen	1993 W Lumsden Road	Brandon, FL	33511	(813) 655-0931
Leroga III, LLC	Leslie Gay and Marvin Gay	1570 N McMullen Booth Road, Unit H2	Clearwater, FL	33759	(727) 797-7928
Piper Studios, LLC	Richard Tomb and Patricia Tomb	2411 S Highway 27	Clermont, FL	34714	(352) 708-4466
Viva La Pintura LLC	Rocky Jones and Chanson Jones	109 King Street	Cocoa, FL	32922	(321) 339-8851
JMG Entertainment, LLC	Jeffrey Greenberg, Danielle Greenberg, and Michele Faulconer	720 Riverside Drive	Coral Springs, FL	33071	(954) 773-7928
Magic Art Painting, LLC	Christian Dodard and Elisa Rusciani	5810 S. University Drive, Suite 106	Davie, FL	33328	(954) 773-3284
Phantom Cow, LLC	Thomas McDonnell, Jr. and Greg Goff	1808 W International Speedway Blvd., Suite 205	Daytona Beach, FL	32114	(386) 248-1600
Wine & Design, LLC	Matthew Santangelo Jr. and Holly Fuente	1185 S. Federal Highway	Deerfield Beach, FL	33441	(954) 482-0515
Nan & Man, LLC	Barbara Dean	255 Miracle Strip Pkwy., Unit B-8	Fort Walton Beach, FL	32548	(850) 226-7218
Wholeartedly, LLC	Jim Van Cleave and Laura Van Cleave	104 Bartram Oaks Walk, Suite 105	Fruit Cove, FL	32259	(904) 518-4932
Generations With A Twist, LLC	Christine White, Barry White and Whitney Lopez	9902 Gulf Coast Main Street, Suite D-130	Ft. Meyers, FL	33913	(239) 565-8817
Gator Studios, LLC	Dino DeLeo and Monica DeLeo	618 NW 60th Street, Suite B	Gainesville, FL	32607	(386) 965-7066
Trendle, LLC	Geri Bernard and Joshua Bernard	1525 San Marco Blvd.	Jacksonville, FL	32207	(904) 399-8399
SANDNET FL HOLDINGS LLC	Mark Sandler and Karen Sandler	3579 NW Federal Hwy.	Jensen Beach, FL	34957	(772) 210-5305

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
Colbee LLC	Richard Tomb and Patricia Tomb, Melissa Schneider and John Schneider	3038 Dyer Blvd.	Kissimmee, FL	34741	(407) 785-2038
Artsy Party, LLC	Kelli Daughtry and Kevin Roberts	1009 SW Main Blvd., Suite 135	Lake City, FL	32025	(386) 438-8782
FOXCASE, LLC	Richard Tomb and Patricia Tomb, Melissa Schneider and John Schneider	101 N. Country Club Road, Suite 130	Lake Mary, FL	32746	(407) 878-5245
Transun II, LLC	Bert Adams and Kari Dennis	3670 Harden Blvd.	Lakeland, FL	33803	(863) 646-0238
Artsy Girlz III, LLC	Michelle Beres and Sharon Reis	1924 Oak Grove Blvd.	Lutz, FL	33559	(813) 591-2163
The Tipsy Palette, LLC	Sandra Terry and Marguerite Descovich	702 E. New Haven Ave.	Melbourne, FL	32901	(321) 698-7928
CLS & Monet LLC	Pedro Lopez and Gilianne Sanjur	1566 SW 22nd Street	Miami, FL	33145	(305) 549-8911
Dark Wolf, LLC	Eric Patrick	7657 Biscayne Blvd.	Miami, FL	33138	(786) 300-6855
Karmic Wolf LLC	Eric Patrick	8854 SW 129th Terrace	Miami, FL	33176	(786) 300-6855
Thirsty Canvas, LLC	Melissa Valdes, Helmuth Solis, and Cherie Pontes	12582 SW 88th Street	Miami, FL	33186	(786) 409-4661
Black Cat Bay, LLC	David Sexton and Christen Hauenstein	924 71st Street	Miami Beach, FL	33141	(305) 495-2879
Y&Y Painting, LLC	Yirka Marban and Alexander Marban	15100 NW 67th Ave. #111	Miami Lakes, FL	33014	(786) 542-0149
Rioby, LLC	Richard Tomb and Patricia Tomb	16844 US Hwy. 441, Tri-Cities Shopping Plaza	Mount Dora, FL	32757	(352) 383-7928
CandE Studios L.L.C.	Eddie Goff and Cyndi Goff	4414 SW College Road Unit # 370	Ocala, FL	34474	(352) 368-2073
Merlot & Van Gogh, LLC	Jenny Farrar and Anna Perez	6700 Conroy-Windermere Road, Suite 125	Orlando, FL	32835	(407) 601-7800
Tropical Monkey, LLC	Cynthia Morelewicz	250 Palm Coast Parkway SW	Palm Coast, FL	32137	(386) 445-7786

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Business Management World Corp.	Michael Williams and Wapeka Williams	2503 Martin Luther King Jr Blvd.	Panama City, FL	32405	(850) 640-3287
3M Studios, LLC	Donna Mitchell, Alexandra Mitchell and Katherine Mitchell	15971 Pines Blvd.	Pembroke Pines, FL	33027	(954) 871-2350
Two M's, LLC	Jennifer Muller	4771 Bayou Blvd.	Pensacola, FL	32503	(850) 471-1450
Legimato, LLC	Marvin Gay and Leslie Gay, Todd Owen and Gina Tuten	5625 Park Blvd.	Pinellas Park, FL	33781	(727) 800-2537
PAINT4FUN, LLC	Jay Golden	302 South University Drive	Plantation, FL	33324	(954) 706-5552
Dellaire Art, LLC	Gerald Dallaire	268 Solana Road	Ponte Vedra Beach, FL	32082	(904) 687-4307
SouthWesters LLC	Stan Wester and Linda Wester	18700 Veterans Blvd., Suite #8	Port Charlotte, FL	33954	(941) 787-2443
Penney Uncorked, LLC	Sheri Penxa and Hope Kinney	5543 Palmer Crossing Circle	Sarasota, FL	34233	(941) 822-0357
Maddie Gray, LLC	Kelsey Roberts	292 State Road 312	St. Augustine, FL	32086	(386) 965-7066
Leroga, LLC	Marvin Gay and Leslie Gay	2527 Central Ave.	St. Petersburg, FL	33713	(727) 327-4488
Beauclair & Thompson, LLC	Joanna Thompson	1660 North Monroe Street, Suite 8	Tallahassee, FL	32303	(850) 222-1385
P&H Artistic Concepts, LLC	Harry Mays and Patricia Mays	3421 Bannerman Road #102	Tallahassee, FL	32312	(850) 765-4530
Artsy Girlz II, LLC	Sharon Reis and Michelle Beres	12926 N. Dale Mabry Highway	Tampa, FL	33618	(813) 944-0038
Business Management World Corp.	Michael Williams and Wapeka Williams	10110 Montague Street	Tampa, FL	33626	(813) 749-7955
Leroga II, LLC	Todd Owen and Gina Tuten	2821 S MacDill Ave.	Tampa, FL	33629	(813) 839-2409
ARTSY GIRLZ LLC	Sharon Reis and Michelle Beres	8351 State Road 54, Suite 112	Trinity, FL	34655	(727) 376-1112
Chmura Enterprises of Winter Haven INC., LLC	Todd Owen, Gina Tuten and David and Kathleen Chmura	6264 Cypress Gardens Blvd.	Winter Haven, FL	33884	(863) 968-2368

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TCD Studios, LLC	Shyam Dalmia	11770 Haynes Bridge Road, Suite 801	Alpharetta, GA	30009	(470) 294-0051
Big Peach Enterprises, LLC	Amanda Dossey	2140 Peachtree Road NW, Suite 305	Atlanta, GA	30309	(404) 975-3423
Business Management World Corp.	Michael Williams	1230 Caroline Street NE	Atlanta, GA	30307	(470) 575-7400
Artsy, LLC	Tammy Henry	6298 Veterans Pkwy., Suite 2N	Columbus, GA	31909	(706) 221-6642
Two Little Peaches, LLC	Amanda Dossey and Jo-Ellen Orsini	4512-A Chamblee Dunwoody Road	Dunwoody, GA	30338	(770) 676-9524
Boss Ladies & Associates	Felicia Riley and Suzette Llewellyn-Riley	178 E Crogan Street, Suite 230	Lawrenceville, GA	30046	(678) 226-4970
Paint My Dreams, LLC	Christopher Hamel and Jessica Hamel	107 Grand Central Blvd., Suite 205	Pooler, GA	31322	(912) 737-2151
Paint, Create, & Party, LLC	Mia Amodio	6780 Roswell Road, Suite D-120	Sandy Springs, GA	30328	(470) 294-2926
Paint My Dreams, LLC	Christopher and Jessica Hamel	513 E. Oglethorpe Ave.	Savannah, GA	31401	(912) 349-4234
Pacific Canvas, LLC	Cynthia Fujieki, Megan O'Donnell and Gregory O'Donnell Jr.	98-199 Kamehameha Highway, Suite D-02	Aiea, HI	96701	(808) 797-3615
Pacific Canvas, LLC	Cynthia Fujieki, Megan O'Donnell and Gregory O'Donnell Jr.	320 Ward Ave., Suite 114	Honolulu, HI	96814	(808) 798-9507
James Neely and Bridget Cravens-Neely	James Neely and Bridget Cravens-Neely	P.O. Box 157	Des Moines, IA	50301	(515) 505-7111
Pioneer Studios, LLC	Andrea Kline and Joeseph Sanders	3701 86th Street, Suite 3753	Urbandale, IA	50322	(515) 421-9132
Christopher Bonk	Christopher Bonk	10 W Campbell Street	Arlington Heights, IL	60005	(847) 929-9802
INSPIRE ONE INC.	Neenu Gupta	P.O. Box 46471	Chicago, IL	60646	(847) 232-7170
Karen’s Creativity Zone, LLC	Karen Korte	871 South Arbor Vitae	Edwardsville, IL	62025	(314) 323-1143

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Gracious Gatherings LLC	John Day and Lynn Day	498 Crescent Blvd.	Glen Ellyn, IL	60137	(630) 984-4955
Christopher Bonk and Robert Enos	Christopher Bonk and Robert Enos	1894 Sheridan Road	Highland Park, IL	60035	(224) 206-9620
Fiveloud, Inc.	Greg Loudon and Darcie Loudon	2009 Ridge Road	Homewood, IL	60430	(708) 443-3373
LeFaivre Limited	Paul LeFaivre and Meg LeFaivre	1 West Harris	La Grange, IL	60525	(708) 441-4300
Chicks Ahoy, LLC	Jeanne Shirley and Bryan Shirley	301 E Carmel Drive, Building A-500	Carmel, IN	46032	(317) 810-1335
Brush Mileage, LLC	Mihir Paranjape	5625 E. Virginia Street, Suite A	Evansville, IN	47715	(812) 304-0843
Sale Away, LLC	Marshall Springer and Bonnie Springer	6425 West Jefferson Blvd.	Fort Wayne, IN	46804	(260) 434-8642
Red Dog Paintings, LLC	Robert Laux and Peggy Hufford	8804 N Michigan Road	Indianapolis, IN	46268	(317) 228-4300
Mix It Up, LLC	Brooke Pelton and Nelson Pelton	2049 Veterans Memorial Parkway, Suite 13	Lafayette, IN	47909	(765) 637-0017
Strokes of Genius, LLC	Allyson McMillin	2573 Richmond Road, Suite 385	Lexington, KY	40509	(859) 309-2701
PWAT Studio #363, LLC	Johanna Natale	711 Jefferson Hwy., Suite 3A	Baton Rouge, LA	70806	(225) 927-7077
Katy Dongieux, LLC	Katy Dongieux	1900 Lafayette Street, Suite 2A	Gretna, LA	70053	(504) 361-0574
SWAT Hammond, LLC	Nicholas Soileau	204 E Thomas Street	Hammond, LA	70401	(985) 345-3747
GET SPLATTERED, LLC	Gordon Jefferyes and Nichole Jefferyes	107 Energy Parkway, Suite B	Lafayette, LA	70508	(337) 234-9783
BAA STUDIO, INC.	Ashley Hebert	611 W Prien Lake Road	Lake Charles, LA	70601	(337) 602-6239
PWAT Studio #364, LLC	Johanna Natale	4931 W. Esplanade Ave., Suite D	Metairie, LA	70006	(504) 832-5536
Ladelle Properties, LLC	Robert Harris and Loretta Harris	1818 Tower Drive	Monroe, LA	71201	(318) 654-4800

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
Beauclair Ventures, LLC	Jean Beauclair	1409 E 70th Street	Shreveport, LA	71105	(318) 524-9928
First Rule LLC	David Small	448A N Main Street	East Longmeadow, MA	01028	(413) 525-2041
Human Code, LLC	Danielle Dellovo and Michael Foresta	10 High Street	North Andover, MA	01845	(978) 291-5827
V & V, LLC	Vladimir Segel and Vadim Roshchin	1134 York Road, Suite 101	Baltimore, MD	21093	(443) 652-3710
ARI ELLE & ASSOCIATES, LLC	Letitia Tenner	3143 Oak Valley Drive	Ann Arbor, MI	48103	(734) 662-7928
Westborn Studios, LLC	Naji Chammout	22219 Michigan Ave.	Dearborn, MI	48124	(313) 558-9740
Painting Dreams LLP	Donna Lewis	1420 Washington Blvd.	Detroit, MI	48226	(313) 960-4793
Sunkiss Enterprise, LLC	Michelle Lewis	33033 Grand River Ave.	Farmington, MI	48336	(248) 476-7928
Hammertime Management, LLC	David and Nancy Schollhammer	17155 Silver Parkway	Fenton, MI	48430	(810) 354-7139
SunkissBiz, LLC	Michelle Lewis	200 W. 9 Mile Road	Ferndale, MI	48220	(248) 850-7182
Custom Canvass, LLC	Donald Labrecque	5600 Portage Road	Portage, MI	49002	(269) 209-1919
ART ONE STUDIO, LLC	Cindy Giacomazza	3320 S Rochester Road	Rochester, MI	48307	(248) 289-6507
Ellis Artistic Creations, LLC	Carl Ellis	29004 Gratiot Ave.	Roseville, MI	48066	(586) 204-5406
LKA Enterprises, LLC	Susan Gentry, Lisa Gentry and Kelly Gentry	50336 Schoenherr Road	Shelby Township, MI	48315	(586) 247-7928
At First Site LLC	David and Nicole Leslie	317 B East Front Street, Unit B	Traverse City, MI	49684	(231) 392-5716
Canvas Cafe LLC	Lisa Berry	49785 Grand River Ave.	Wixom, MI	48393	(248) 773-7086
MIAMSP, LLC	Danielle Ruben	Har Mar Mall 2100 Snelling Ave. North, Suite #72C	Roseville, MN	55113	(612) 584-2076

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Easel Does It, LLC	Matthew and Lindsay Crumpley, Chris Burton, Chris Ashley and Kyle Stewart	12623 Olive Blvd.	Creve Coeur, MO	63141	(314) 434-7928
Easel Does It, LLC	Matthew and Lindsay Crumpley, Chris Burton, Chris Ashley and Kyle Stewart	3004 Winghaven Blvd.	O'Fallon, MO	63368	(636) 625-7928
CGNME, LLC	Carolyn Geile	#28 & #30 The Blvd. Saint Louis	Richmond Heights, MO	63117	(314) 884-4997
Roadrunner Ventures, LLC	Thomas Swirsky and Janine Swirsky	3444 S Campbell Ave., Suite G	Springfield, MO	65807	(417) 986-1608
Easel Does It, LLC	Matthew and Lindsay Crumpley, Chris Burton, Chris Ashley and Kyle Stewart	#8 Ronnie's Plaza	St. Louis, MO	63126	(314) 842-7928
CGNME, LLC	Carolyn Geile	5837 Suemandy Drive	St. Peters, MO	63376	(636) 851-9463
JAM Painting, LLC	James Crowder	6555 US Hwy. 98 West, Suite 4	Hattiesburg, MS	39402	(601) 264-0074
Creative Canvas, LLC	Kimberly Webb and Alex Ourabah	5338 Goodman Road, Suite 107	Olive Branch, MS	38654	(662) 655-4202
RedDon, LLC	Tyra McDonald and Brian McDonald	2100 Stephens Ave.	Missoula, MT	59801	(406) 203-9098
Twisted Wolfe, LLC	William Wolfe, III and Donna Wolfe	2 Town Square Blvd., Suite 150	Asheville, NC	28803	(828) 214-5569
Fun with a Paintbrush, LLC	Tara Fitzgerald	4724 Sharon Road, Suite J	Charlotte, NC	28210	(980) 224-7760
Social Butterfly Studios, LLC	Edward Marrocco	6461 Old Monroe Road	Indian Trail, NC	28079	(704) 635-8352
Three Painting Pachyderm, LLC	Samantha Miller, Susan Miller and Bradford Miller	5732 Oleander Drive	Wilmington, NC	28403	(704) 307-1668
Perfect Stroke, LLC	Chad and Anna Weatherford	633 St George Square Court	Winston-Salem, NC	27103	(336) 448-0474

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EFF CUBED, LLC	John Freeman	3525 N. 147th Street, Suites 101-102	Omaha, NE	68116	(402) 881-8582
Social Painting LLC	Marie Bogroff	334 US-22 East	Bridgewater, NJ	08807	(908) 864-4204
Canvasations Uncorked, LLC	Joseph Castagliola	2145 Route 35	Holmdel, NJ	07733	(732) 859-4124
Noah's Brush, LLC	Beatrix Luch	101 South Route 73, Suite 111	Marlton, NJ	08503	(856) 334-5779
Noah's Brush, LLC	Beatrix Luch	127 Ark Road, Suite 18	Mt. Laurel, NJ	08054	(609) 724-4918
Tamarisk, LLC	Laurie Anstatt	1079 Washington Blvd.	Robbinsville, NJ	08691	(609) 582-4422
Show Me the Monet, LLC	Kyle Russell	440 Main Road	Towaco, NJ	07082	(973) 794-6390
Come & Van Gogh, LLC	Kim Berg	8510 Montgomery Blvd. NE, Suite A5	Albuquerque, NM	87111	(505) 867-2468
A Paint Above, LLC	Frank Bove and Joanne Bove	855 Merrick Road	Baldwin, NY	11510	(516) 401-8846
True Prosperity, LLC	Debbie Peterson	2860 Niagara Falls Blvd.	Buffalo, NY	14228	(716) 206-2576
Pie Girls Ohana, LLC	Susan Pieczonka and Christopher Pieczonka	3179 Erie Blvd. East, Suite 131	DeWitt, NY	13214	(315) 760-6343
Hummingbird Honeys, LLC	Lisa Scibetta and Mary Grupka	6363 Transit Road, Suite 550	Lancaster, NY	14043	(716) 472-0659
Newmont Ventures LLC	Michael Cochrane and Dennis Proulx	899 New Loudon Road	Latham, NY	12110	(518) 608-1268
Z-Kap, Inc	Zina Berry	7421 Oswego Road #17	Liverpool, NY	13090	(315) 451-4240
Wall-Berry, Inc.	Zina Berry and Terri Wall	8647 Clinton Street	New Hartford, NY	13413	(315) 760-5721
LKA Enterprises NY, LLC	Susan Gentry, Lisa Gentry and Kelly Gentry	1586 West Ridge Road	Rochester, NY	14615	(585) 623-8979
Uncappon Art, LLC	Jon Hahn and Lydia Hahn	3159-3259 Winton Road S, Suite 104	Rochester, NY	14623	(585) 267-7002

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Studio Six, LLC	Kevin Cohen and Nancy Loguercio	331 Middle Country Road, Selden Plaza	Selden, NY	11784	(631) 445-5926
Inspire Paintbar, LLC	Felecia Singh	97-14 Metropolitan Ave.	South Ozone Park, NY	11375	(718) 450-1682
Chickapu Studio Enterprises, LLC	Daniel Ciccosanti, Colleen Ciccosanti and Caroline Puma	2271 Hylan Blvd.	Staten Island, NY	10306	(718) 979-7928
Hummingbird Honeys, LLC	Lisa Scibetta and Mary Grupka	1054 Union Rd at The Southgate Plaza	West Seneca, NY	14224	(716) 241-8268
Victoria Tomlinson and Jason Prete	Victoria Tomlinson and Jason Prete	P.O. Box 648	Amherst, OH	44001	(216) 333-1223
Mona Lisas & Madhatters, LLC	Theresa Clark	8014 McEwen Road	Dayton, OH	45458	(937) 204-3090
Venus De Wino, LLC	Jean Kelly	2890 Sand Run Pkwy.	Fairlawn, OH	44333	(330) 961-3765
Artwist, LLC	Adrian Miller and Jennifer Miller	3875 Massillon Road, Suite 110	Green, OH	44685	(330) 776-5073
Lagniappe Studios, LLC	Stephen Gallant and Charlene Gallant	6196 Tylersville Road	Mason, OH	45040	(513) 229-7700
Clanic Company	Daniela & David Christopher	15225 Pearl Road	Strongsville, OH	44136	(330) 815-0035
CW Asset Management, LLC	Casey Wells	9217 N Pennsylvania Ave.	The Village, OK	73120	(405) 286-5549
YELLOW SPOT STUDIO, LLC	Holly Moxley	1406 SW Broadway	Portland, OR	97201	(971) 205-5070
Joe Paint LLC	Christopher Hatten	1515 Lehigh Street	Allentown, PA	18103	(610) 351-3266
Dippin' & Sippin' LLC	Denise Todd and Susan Gallagher	2337 Street Road	Bensalem, PA	19020	(215) 809-3879
Joe Art, LLC	Christopher Hatten	3650 Nazareth Pike, Unit 4	Bethlehem, PA	18020	(610) 419-0572
BHG of PA, LLC	John Wilkens III	1502 West Chester Pike	Chester County, PA	19382	(484) 301-0182
Twisted Sweets Painting, LLC	Robin and Doug Sweet	596 N Pottstown Pike	Exton, PA	19341	(484) 872-8366

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JuJenn, LLC	Judy Ridilla and Jennifer Helferstay	1020 Towne Square Drive	Greensburg, PA	15601	(724) 972-0385
CCTRMJ, LLC	Regina Jakacki and Christine Trapaga	209 Leedom Street	Jenkintown, PA	19046	(267) 225-2442
GS & Family, LLC	Gary and Susan Griffith	Woods Edge Plaza 108 South Centerville Road, Suites 12 & 13	Lancaster, PA	17603	(717) 208-2496
Brushed By A Dream, LLC	Lori Aronson and Anne DiMascio	300 W State Street, Suite 100	Media, PA	19063	(215) 740-1282
Carson's Creative Spiritz	Kimberly S. Carson	2525 Monroeville Blvd.	Monroeville, PA	15146	(412) 824-7928
CCTRMJ, LLC	Regina Jakacki and Christine Trapaga	9475 Roosevelt Blvd.	Philadelphia, PA	19114	(267) 423-4272
Jobkens International, LLC	John Wilkens III	8500 Henry Avenue	Philadelphia, PA	19128	(267) 428-1842
Healing Hues 1213	Janet Larson	611 South Street	Philadelphia, PA	19147	(215) 278-7761
Healing Hues 1213 West, Inc.	Janet Larson	1520 Locust Street, Suite 300	Philadelphia, PA	19102	(267) 405-4106
Paint to Prosperity, LLC	Deborah Kronz and John Kronz II	2603 E Carson Street	Pittsburgh, PA	15203	(412) 589-9958
Carl's Folly, Inc.	Karina Barzousky and Steven Barzousky	4370 Perkiomen Avenue	Reading, PA	19606	(610) 572-4050
Canvas Art, LLC	Yelena Doych	998 Second Street Pike	Richboro, PA	18954	(215) 764-3746
My Painted Horse, LLC	Billie Athanas	5994 Steubenville Pike, Suite G	Robinson Township, PA	15136	(412) 787-7928
4HG LLC	John Wilkens III	1240 Bridge Road, Suite C	Skippack, PA	19474	(610) 584-4232
LLM Enterprises, Inc.	Lisa Mangle	630 Easton Road	Warrington, PA	18976	(781) 267-7569
My Painted Horse, LLC	Billie Athanas	76 Old Mill Blvd.	Washington, PA	15301	(724) 705-0844
Angel Pants Painting, LLC	Robin Sweet and Doug Sweet	107 E Lancaster Ave.	Wayne, PA	19087	(484) 367-7254

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Panda Bear, LLC	Amanda Lee	10 N. Meadows Drive	Wexford, PA	15090	(412) 389-2894
Dukemeister, LLC	Ronald and Katherine Lane	275 Harbison Blvd., Suites R&S	Columbia, SC	29212	(803) 470-0174
Twisted Wolfe 303, LLC	William Wolfe, Donna Wolfe, and Logan Wolfe	3612 Pelham Road, Unit C	Greenville, SC	29615	(864) 478-8108
Beach Life With A Twist, LLC	Michael Heatherman Jr.	850-B Jason Blvd.	Myrtle Beach, SC	29577	(330) 998-1350
Painting Ohana, LLC	Aubrie Pfiffer Smith and Nathan Smith	2511 N. Main Street, Suite B	Summerville, SC	29486	(843) 695-8273
We Heart Art LLC	Eric and Cindy Miller and Amber Smith	1309 Panorama Drive, Suite 111	Chattanooga, TN	37421	(423) 892-4228
Robbins Blessed Art, LLC	Bethany Robbins	1202 S James Campbell Blvd., Suite 14	Columbia, TN	38401	(931) 388-0222
Beach Doggie Dog, LLC	Sara Larkins-Massiah	334 Henslee Drive	Dickson, TN	37055	(615) 375-1630
C & K Ashcar, LLC	Kim Webb	3116 Village Shops Drive, Suite 22	Germantown, TN	38138	(901) 457-9962
A-Train's Art, LLC	Alec Raines	206 Indian Lake Blvd., Suite 9	Hendersonville, TN	37075	(615) 431-9963
Serendipitous Arts, LLC	Susie Smith	566 Carriage House Drive, Suite A	Jackson, TN	38305	(731) 300-4600
Art 4 Life, LLC	Patricia Walden	11000 Kingston Pike	Knoxville, TN	37934	(865) 675-2500
Bellasni, LLC	Ashley Bell	121 South Gay Street	Knoxville, TN	37902	(865) 229-6037
Weasels with Easels, LLC	James Freels, Lee Jenkins-Freels, Patrick Jenkins	2415 Callahan Drive	Knoxville, TN	37921	(865) 947-7360
Paint on Canvas 101 LLC	Teresa Johnson	2615 Medical Center Pkwy., Suite 430	Murfreesboro, TN	37129	(615) 895-8181
Paint on Canvas 201 LLC	Teresa Johnson	4009 Charlotte Ave.	Nashville, TN	37209	(615) 647-8478
EC and CHLS, LLC	Lauren Stephans	4618 S 14th Street	Abilene, TX	79605	(325) 704-5115

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Altex Ventures Corp.	Amy Horrey and Doug Horrey	4001 W Green Oaks Blvd.	Arlington, TX	76016	(682) 888-7352
Brushes-N-Beverages, LLC	Julie and Craig Maloney	8820 Burnet Road, Suite 507	Austin, TX	78757	(512) 371-9488
Jolie Alexander, LLC	Jennifer and Mark Galan	6705 US-290, #501	Austin, TX	78735	(512) 892-7928
PWAT SG SPM, LLC	Jennifer and Mark Galan	9600 S IH 35 Frontage Road, #600	Austin, TX	78748	(512) 900-4295
Rodrigomos Studios, LLC	Jesse Moseley and Jeston Rodriguez	407 West Baker Road, Suite S	Baytown, TX	77521	(281) 628-7665
Brushes and Bottles, LLC	Ashley Hebert	229 Dowlen Road, Suite 3B	Beaumont, TX	77706	(409) 866-0399
Altex Ventures, Corp	Amy and Charles Horrey	1424 Airport Freeway #M	Bedford, TX	76022	(817) 631-9458
Epic Redheads, Inc.	Lisa Ransom and Brian Ransom	105 E Belt Line Road, Suite 700	Cedar Hill, TX	75104	(972) 460-6691
KACADA CHAMPIONS, LLC	Kimberly Augsburger and Norman Augsburger	12129 Ranch Road 620 N #401	Cedar Park, TX	78750	(512) 258-7928
DenTex Ventures, LLC	Kimberly Augsburger and Norman Augsburger	1643 Texas Ave. S	College Station, TX	77840	(979) 485-9838
Art with Friends, Inc.	Denise Norman and Nicholas Dillard	1402 North Loop 336 W	Conroe, TX	77304	(936) 242-0047
STOP, DROP, & PAINT, LLC	Fredrick and Kimberly AmRhein and Anita Hanna-Richards	5425 South Padre Island Drive #142	Corpus Christi, TX	78411	(361) 288-2507
Papas-Haddad Ventures LLC	Demetrios Papakyriacou and Alberto Haddad	12344 Barker Cypress Road, Suite 200	Cypress, TX	77429	(281) 256-8383
Pale Blue Ribbon, LLC	Robert Ackerman	208 W Oak Street	Denton, TX	76201	(940) 535-8205
PaintNPaws, LLC	Jerry Morales and Debby Morales	607 S Friendswood Drive	Friendswood, TX	77546	(281) 993-8365
Royal Horizons, LLC	Jim Holloway and Carolyn Holloway	4112 Legacy Drive, Suite 306	Frisco, TX	75034	(469) 362-6636
Artsy Enterprises, LLC	Kym Glenn	2605 S Cherry Lane	Ft. Worth, TX	76116	(817) 886-0515

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
GRITS, LLC	Terri Bridges	330 N 6th Street, Suite F	Garland, TX	75040	(972) 468-9370
Hallux, LLC	Reagan Deming	715 Autumn Ridge Dr., Suite 101	Granbury, TX	76048	(817) 964-3095
Tansei, LLC	Colleen Coppenger	203 E. Worth Street, Suite 100	Grapevine, TX	76051	(817) 328-8788
WHM Painting-Texas, LLC	Jeremy and Shernell Mays, Loita and Williams, Michael and Annette Hampton	716 Indian Trail, Suite 220	Harker Heights, TX	76548	(254) 393-0182
Coco Bean II, LLC	Algy Irvin and Kermie Irvin	3005 West Loop South, Suite 229	Houston, TX	77027	(281) 816-9352
GSR Industries, LLC	LiLianna Reyes, Mercedez Santana, Kathy Gutierrez, and Dina Doebbler	16927 El Camino Real	Houston, TX	77058	(281) 488-0009
Papas-Haddad Ventures LLC	Demetrios Papakyriacou and Alberto Haddad	728 W 19th Street	Houston, TX	77008	(281) 888-7047
Papas-Haddad Ventures LLC	Demetrios Papakyriacou and Alberto Haddad	8408 Katy Freeway, Suite 216	Houston, TX	77024	(713) 999-9323
Papas-Haddad Ventures LLC	Demetrios Papakyriacou and Alberto Haddad	10001 Westheimer Road, Suite 1110	Houston, TX	77042	(713) 609-9509
Papas-Haddad Ventures, LLC	Demetrios Papakyriacou and Alberto Haddad	1111 Holman Street	Houston, TX	77004	(832) 323-1091
Mandrill, LLC	Algy Irvin	6850-A FM 1960 Road East	Humble, TX	77346	(281) 812-0770
Brushes With Fun, LLC	Jennifer Shafer and Josephine Schlapkohl	825 W Royal Lane #220	Irving, TX	75039	(972) 845-5856
Papas-Haddad Ventures LLC	Dimitri Papakyriacou	2020 S Fry Road, Suite E	Katy, TX	77450	(281) 578-8862
Shreeji Painting, LLC	Hina Wani	101 Town Center Lane #107	Keller, TX	76248	(817) 627-4121
PWAT by Tellez, LLC	Scott Tellez and Johnece Tellez	2403 S. Stemmons Frwy. Suite 122	Lewisville, TX	75067	(903) 244-9809
Stricker & Young II, LLC	Kristy Young and Walter Stricker	8206 Agora Pkwy., Suite 100	Live Oak, TX	78154	(210) 307-4064

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
CW Asset Management, LLC	Casey Wells	100 Tall Pines Ave., Suite 5	Longview, TX	75605	(903) 236-8585
Art's Cool, LLC	Ronda Hoes	6816 Slide Road, Suite 6	Lubbock, TX	79424	(806) 794-7928
K&M Garrison Investments, LLC	Kimberly Garrison	2851 Matlock Road #442	Mansfield, TX	76063	(682) 233-2950
Kelley Family Biz, LLC	Tamara Kelley and Christopher Kelley	3201 Hardin Blvd., Suite 204 or 2116 Grayson Road	McKinney, TX	75070	(972) 542-1883
Epic Redheads, Inc.	Brian Ransom and Lisa Ransom	3220 Gus Thomasson Road, Suite 219	Mesquite, TX	75150	(972) 613-4419
Stricker & Young, LLC	Kristy Young and Walter Stricker	1551 Walnut Ave., Suite 20	New Braunfels, TX	78130	(830) 620-7928
Blushes & Brushes, LLC	Dina Doebbler and Kathy Gutierrez	4912 Fairmont Pkwy.	Pasadena, TX	77505	(281) 487-2468
DALS Interests LLC	Donna Mittendorf	9223 W Broadway Street, Suite 101	Pearland, TX	77584	(281) 628-2639
Chasing Mavericks, LLC	Amphaivanh Mangkharakhili and Nouanchanh Somsith	4001 Preston Road, Suite 510	Plano, TX	75093	(469) 571-3635
K&M Garrison Investments, LLC	Kimberly Garrison	819 West Arapaho	Richardson, TX	75080	(469) 530-4745
BCBG Investment Corporation	Christine Pilling and Bradley Pilling	513 E Interstate 30	Rockwall, TX	75087	(972) 429-9212
Brushes-N-Beverages, LLC	Julie Maloney and Craig Maloney	1401 S Interstate 35, Suite 140	Round Rock, TX	78664	(512) 502-5885
Showmaker Productions, LLC	Richhard Showmaker	1029 N Saginaw Blvd., Suite E8	Saginaw, TX	76179	(682) 990-9681
Bella Mark, LLC	Jennifer Galan and Mark Galan	8910 Bandera Road, Suite 205	San Antonio, TX	78250	(210) 520-6282
NOLA Melissa, LLC	Melissa Sutherland	555 W Bitters Road	San Antonio, TX	78216	(210) 495-7928
PB & JK Enterprises, LLC	Britt Mitchell, Priscilla Mitchell and Jack Karam	1248 Austin Hwy., Suite 216	San Antonio, TX	78209	(210) 412-1383
SATX Melissa, LLC	Melissa Sutherland	10003 NW Military Hwy., Suite 1126	San Antonio, TX	78231	(210) 452-2022

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
Savoy Galan LLC	Jennifer Savoy and Mark Galan	11019 Culebra Road #118	San Antonio, TX	78253	(210) 807-8265
Live Smart Ventures, LLC	Jeffrey Hogue	5723 North Foster Road.	San Antonio, TX	78244	(210) 662-7928
Z Painted Canvas LLC	Zachary Franklin and Tedra Franklin	1800 N Travis Street, Suite L	Sherman, TX	75092	(903) 870-2056
Papas-Haddad Ventures LLC	Demetrios Papakyriacou and Alberto Haddad	3569 Texas 6	Sugarland, TX	77478	(281) 491-9200
CAMPBELL HOLDINGS, LLC	Karen Campbell and Robin Campbell	7348 West Adams Ave., Suite 400	Temple, TX	76502	(254) 228-5548
Four Oaks, LLC	Heather Beaty and Larry Beaty	2700 Richmond Road, Suite 1	Texarkana, TX	75503	(903) 244-7879
Mandrill, LLC	Algy Irvin and Kermie Irvin	570 Sawdust Road	The Woodlands, TX	77380	(281) 465-4995
DiRue Ventures, LLC	Diane Castello	1621 N Valley Mills Drive	Waco, TX	76710	(254) 304-4727
A & B Arts, LLC	Amanda Wofford	507 US-77 N, #612	Waxahachie, TX	75165	(682) 888-7352
Finstad Design, LLC	John and Tammie Finstad	306 S Main Street	Weatherford, TX	76086	(817) 594-2957
BCBG Investment Corporation	Christine and Bradley Pilling	456 Country Club Road	Wylie, TX	75098	(972) 362-5769
Adrienne & Jack, LLC	Adrienne and Jack Hartvigsen	258 E Winchester Street	Murray, UT	84107	(801) 305-4115
San Luca Arte, LLC	Geraldine Driggs	1645 W Towne Center Drive, C-5	South Jordan, UT	84095	(801) 890-1491
Overman Opportunties, LLC	Lauren Overman and Braden Overman	1437 Sam's Drive, Suite 104	Chesapeake, VA	23320	(757) 401-4831
KBS Twisted, LLC	Kimberly Baughman, Bradley Tumer and Seasun Newton	3500 Plank Road	Fredericksburg, VA	22407	(540) 412-6202
Arraydiance, LLC	Anita Ray and Kelvin Ray	1230 Merchant Lane	Hampton, VA	23666	(757) 827-2999

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Franchisee	Contact	Address	City, State	Zip Code	Phone Number
Domsen, LLC	Shauna Hansen	201 Towne Center West Blvd.	Richmond, VA	23233	(253) 735-0308
Amore Shenanigans, Inc.	Ann Marie Natali	920 15th Street SW	Auburn, WA	98001	(253) 735-0308
Deb, Bob & Ervin, LLC	Deborah and Daniel Jirasek	11703 E Sprague Ave., Suite B3	Spokane Valley, WA	99206	(509) 960-2304
Cue Nirvana, LLC	Brendan Makarewicz	155 East Silver Spring Drive	Whitefish Bay, WI	53217	(414) 429-8202

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Franchisees Signed but Not Yet Operating as of December 31, 2019

Franchisee	Contact	Address	City, State	Zip Code	Phone Number
KT Group, LLC	Kiem-Ai Thieu		Tustin, CA		(714) 653-5104
Transun III, LLC	Todd Owen and Gina Tuten		North Lakeland, FL		(831) 541-6302
NOMAD FEET, LLC	Shawn & Sarah Steele		Stuart, FL		(813) 486-6010
Brookman & Associates LLC	Glennis Tillman	9453 Highway 5	Douglasville, GA	30135	(404) 944-6093
Just Entertainment, LLC	Dee Clemmons Lassiter	1867 Jonesboro Rd., Suite 2	McDonough, GA	30254	(404) 925-1750
Thirty Something, INC.	Lester Cox		Battle Creek, MI		(517) 812-9402
Penelope Paints, LLC	Laura Barnett		Las Vegas, NV		(702) 769-9304
Panda Bear, LLC	Amanda Lee		Erie, PA		(412) 389-2844
Bellasni, LLC	Ashley Bell		Sevierville, TN		(865) 406-4270
Carbarrol, LLC	Carly Risacher, Loretta Reader and Raborn Reader	16740 Champion Forest Dr.	Spring, TX	77379	(346) 808-7106
JMS Art Studios, LLC	Sheryl-Lyn Warren, Megan Troncalli and Jessica Warren		Houston (Champion Forest), TX		(281) 703-0163
De Leon Investments, LLC	Rosalia and Gustavo De Leon	2423 E. Expressway 83, Suite 200	Mission, TX	78572	(956) 283-6226
PB&JK Enterprises, LLC	Britt Mitchell, Priscilla Mitchell and Jack Karam		San Antonio, TX		(210) 412-1383

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Transferred Units as of December 31, 2019

Franchisee	Contact	City, State	Phone Number
Jean Family Enterprises, LLC	Susan Jean and Michael Jean	Bentonville, AR	(479) 790-4822
Settlers, LLC	Dawn O'Connell and Scott O'Connell	Pleasant Hill, CA	(706) 614-6898
TwistedSistersParties, LLC	Stacy Mitchell, Brett Markey and Heather Markey	Santa Clarita, CA	(661) 414-6454
Art Without Limits, LLC	Rebecca Moss and Starla Steinbach	Fort Collins, CO	(719) 591-2455
PWAT Altamonte LLC	Anastasia Apostolou	Altamonte Springs, FL	(727) 742-3343
ART N SIP STUDIO, INC.	Glenn Atkinson and Ofelia Atkinson	Davie, FL	(954) 873-4144
Bobrovetski Enterprises LLC	Jennifer Bobrovetski and Brian Bobrovetski	Tampa, FL	(425) 260-9355
It's Possible LLC	Tracy Prior	Dayton, OH	(937) 204-3090
FGP YY2C, Inc.	Dae Chung	Philadelphia, PA	(215) 990-1015
Painted Bayou, LLC	Jennifer Elwell	Skippack, PA	(610) 584-4232
Art with Friends, Inc.	Michelle Davis and Toby Davis	Conroe, TX	(936) 856-5590
Kacada Tomball, LLC	Kimberly Augsburger and Norman Augsburger	Tomball, TX	(979) 485-9838

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Closed Units as of December 31, 2019

Franchisee	Contact	City, State	Phone Number
JSMC, LLC	Jennifer Muller and Shelby Crisco	Spanish Fort, AL	(850) 471-1450
WESTSIDE FP VENTURES, LLC	Mark McMurry	Fort Smith, AR	(501) 766-2684
Team Rhodi Studios, LLC	Stephanie Rhodes and William Rhodes	Lewes, DE	(302) 660-1897
Painting Our Dreams, LLC	Yirka Marban and Alexander Marban	Miramar, FL	(786) 449-7249
Totally Twisted, LLC	Christine White and Barry White	Naples, FL	(847) 951-4080
C and K Studios, LLC	Minal Patel	Oldsmar, FL	(813) 527-0697
Phantom Cow, LLC	Thomas McDonnell Jr. and Greg Goff	Orange City, FL	(386) 566-2557
The Painting Gator, LLC	Rosanne Field and John Field	Orlando, FL	(407) 313-0656
Kool Vines, Inc.	Nikki Kuehl	Evanston, IL	(847) 905-9177
Wine-De-Lynn Art Studios, LLC	Beverly Whysall	Shiloh, IL	(928) 245-8699
Red Dogs Painting West, LLC	Robert Laux and Peggy Hufford	Avon, IN	(317) 228-4300
GOGH KC, LLC	Ken Wilson	Mission, KS	(760) 533-6006
Savita 1 Inc.	Sejal Patel	Louisville, KY	(502) 314-5323
MAPWAT1, LLC	Candice Vacher and Matthew Vacher	Braintree, MA	(303) 512-3820
Dionysus Designs LLC	Rebecca Daniels and Lisa Villandry	Saco, ME	(207) 286-5749
Kuzmo, LLC	Gordana Kuzmanovic and Damian Kuzmanovic	Fort Gratiot, MI	(586) 480-9315

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The Grand Adventure, LLC	Diane Wey and Ronald Wey	Grand Rapids, MI	(517) 290-6183
Paint'n Party, LLC	Diane Wey and Ronald Wey	Lansing, MI	(517) 290-6183
LKA Enterprises II, LLC	Susan Gentry, Lisa Gentry and Kelly Gentry	Chesterfield, MI	(586) 247-7928
Life Innertainment LLC	Christy Williams and Pat Williams	Minneapolis, MN	(612) 255-9768
Easel Does It, LLC	Matthew Crumpley, Lindsay Crumpley, Chris Burton, Chris Ashely and Kyle Stewart	Ballwin, MO	(636) 625-7928
JAM SQUARED, LLC	James Crowder	Flowood, MS	(601) 264-0074
Fun with a Paintbrush, LLC	Tara Fitzgerald	Huntersville, NC	(980) 224-7760
Creative by "C" LLC	Christopher Videau and Laurian Videau	Mooresville, NC	(704) 657-6550
Cherelle, LLC	Cheryl Siracusa and Paul Siracusa	Glen Rock, NJ	(201) 214-2493
Angeline Four Arts, LLC	Marjorie Angeline and Timothy Angeline	Webster, NY	(585) 314-4188
J&D Twist Enterprises, LLC	Denise Ohlemacher	Avon, OH	(216) 630-7041
J&D Twist Enterprises I, LLC	Denise Ohelmacher and Jeffrey Ohlemacher	Hudson, OH	(216) 630-7041
Art Is Work Inc.	Kori Kennedy	Lehigh Valley, PA	(610) 410-0020
Curvy Plum Inc.	Dae Chung	Ambler, PA	(215) 990-1015
Kensling International, LLC	John Wilkens III	Havertown, PA	(484) 301-0182
Carl's Folly, LLC	Karina Barzousky and Steven Barzousky	Royersford, PA	(610) 572-2956
Bella Jenna, LLC	Robert Ackerman	Burleson, TX	(940) 535-8205

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HMJ, LLC	Hina Wani	Flower Mound, TX	(817) 627-4121
Imbibed Creations, Inc.	Glenn Olson	Flower Mound, TX	(214) 542-2452
De Leon Investments, LLC	Rosalia De Leon and Gus De Leon	McAllen, TX	(956) 627-9537
Starboard Securities, LLC	Tod Strickland and Claudia Strickland	San Angelo, TX	(281) 989-2133
Kacada Tomball, LLC	Kimberly Augsburger and Norman Augsburger	Tomball, TX	(979) 485-9838
Spicy Texan, LLC	Melanie Bailey	Ashburn, VA	(910) 728-2220

Franchise Agreement Terminated – Unit Never Opened as of December 31, 2019

Franchisee	Contact	City, State	Phone Number
Paint a Cork in It, LLC	Bryan Chin and Amelia Chin	Costa Mesa, CA	(714) 396-2507
The Twisted Painter, LLC	Cynthia Blatchey	Redlands, CA	(909) 709-0479
ARARAT Painting, LLC	Hayk Tonikyan	Simi Valley, CA	(818) 326-7495
Skop Entertainment, LLC	Derek Skop	Fort Lauderdale, FL	(954) 871-4270
Virginia Studios, LLC	Michael Johnson and Kristina Johnson	Woodbridge, VA	(281) 491-9200

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EXHIBIT I

CONTINGENT ASSIGNMENT OF LEASE

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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 for a lease at the following street address:

LESSOR: **LESSEE:**

FRANCHISOR:

Painting with a Twist, L.L.C. ("Painting with a Twist")
2121 N. Causeway Blvd., Ste. 200
Mandeville, LA 70471

PREMISES STREET ADDRESS:

In consideration of the lease agreement entered into between Lessor and Lessee ("Lease") and mutual covenants herein contained and other good and valuable consideration, including the acceptance by Painting with a Twist of the Premises as a location for a Painting with a Twist Franchised Business, the parties agree as follows:

1. Notices. Lessor agrees to furnish Painting with a Twist with copies of any and all notices to Lessee pertaining to any default by Lessee under the Lease at the same time and in the same manner as any such notice is sent to Lessee. Lessee agrees to furnish Painting with a Twist 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 Lessee's default under the Lease, Lessee shall, at Painting with a Twist's option, assign to Painting with a Twist any and all interest of Lessee in the Lease, including any rights to renew the Lease or to sublease the Premises; and Lessor hereby consents to such assignment, subject to the following conditions:

(a) Painting with a Twist shall notify Lessee and Lessor in writing (the "Election Notice") within fifteen (15) days after termination or expiration of the Franchise Agreement, or Painting with a Twist's receipt of any notice of default by Lessee under the Lease, if Painting with a Twist elects to accept assignment of the Lease. Upon receipt of an Election Notice by Lessee and Lessor, Painting with a Twist shall have the right as between Lessee and Painting with a Twist to the Premises. Upon receipt of an Election Notice by Lessee from Painting with a Twist, Lessee hereby grants, assigns, transfers and sets over to Painting with a Twist all rights, title and interest in and to the Lease and the Premises leased thereunder and abandons any existing leasehold improvements. Painting with a Twist's failure to accept assignment of the Lease upon any default of Lessee under the Lease which has been subsequently cured by Lessee shall not be deemed a waiver of Painting with a Twist's future right to accept such assignment in the event of any future default of Lessee;

(b) If Painting with a Twist elects to accept assignment of the Lease, Painting with a Twist shall (i) cure any monetary defaults and take possession of the Premises as soon as reasonably possible, but no later than thirty (30) days after receipt of the Election Notice by Lessor, and (ii) promptly commence the cure of all non-monetary defaults and diligently pursue such cure until completion. Painting

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with a Twist shall thereafter commence payment of rent and other customary and reasonable charges and comply with all other obligations under the Lease;

(c) Nothing herein shall affect Lessor's right to require Lessee to remain liable as a guarantor for the remaining term of the Lease, to recover from Lessee any and all amounts due under the Lease or to exercise any rights of Lessor against Lessee as provided under the Lease; provided, that Painting with a Twist's leasehold interest shall not be subject to any claims that may exist between Lessor and Lessee; and

(d) Lessee agrees to take any and all actions under the Lease to effectuate assignment of the Lease to Painting with a Twist. Lessor agrees to the assignment of the Lease from Lessee to Painting with a Twist upon Lessor's receipt of an Election Notice and agrees to take any and all present and/or future action reasonably necessary to assist Painting with a Twist, when and as requested, in effecting the assignment of the Lease to Painting with a Twist; provided, however, that Lessor shall not be required to bear any expense thereof.

3. Assignment to Third Party. At any time after receipt of the Election Notice by Lessor, Painting with a Twist may request to assign its Lease, pursuant to provisions of the Lease concerning lease assignment, or sublease of the Premises, to a third party franchisee of Painting with a Twist for the purpose of continuing to operate the Painting with a Twist Franchised Business at the Premises. Lessor agrees not to unreasonably withhold its consent to any such assignment or sublease.

4. De-Identification. Lessee acknowledges that in the event the Lease or the Franchise Agreement expires or is terminated; Lessee is obligated under the Franchise Agreement to take certain steps to de-identify the Premises as a Painting with a Twist Franchised Business operated by Lessee. Lessor agrees to cooperate with Painting with a Twist in allowing Painting with a Twist to de-identify the Premises, including allowing Painting with a Twist and its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Painting with a Twist; provided, however, that Painting with a Twist shall immediately repair all damage caused by such de-identification and Lessor shall not be required to bear any expense thereof. Painting with a Twist shall indemnify, defend, and hold Lessor harmless from and against any and all loss, damage, claim, demand, liability, or expense (including reasonable attorneys' fees) resulting from claims by third parties and based on any actor or omissions of Painting with a Twist and its employees and agents arising out of Painting with a Twist's entry and de-identification of the Premises. Lessee agrees that if Lessee fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, Painting with a Twist may cause all required de-identification to be completed at Lessee's expense.

5. General Provisions.

(a) This Agreement is directed to a specific Lease set forth herein but the Lessee, Lessor and Painting with a Twist agree that this Agreement is applicable to any extensions, renewals or other options of Lessee with respect to the Lease and the Premises, as well as being applicable to any subsequent lease agreements between Lessee and Lessor concerning the Painting with a Twist Franchised Business with respect to the Premises;

(b) Nothing contained in this Agreement shall affect any term or condition in the Franchise Agreement between Lessee and Painting with a Twist. Nothing herein shall be deemed to constitute a guaranty or endorsement by Painting with a Twist of the terms and conditions of the Lease between Lessor and Lessee. In the event that Painting with a Twist, in its sole discretion, determines not to accept assignment of the Lease as permitted hereunder, neither Lessor nor Lessee shall have any claims

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against Painting with a Twist. No terms or conditions contained in the Lease shall be binding on Painting with a Twist unless and until it elects to accept assignment of the Lease hereunder;

(c) This Agreement shall be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The prevailing party in any action shall be entitled to recover its legal fees together with court costs and expenses of litigation; and

(d) In the event of any conflict or inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement shall prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this _____ day of_____, 20___.

WITNESSES:

_____
Print name:_____

_____
Print name:_____

LANDLORD:

By:_____
Print Name:_____
Date:_____

TENANT:

_____
Print name:_____

_____
Print name:_____

By:_____
Print Name:_____
Date:_____

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

_____
Print name:_____

_____
Print name:_____

By:_____
Print Name:_____
Date:_____

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EXHIBIT J

STATE SPECIFIC ADDENDA

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PAINTING WITH A TWIST, L.L.C.
AMENDMENT TO FRANCHISE AGREEMENT AND
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITONAL 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

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

Table of Contents

1. AMENDMENT TO PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA

2. AMENDMENT TO PAINTING WITH A TWIST, L.L.C. AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA

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

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AMENDMENT TO
PAINTING WITH A TWIST, L.L.C. FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA

This Amendment shall pertain to residents of the State of California or franchises to be located in the State of California and shall be for the purpose of complying with California 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. Articles 3.2(vii) and 13.2(iv) of the Franchise Agreement require Franchisee to sign a general release of claims. This provision may not be enforceable under California Law.

2. Article 12 of the Franchise Agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California Law.

3. Article 19.1 of the Franchise Agreement requires application of the laws of Louisiana. This provision many not be enforceable under California Law.

4. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Franchisee:

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

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AMENDMENT TO
PAINTING WITH A TWIST, L.L.C. AREA DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA

This Amendment shall pertain to residents of the State of California or franchises to be located in the State of California and shall be for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement shall be amended as follows:

1. Section 8.5.4 of the Development Agreement requires Developer to sign a general lease of claims. This provision may not be enforceable under California Law.

2. Section 19.1 of the Development Agreement requires application of the laws of Louisiana. This provision many not be enforceable under California Law.

3. Except as amended herein, the Development Agreement will be construed and enforced with its terms.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Developer:

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

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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, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete 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.

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

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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 BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.CORP.DBO.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.

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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.

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

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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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AMENDMENT 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 19, in its entirety, and Article 20.1 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 19.5 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: _____

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AMENDMENT TO
PAINTING WITH A TWIST, L.L.C. AREA DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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.

Dated this _____ day of _____, 20____.

Franchisor: Painting with a Twist, L.L.C.	Developer:
By:_____	By:_____
Print Name:_____	Print Name:_____
Title: _____	Title: _____
Date: _____	Date: _____

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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.

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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 COMMISSION AND THE STATE OF MARYLAND.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION REQUIRED EXCLUSIVELY BY THE STATE OF MARYLAND AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.

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

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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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AMENDMENT 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.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Franchisee:

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

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AMENDMENT TO
PAINTING WITH A TWIST, L.L.C. AREA DEVELOPMENT 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 Development Agreement to the contrary, the Development Agreement shall be amended as follows:

1. The general release required as a condition of sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

3. A developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. A provision in the Development Agreement which terminates the Development Agreement upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Developer:

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

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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.

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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.
FRANCHISE DISCLOSURE DOCUMENT ("FDD")
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE COMMISSION AND THE STATE OF MINNESOTA.
THIS ADDENDUM TO THE FDD CONTAINS INFORMATION REQUIRED EXCLUSIVELY BY THE STATE OF MINNESOTA AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.

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

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PAINTING WITH A TWIST, L.L.C.
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AMENDMENT 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. 80.C.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

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AMENDMENT TO
PAINTING WITH A TWIST, L.L.C. AREA DEVELOPMENT 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 Development Agreement to the contrary, the Development Agreement shall be amended as follows.

1. Minn. Stat. Sec. 80.C.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 developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Development 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) that a developer be given 90 days' notice of termination (within 60 days to cure).

3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a developer to assent to a general release. To the extent that any provision of the Development Agreement imposes a different limitations period, the provision of the Act shall control.

5. The Developer 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

_____ _____

Developer's Initials/ Date Franchisor's Initials/Date

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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. 80.C.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

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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.
FRANCHISE DISCLOSURE DOCUMENT ("FDD")
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PAINTING WITH A TWIST, L.L.C.
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AMENDMENT 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. Articles 3.2(vii) and 13.2(iv) of the Agreement with respect to your execution of a general release is revised to include the following provision:

   Provided, however, 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 18.1 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 13.1(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. Article 19.5 of the Agreement shall be supplemented to include 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 arbitrative 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.

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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.CA. 101 et seq.)

Franchisee's Initials/Date

Franchisor's Initials/Date

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AMENDMENT TO
PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT 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. Area Development Agreement agree as follows:

1. Section 8.5.4 of the Development Agreement with respect to your execution of a general release is revised to include the following provision:

   Provided, however, 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. Section 14.1 of the Development 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. Section 8.10 of the Development 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. Section 19.1 of the Development Agreement shall be supplemented to include the following provision:

   However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Developer by the provisions of Article 33 of the New York State General Business Law.

5. Developer's consent in the Development 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 arbitrative authority grants such relief. Nothing within said provisions shall constitute a waiver by Franchisee of Franchisee's right to defend any action.

6. **PAINTING WITH AT TWIST, L.L.C.'s** termination of the Agreement because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.CA. 101 et seq.)

_____ _____

Developer's Initials/Date Franchisor's Initials/Date

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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 68O 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. The following is added to the Cover Page of the Franchise Disclosure Document:

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as described in Item 3, neither we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our 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.

Except as described in Item 3, neither we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our 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 we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our 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

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as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added at the end of Item 4, BANKRUPTCY: shall be supplemented by the following:

Except as described in Item 4, neither Painting with a Twist, L.L.C., 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.

4. The following language replaces the "Summary" section of Item 17, *Renewal, Termination, Transfer and Dispute Resolution*, section "d":

The franchisee may terminate the agreement on any grounds available by law.

5. The following language is added to the end of the "Summary" section of Item 17, *Renewal, Termination, Transfer and Dispute Resolution*, section "j":

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. The following language is added to the "Summary" section of Item 17, *Renewal, Termination, Transfer and Dispute Resolution*, section "m" 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 provision that the nonwaiver provisions of the GBL Sections 687.4 and 687.5 be satisfied.

7. The following language is added to the end of the "Summary" section of Item 17, *Renewal, Termination, Transfer and Dispute Resolution*, section "w":

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.

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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.
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PAINTING WITH A TWIST, L.L.C.
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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 12 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. Articles 3.2(vii) and 13.2(iv) 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. Article 12.1 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. Article 19.1 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. Article 19.3 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. Article 19.4 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. Article 19.9 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.

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8. Article 19.10 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. Article 19.11 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. Article 19.12 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: _____

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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT 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 Area Development Agreement to the contrary, the Area Development Agreement is amended as follows:

1. Section 8.5.4 of the Development 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 transfer your area development agreement may not be enforceable under North Dakota law.

2. Section 19.1 of the Development 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.

3. Section 19.3 of the Development 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 developer's business may not be enforceable in North Dakota.

4. Section 19.4 of the Development 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.

5. Section 19.9 of the Development 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.

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6. Section 19.10 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

> Covenants requiring North Dakota developers to consent to a waiver of exemplary and punitive damages may not be enforceable under North Dakota law.

7. Section 19.11 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

> Covenants requiring North Dakota developers to consent to waiver of trial by jury may not be enforceable under North Dakota law.

8. Section 19.12 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 developers 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: _____

Developer:

By:_____
Print Name:_____
Title: _____

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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 and/or Development 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/Development Agreement which designates jurisdiction or venue or requires the franchisee/developer 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/Development Agreement which requires a franchisee/developer 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/Development Agreement which requires a franchisee/developer 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.

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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING ADDITIONAL INFORMATION
REQUIRED BY THE STATE OF RHODE ISLAND

PAINTING WITH A TWIST, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT ("FDD")
CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE COMMISSION AND THE STATE OF RHODE ISLAND.
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PAINTING WITH A TWIST, L.L.C.
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 RHODE ISLAND

This Amendment relates to franchises sold in Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. The Rhode Island Franchise Investment Act (the "Act") at Section 19-28.1-14 provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this Amendment.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Franchisee:

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

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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF RHODE ISLAND

This Amendment relates to franchises sold in Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Area Development Agreement, Franchisor and Franchisee agree to amend the Area Development Agreement as follows:

1. The Rhode Island Franchise Investment Act (the "Act") at Section 19-28.1-14 provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Except as amended herein, the Development Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this Amendment.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Developer:

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

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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.
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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF VIRGINIA

This Amendment to the Painting with a Twist, L.L.C. Franchise Agreement dated _____ ("Amendment") between Painting with a Twist, L.L.C. (the "Franchisor" or "Painting with a Twist") and _____ ("Franchisee") is entered into simultaneously with the execution of Franchise Agreement ("Franchise Agreement" or "Agreement").

1. The provision of this Amendment forms an integral part of, and is incorporated into, the Franchise Agreement. This Amendment is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the Commonwealth of Virginia; and/or (b) part or all of the Territory is located in the Commonwealth of Virginia.

2. The following is added to the Franchise Agreement:

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.

3. This Amendment will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of the Virginia Securities and Retail Franchising Act, without considering this Amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified in full force and effect.

The undersigned does hereby acknowledge receipt of this Amendment.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Franchisee:

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

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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPEMENT AGREEMENT
REQUIRED BY THE STATE OF VIRGINIA

This Amendment to the Painting with a Twist, L.L.C. Area Development Agreement dated _____ ("Amendment") between Painting with a Twist, L.L.C. (the "Franchisor" or "Painting with a Twist") and _____ ("Developer") is entered into simultaneously with the execution of Development Agreement ("Development Agreement" or "Agreement").

1. The provisions of this Amendment form an integral part of, and is incorporated into, the Development Agreement. This Amendment is being executed because: (a) the offer or sale of a franchise to Developer was made in the Commonwealth of Virginia; and/or (b) part or all of the Territory is located in the Commonwealth of Virginia.

2. The following is added to the Development Agreement:

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 development 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.

3. Section §13.1-564 of the Virginia Retail Franchising Act, which may supersede the development agreement in your relationship with the franchisor regarding the area of cross default terminations. There may also be court decisions which may supersede the development agreement in your relationship with the franchisor including the area of cross default terminations.

4. This Amendment will have effect only if the Development Agreement and/or the relationship between Franchisor and Developer satisfy all of the jurisdictional requirements of the Virginia Securities and Retail Franchising Act, without considering this Amendment. Except as expressly modified by this Amendment, the Development Agreement remains unmodified in full force and effect.

The undersigned does hereby acknowledge receipt of this Amendment.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.

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

Developer:

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

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

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF VIRGINIA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

The following language shall be added to Item 17:

Any franchise may be declared void by the Franchisee at his/her option by sending a written declaration of that fact and the reasons therefor to the Franchisor by registered or certified mail if:

(a) The Franchisor's offer to grant a franchise was unlawful, as provided in §13.1-560 or §13.1-563 of the Virginia Code, provided that the Franchisee send such written declaration within seventy-two hours after discovery thereof but not more than ninety days after execution of the franchise;

(b) The Franchisee was not afforded the opportunity to negotiate with the Franchisor on all provisions within the franchise, except the such negotiations shall not result in the impairment of the uniform image and quality standards of the franchise, provided that the Franchisee send such written declaration within thirty days after execution of the franchise; or

(c) The Franchisee was not furnished a copy of the franchise agreement and disclosure documents at least seventy-two hours prior to execution of the franchise, provided that the franchisee sends such written declaration within thirty days after execution of the franchise.

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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WASHINGTON

This Amendment relates to franchises sold in Rhode Island and is intended to comply Washington statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. 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.

2. 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.

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

4. 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.

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

6. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this Amendment.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.	Franchisee:
By:_____	By:_____
Print Name:_____	Print Name:_____
Title: _____	Title:_____
Date: _____	Date:_____

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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF WASHINGTON

This Amendment relates to franchises sold in Rhode Island and is intended to comply with Washington statutes and regulations. In consideration of the execution of the Area Development Agreement, Franchisor and Franchisee agree to amend the Area Development Agreement as follows:

1. The State of Washington has a statute, RCW 19.100.180 which may supersede the Area Development Agreement in your relationship with the franchisor including the areas of termination of your franchise. There may also be court decisions which may supersede the Area Development Agreement in your relationship with the franchisor including the areas of termination of your franchise.

2. 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.

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

4. 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.

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

6. Except as amended herein, the Area Development Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this Amendment.

Dated this _____ day of _____, 20_____.

Franchisor: Painting with a Twist, L.L.C.	Developer:
By:_____	By:_____
Print Name:_____	Print Name:_____
Title: _____	Title:_____
Date: _____	Date:_____

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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.

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PAINTING WITH A TWIST, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
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PAINTING WITH A TWIST, L.L.C.
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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:

1. Article 14 of the Agreement pertaining to Defaults and Terminations is amended as follows:

> For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. 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.

3. Except as amended herein, the Agreement will be construed and enforced with its terms.

_____ _____

Franchisee's Initials/Date Franchisor's Initials/Date

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AMENDMENT TO PAINTING WITH A TWIST, L.L.C.
AREA DEVELOPMENT 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 Development Agreement to be contrary, the Development Agreement shall be amended as follows:

1. Section 9 of the Development Agreement pertaining to Defaults and Terminations is amended as follows:

   For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Development Agreement or a related document between Franchisor and Developer inconsistent with the Law.

3. Except as amended herein, the Development Agreement will be construed and enforced with its terms.

_____ _____

Developer's Initials/Date Franchisor's Initials/Date

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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.

1. Item 17

(a) For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

(b) 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.

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STATE EFFECTIVE DATES

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

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

State	Effective Date	State	Effective Date
California	Pending	New York	Pending
Hawaii	Pending	North Dakota	Pending
Illinois	Pending	Rhode Island	Pending
Indiana	Pending	South Dakota	September 23, 2019
Maryland	Pending	Virginia	Pending
Michigan	September 6, 2019	Washington	Pending
Minnesota	Pending	Wisconsin	Pending

In the states listed below, the effective date (and issuance date) of this disclosure document is April 30, 2020.

Alabama	Kentucky	North Carolina
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Massachusetts	Oregon
Colorado	Mississippi	Pennsylvania
Connecticut	Missouri	South Carolina
Delaware	Montana	Tennessee
District of Columbia	Nebraska	Texas
Florida	Nevada	Utah
Georgia	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	New Mexico	Wyoming
Kansas		

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EXHIBIT K

RECEIPTS

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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. Iowa and New York require that Painting with a Twist, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or payment of any consideration that relates to the franchise relationship. Michigan requires that Painting with a Twist, L.L.C. gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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 C.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: Richard Leveille, Charlotte Carrere, 2121 N. Causeway Blvd., Suite 200, Mandeville, Louisiana 70471 (985) 626-3292.

The issuance date of this Franchise Disclosure Document is April 30, 2020.

I received a Disclosure Document from Painting with a Twist, L.L.C. dated as of April 30, 2020, that include the following Exhibits:

A. Franchise Agreement
   a. Guaranty Agreement
   b. Confidentiality Agreement
   c. ACH Service Agreement
B. Area Development Agreement
C. List of State Administrators & Agents for Service of Process
D. Financial Statements
E. Operations Manual Table of Contents
F. General Release
G. Franchisee Compliance Certification
H. List of Current Franchisees & Franchisees Who Have Left the System
I. Contingent Assignment of Lease
J. State Specific Addenda
K. Receipts

Date: _____
(Do Not Leave Blank)

_____
Signature of Prospective Franchisee

_____
Print Name

YOUR COPY- RETAIN FOR YOUR FILES

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K. Receipts

Date: _____
(Do Not Leave Blank)

_____
Signature of Prospective Franchisee

_____
Print Name

COPY FOR PAINTING WITH A TWIST, L.L.C.

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to the Painting with a Twist, L.L.C. Franchise Development Department by email to franchising@paintingwithatwist.com.

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