FRANCHISE DISCLOSURE DOCUMENT

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Department of
Business Oversight

portraitefx®

PortraitEFX Franchising Corporation
A Nevada Corporation
10612-D Providence Road, Suite 235
Charlotte, NC 28277
800-765-7561
corporate@portraitefx com
www portraitefx com

You will operate a business providing professional photography services under the name PortraitEFX® by ("your name")

The total investment necessary to begin operation of a Portrait EFX business ranges from **$22,477 to $43,606** This includes ~~$7995 for the Silver Program or $15,000 for the Gold Program or $20,000 for the Platinum Program~~ $9995 that must be paid to the Franchisor or its affiliates You will be required to have or purchase certain equipment, accessories and software required to operate your PortraitEFX Franchised Business

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English Read this disclosure document and all accompanying agreements carefully You must receive this disclosure at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale **Note however, that no governmental agency has verified the information contained in this document**

You may wish to receive your disclosure document in another format that is more convenient for you To discuss the availability of disclosures in different formats, contact Chris Doyle at 800-765-7561 ext 805

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

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

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

Date of Issuance April 1 ~~2016~~2017

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state

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

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT PERMITS YOU TO ARBITRATE WITH US ONLY IN CHICAGO, IL OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT ALSO MAY COST YOU MORE TO ARBITRATE WITH US IN ILLINOIS THAN IN YOUR HOME STATE

2 THE FRANCHISE AGREEMENT STATES THAT, EXCEPT FOR THE POST TERM NON-COMPETE PROVISION, WHICH WILL BE GOVERNED BY YOUR HOME STATE'S LAW, ILLINOIS LAW GOVERNS THE AGREEMENT THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THERE MAY BE OTHER RISKS IN BUYING AND OWNING A PortraitEFX® FRANCHISE

Registration of this franchise by a state does not constitute approval, recommendation, or endorsement by the state commissioner, nor does it mean that the state recommends it or has verified the information in this Disclosure Document State laws may supersede certain provision of this Franchise Agreement Certain states require the superseding provisions to appear in the State Addenda listed as Exhibit E to this Disclosure Document and Franchise Agreement You may want to investigate whether you are protected by state law

See below for state effective dates This Disclosure Document is registered or on file in the following states, which registration or filing became effective on the dates listed below

State	Effective Date
California	April ~~24, 2015~~28, 2016
Florida	May 16, -2016~~2015~~
Illinois	April ~~14, 2014~~27, 2016
Kentucky	February 2007
Nebraska	February 2007
New York	April ~~30,~~ 27, 2016~~2015~~
~~Maryland~~	~~June 24, 2015~~

Texas	August 2006
~~Washington~~	~~April 30, 2015~~
Virginia	~~June~~April 30, 2016~~2015~~
~~Hawaii~~	

MICHIGAN NOTICE

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU

(a) A prohibition against you joining an association of franchisees

(b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law This does not preclude you, after entering into a franchise agreement, from settling any and all claims

(c) A provision that permits us to terminate your franchise prior to the expiration of its term except for good cause Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonably opportunity, which in no event need be more than thirty (30) days, to cure such failure

(d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures and furnishings Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation This provision applies only if

(i) The term of the franchise is less than five years, and

(ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six ~~months~~month's advance notice of our intent not to renew the franchise

(e) A provision that permits us to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances This provision does not require a renewal provision in the Franchise Agreement or other agreement

(f) A provision requiring that arbitration or litigation is conducted outside of Michigan

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

(i) The failure of the proposed transferee to meet our then-current reasonably qualifications or Standards

(ii) The fact that the proposed transferee is our competitor

(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 us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer

(h) A provision that requires you to resell to us items that are not uniquely identified with us This does not prohibit a provision that grants us 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 it prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to you 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 concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913 (517) 373-7117

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the term "we," "us" "Company" or "our" refers to PortraitEFX® Franchising Corporation, the franchisor We will refer to the person interested in buying the franchise as "you" or "your" If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners These provisions are addressed in this Disclosure Document where appropriate

We were organized as a Nevada corporation on April 20, 2006 We maintain our principal business address at 10612-D Providence Road, Suite 235 Charlotte, NC 28277, and do business under our corporate name and under the name "PortraitEFX®" Our agents for service of process are identified in Exhibit E to this Disclosure Document

We currently have no parents, or predecessors

We began offering franchises as of June 1, 2006 We are not engaged in other businesses, and have never offered franchises in any other lines of business

The Franchise

We grant qualified candidates franchises to develop a photography business that operates under the PortraitEFX® system (the "System"), and offers professional portrait photography services and related products to families, children, and other individuals The System includes distinctive service and product offerings, proprietary marketing systems and collateral materials, workflow processes and procedures, quality and uniformity of the products and services offered, procedures for marketing, inventory, management and financial control, training and assistance, and advertising and promotional programs, all of which may be changed, improved, and further developed by us

Our Marks include the trade name and service mark "PortraitEFX®" and such other trademarks, service marks, logos and other indicia of origin that we designate to identify the Franchised Business Our System refers to our proprietary business system for operating and promoting a Franchised Business Our system refers to our proprietary marks, intellectual property and confidential information, use of our proprietary website, use of our sales and marketing procedures and materials, use of our operational procedures and training materials, and other policies, procedures, standards and specifications that we have developed for use in connection with operating the Franchised Business

You will operate the Franchised Business according to our Franchise Agreement (see Exhibit G) and our standards, specifications, policies and procedures, as they are amended periodically (collectively, our "Standards") We will communicate our Standards to you in writing via our confidential Digital Operations Manual and other manuals and written directives (collectively, our "Digital Operations Manual")

Market and Competition

The market for professional portrait photography is well developed and competitive You will be competing with national chains and companies as well as local portrait and photography studios and photographers that offer the same or similar services

~~Franchisee/Industry Contact Referral Program~~

~~We will pay a referral fee of $1,000 towards Franchisee Advertising and Marketing, Training costs to a franchisee who introduces a prospective franchisee to us If we approve the prospect and we and the prospect sign a PortraitEFX® Franchise Agreement within 6 months after the referral is made and the~~

~~prospective franchisee pays us the associated initial fee We will pay this referral fee towards the franchisees Advertising, Training, or other fees when the referred prospective franchisee's Franchise Agreement is fully signed and the initial fee is fully paid~~

Industry Specific Regulation

There are no regulations that specifically govern the offering of professional photography services In addition, franchise owners and employees are not required to have prior photography experience To the extent you hire employees, the Franchised Business will be subject to employment laws which include the Fair Labor Standards Act, and various state and federal laws governing such matters as minimum wages, overtime and working conditions The Franchised Business will be subject to other laws or regulations that are not specific to the photography industry specifically, but that apply to businesses generally

ITEM 2

BUSINESS EXPERIENCE

~~President/~~CEO Chris Wunder

Chris Wunder, Cr Photog ASP is the ~~President~~ CEO of PortraitEFX Franchising Corporation and one of its' original founders in 2006 Chris has over 35 years of experience in the photography industry covering virtually all market segments including School, Sports, High School Senior, Pictorial Directory, Event, ~~and~~ Early Childhood programs, as well as Portrait and Wedding Studio Management He is well-known in the photography industry as an author, consultant, platform speaker and workshop presenter

~~Vice~~ President - Mitchell Moore

Mitchell Moore has served as President of the company since January, 2017 Previously, he was VP of Franchise Support since April of 2010 In addition, he independently owns and operates one of the largest Franchises in the system Prior to that, he was Vice President and Head of Operations for Crest Foods of Chattanooga, TN including Nestle Tollhouse Cafe and Brick House Subs

Director of Franchise and Business Development, Christopher Doyle

Chris Doyle has served as Director of Franchise and Business Development at PortraitEFX® Franchising Corporation located in Charlotte, NC, since March of 2008

ITEM 3

LITIGATION

On January 3, 2011, the Washington State Securities Division entered into a Consent Order S-10-241-10-CO01 with PortraitEFX Franchising Corporation, a Texas corporation, in settlement of the Division's allegations of a franchise law violation by the company The Division alleged in the Consent Order that the company had failed to comply with the registration provision of the Franchise Investment Protection Act PortraitEFX Franchising Corporation agreed, without admitting or denying the findings of fact, to cease offering or selling franchises in violation of the registration provision of the Franchise Act In December 2010, PortraitEFX Franchising Corporation reimbursed the Securities Division $1,400 for its costs of investigation PortraitEFX Franchising Corporation also waived its right to a hearing or other further proceedings in the matter

Other than this action, no other litigation is required to be disclosed in this Item

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

ITEM 5

INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee in the amount equal to ~~$7995 for the Silver Program, or $15,000 for the Gold Program, or $20,000 for the Platinum Program~~ 9995 The initial franchise fee is uniform for all franchisees Unless you elect to finance a portion of the initial franchise fee (see item 10), this fee is due in full when you satisfactorily complete the initial training After that, this fee is non-refundable

-PortraitEFX® Photography Franchise offers ~~a 10%~~ an incentive for Veterans, Law Enforcement and ~~Fireperson Discount off of the~~Firepersons if they purchase a Franchise All current ~~Franchise Fee Exception The Silver Program is not eligible for the 10% discount~~ or former Veterans, Law Enforcement and Firepersons will be entitled to an additional population of 25,000 added to their territory at no cost to them This ~~discount~~promotion applies to all former or current veterans, Law Enforcement and Fire personnel or their spouses and qualification for this discount must be supported by appropriate verifying documentation

Multiple Franchise Discount Purchase of an additional franchise for existing franchise owners will consist of the following criteria

A Initial Franchise ~~Silver Program $7995 USD, Gold Program $15,000 USD,~~$9995 USD ~~Platinum Program $20,000 USD~~
B Second Franchise ~~Silver Program $6500 USD, Gold Program $12,500 USD,~~$7995 USD ~~Platinum Program $15,000 USD~~
C Third and subsequent Franchise Purchases ~~Silver Program~~ $5000 USD, ~~Gold Program $10,000 USD, Platinum Program $12,000 USD~~
D Zip Code Territory Sales If an existing Franchisee does not wish to purchase a complete additional territory after the purchase of their initial franchise purchase they can choose to purchase additional zip codes at the following rates

Existing franchise owners only With approval from PortraitEFX® ONE ZIP CODE or number of ZIP CODES required to add a minimum of 25,000 population will cost an additional $1000 ~~for all programs~~ Additional Zip Codes purchased must be contiguous and added to the current franchise territory

Initial Equipment, Accessories and Software Package

You must have or purchase specific equipment, accessories and software we require for use in the operation of your PortraitEFX® Franchised Business (Refer to Exhibit B for a complete list of required items) -The estimated cost of the designated equipment, accessories and software is approximately $10,882 00 – $12,506 00, and many of these items must be acquired prior to attending your Essentials training

If you already own any of the items we recommend for the operation of the Franchise Business or if you already own any item that is of comparable quality and that we deem acceptable in writing, we will allow you to substitute that item or items and will adjust our requirements accordingly

ITEM 6

OTHER FEES

TYPE OF FEES[1]	AMOUNT	DUE DATE	REMARKS
Initial Training for additional personnel[2]	$~~750~~350 per person	Prior to attendance	Initial Training for 2 people is included in the initial franchise fee Some meals are provided This fee does not include travel, or incidental and other expenses that you will incur while attending the Initial Training
Annual Conferences	Up to $400 per person (varies based upon the conference location and programs offered)	Prior to attendance	You are responsible for all travel, food and lodging expenses you and your participants incur to attend the annual conference You are required to attend ~~at~~ our annual ~~conferences each~~conference every other year unless excused by Management for extenuating circumstances
Virtual Conferences, Online Training & Webinars	Up to $50 per Franchise	Payable by the 10th of the month following by ACH or Credit Card Debit	You are required to attend all Company mandated Virtual Events either live when broadcast or reviewed as a recorded event up to seven days after Failure to attend may result in a $50 penalty
Optional - Additional Photo / Technical Training or On-site Support -Fee	$500 for first day, $250 for additional days, plus travel expenses	Prior to training or on-site support visit	If you request additional training or consulting, we will charge you this fee prior to our sending a trainer for support
Optional On Site Sales and Marketing (SAM) program 11	$2000 plus travel, lodging and meals for trainer	Payable prior to onsite training	The On Site Sales and Marketing (SAM) program is an optional training program conducted at the franchise location See item 7 17 for more information

TYPE OF FEES[1]	AMOUNT	DUE DATE	REMARKS
Optional advanced training programs, classes, meetings, seminars and workshops	$250 $995 per person per training module	Prior to attendance	See Item 11 for more information about our advanced training
Transfer Fee	An amount equal to 25% of the then-current franchise fee, plus reasonable costs and expenses associated with the transfer including training costs, legal and accounting fees	With transfer application	There is no fee assessed if an individual or partnership transfers rights to a corporation or limited liability company controlled by the original franchise owner(s)
Penalty Interest	18% per annum or highest rate permitted by applicable law	Payable on Demand	Payable only if you fail to pay amounts owed to us when due
Insurance Premium and Administrative Fee	Cost of insurance premium plus a 25% administrative fee	Payable on Demand	Payable only if you fail to obtain or maintain minimum required insurance coverage, and we obtain such coverage on your behalf
Software programs	Reasonable cost	Payable on Demand	We may require, acquire or develop additional software for use in the System In such case you may be required to purchase a license either from us or an approved supplier in order to legally use the software
Encroachment Fee	$1,000	Payable on Demand	Payable if you provide photography services to customers or accounts located within another PortraitEFX® franchisee's Protected Territory without first obtaining our prior written approval You must also reimburse the encroached upon franchisee an amount equal to 100% of the gross proceeds realized from the services and

TYPE OF FEES[1]	AMOUNT	DUE DATE	REMARKS
			products provided or sold
Indemnification	Amount of judgment plus attorneys' fees, costs	~~On~~Payable on demand	You must indemnify, defend, and hold us and our officers, directors, agents, attorneys and employees harmless from all losses, damages, liabilities, claims, costs, expenses, judgments and attorneys' fees arising out of your ownership or conduct of the Franchised Business
Marketing/Advertising ~~Fund License~~[4]Campaigns	~~Up to $100 per month)~~Reasonable cost	Payable ~~within 10 days of invoice~~on demand	~~*~~Participation in Marketing ~~Fund Fee~~campaigns is ~~Currently $50 per month~~voluntary
~~In-House Production Fee (PreLab Production Work)~~	~~Varies~~	~~Payable when invoiced~~	~~Work required to prepare photo images for printing~~
~~Web Maintenance Fee~~Website Hosting, E-Commerce Shopping cart & Marketing Collateral Services	Up to $~~50~~75 per month	Payable ~~within 10 days~~on the 10th of ~~invoice~~each month by ACH or Credit Card debit	~~The current web fee is a minimum of $25 00 per month~~ Currently $50 per month Covers Website Hosting, web maintenance, E-commerce shopping cart membership & maintenance, and creative design services provided by the Corporate Office We do not charge a fee for use of our other web enabled services, including email and/or future forums, however we reserve the right to charge you this fee at a later date to defray our costs of developing, supporting and maintaining these services
In-House Production Fee (Pre-Lab Production Work)	Varies	Payable when invoiced	Work required to prepare photo images for printing
Shortfall fee Note 3	$250/$500* minimum lab fees	Payable when invoiced	See note 3 below

TYPE OF FEES[1]	AMOUNT	DUE DATE	REMARKS
	monthly *Adjusted seasonally		

Notes

Note 1 All fees and expenses described above are nonrefundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees We do not collect "royalty" on your sales, instead, we receive financial incentives from vendors based on our combined purchasing volume

Note 2 If you elect to have more than 2 people attend the initial training program at our corporate headquarters, an additional fee of $~~750~~350 for each additional person attending may be required In addition, you may be responsible for all associated travel, lodging and other incidental expenses

Note 3- You must meet the Minimum Productivity Levels (Franchise Agreement Section 4 2)~~-for any twelve month period~~ in order for the Company to receive these incentives If you fail to meet any Minimum Productivity Level for any one month period (except those specifically excepted below), ~~You~~you must compensate the Company for the shortfall~~-(~~ (see item 12) The minimum productivity requirement is calculated based on the amount of photo lab processing you do thru one of our approved vendors

The Processing Revenue Shortfall Rebate Fee (Shortfall Fee) The Shortfall Fee is calculated by subtracting the full or pro-rated amount for a minimum amount of $500 USD per month lab fees— except this fee will be $250 USD per month during December, January, June, & July

If a minimum amount of $500 (or $250 USD per month during December, January, June, & July) in lab fees are not met in a specific month the difference that does not meet the minimum, would require to be paid as a shortfall to PortraitEFX ~~EXCEPTION: No shortfall fees will be charged during the months of January, June, July and December each year~~ Shortfall Penalty is WAIVED for first three months of the start of your agreement with PortraitEFX which commences the day after you officially complete training ~~Payment is due within 30 days of invoice receipt for any month minimums are not meant~~

Payment is due by the 10th of the month following such shortfall, and payable by ACH or Credit Card debit Example If during the month of March you spend an average of only $~~500~~400 in lab fees instead of the ~~Minimum~~minimum of $500~~,~~ you will be required to submit a payment (Shortfall Fee) to The Company of $~~200~~100 for that month If you meet the $500 monthly lab fees 0 (or $250 USD per month during December, January, June, & July) you will not owe any shortfall fee

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Description of Expenditure	Estimated Costs	Method of Payment	When Payable	To Whom Paid
Initial Franchise Fee[12 13]	~~Silver Program $7995, Gold Program $15,000,~~	~~Lump sum~~Lump sum Or	Upon execution of Franchise Agreement	Us

Description of Expenditure	Estimated Costs	Method of Payment	When Payable	To Whom Paid
	~~Platinum Program~~ ~~$20,000~~$9995	minimum 30% down ($2995) with balance financed by PortraitEFX		
Initial Training Costs[1]	$200- ~~$4,500~~ $3000	As arranged	As arranged	Third party suppliers
Real Property	0	N/A	N/A	N/A
Fixtures, Fixed Assets, Construction[2]	0	N/A	N/A	N/A
Start Up Equipment, Accessory and Software Package[3]	$10,882 – $12,506	Lump sum	~~Prior~~Approximately half of equipment must be acquired prior to attending initial training The balance may be acquired after training The equipment list specifies the requirements	~~Us or approved vendor~~Third party suppliers
Identity Package, Initial Marketing Materials[4]	included	Lump sum	With order	Us or approved vendor
Miscellaneous supplies[5]	$300 – $600	As arranged	Upon purchase	Third parties
Insurance[6]	$500 – $700	As arranged	As arranged	Insurance carrier or broker
Deposits, Telephone and Business License[7]	$100 – $300	As arranged	As arranged	Third parties
Additional ~~Funds~~[9]Funds[8]	$2,500 – $5,000	As arranged	As arranged	Third parties
~~Total~~[10]Total[9]	$22,477 – $43,606			

Explanatory Notes

Note 1 These amounts are the estimated expenditures you, and up to one other individual may incur for travel, lodging, meals and incidental expenses while attending our Initial Training program The low end of the estimate assumes that you and/or you and one other individual will have no travel or lodging costs

Note 2 We do not anticipate that your initial start-up expenses will include any construction costs, or the purchase of any fixed assets or fixtures Our business model is founded on you operating your franchised business from home

Note 3 You may purchase the required equipment, accessory and software package from any provider of your choice If you already own equipment including camera, computer, light system and other items that are accepted by us in writing, we will adjust the package and related requirements accordingly You will be using some of your own equipment in the Essentials training so you must obtain the required equipment before the Initial Training begins Refer to Attachment C to the Franchise Agreement (Exhibit G) for a complete list of required equipment, accessories and software

Note 4 This start up package is included in your initial franchise fee This is an initial supply of marketing and print sample materials, ~~a stationary package that includes~~ 1000 business cards and ~~custom letterhead and envelopes (500 of each) and all~~ personalized email and website design/set up

Note 5 We anticipate that you will spend in the range of $300 to $600 for office supplies, accessories and other miscellaneous expenditures

Note 6 This amount represents an estimate of your annual premium for the insurance required by the Franchise Agreement Your actual cost of insurance may vary depending on the insurer, your geographical location and other factors

Note 7 This amount is based on the assumption that you will be operating from your home rather than from a store front studio, and is an estimate of the costs you may incur in the acquisition of a business license (also referred to as an "assumed name" or fictitious name" certificate), establishing a business bank account and a business telephone line

Note 8 ~~This amount represents the fee required by our approved merchant card provider to establish credit card services that will be utilized within the e-commerce system we provide for you This system will enable your customers to make purchases online and will automatically deposit the proceeds from online purchases into your personal bank account~~

~~Note 9~~ You will need additional funds during the start-up phase of your business to pay lab processing fees, purchase supplies, obtain sample inventory, and provide complimentary promotional services and to cover other expenditures during the first 3 months from the date you open for business These amounts do not include any estimates for debt service, payroll costs or any draw or salary to you These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business Your actual costs will depend on factors such as, your management skill, experience and business acumen, local economic conditions, the local market for your services, competition, and the sales level reached during your initial start-up period

Note ~~10~~9 To compile these estimates, we relied on the combined experience of our officers and directors You should review these figures carefully with a business advisor before making any decision to purchase the franchise

Note ~~11~~10 There are no refunds of any payments made by franchisees except as provided in Item 5 above

Note ~~12~~11 The On Site Sales and Marketing (SAM) program is an optional training program that is not included in the franchise fee ~~for Silver or Gold Program franchisees It is included and a mandatory part of the franchise fee for Platinum Program Franchisees who will incur no additional fees for the SAM visit For Silver and Gold program franchisees the~~ The SAM visit is estimated to cost about $3000 ($2000 plus travel, lodging and meals for trainer)- This fee must be paid prior to the training being conducted

It will include approximately 32 hours of additional training at the franchise location This SAM training program will be conducted by PortraitEFX® Training Personnel or Assignees

Note ~~13~~12 We may under ~~appropriate~~special circumstances finance up to ~~$5,000~~9000 of the initial franchise fee See Item 10 for details

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases According to Specifications Approved Suppliers

You must comply with all brand standards and specifications relating to the purchase of all photographic equipment, computer equipment, and software, warranty services, supplies and products used or offered for sale If we have approved suppliers (including manufactures, distributors, photo processors, labs, marketing organizations, service providers, dealers and other sources) for any supplies, services, materials, equipment, computer hardware, software, warranty services and products used or offered for sale, you must obtain these items and/or services only from those suppliers Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications, who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing, and whom we have not later disapproved We may designate ourselves or our affiliates (if any) as approved suppliers of any item or service We currently do not require you to purchase any products or supplies directly from us, however reserve the right to do so in the future Neither we, nor any of our officers, have any ownership interests in any approved suppliers

Supplier Approval Procedure

If we require that an item or service be purchased from an approved supplier, and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval You must not purchase or lease the item or service from the supplier until and unless we have approved the supplier in writing We have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us for evaluation We may re-inspect the facilities, services and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria Nothing requires us to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time Although not contractually obligated to do so, our policy is to approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier Our specifications for products and/or services and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers We currently do not charge a fee for approving any proposed suppliers, however, we reserve the right to charge a fee in the future

From time to time we may modify, alter, amend or change our specifications and standards for supplies, equipment or services franchisees may offer We transmit those changes to our specifications and standards through amendments to our Manuals Amendments to our Manuals will be transmitted to you when they become available, and may be transmitted via regular mail, email or other means we deem appropriate If any changes to our specifications or standards affect suppliers, we will transmit such changes to suppliers

We do not give franchisees any benefits for using approved or designated suppliers We do not grant any rights of first refusal to franchisees because of their use of approved or designated suppliers

We will revoke the approval of any vendor whose performance falls below our standards This will be done by email memo, followed up by Digital Operations Manual updates

Advertising and Promotional Materials

All of your advertising and promotions must conform to our standards and requirements We must approve all advertising and promotional plans and materials before you use them if we have not prepared them or previously approved them during the 12 months preceding the date of their proposed use You must submit any unapproved plans and materials to us at least ~~30~~14 days before the applicable deadline for running the advertisement, and we will approve or disapprove within ~~10~~ business days after we receive them If we do not object to your proposed plans or materials within the ~~10~~-5-day period, you may use the plans or materials

Purchasing Arrangements

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items or services with suppliers, including marketing and promotional programs In doing so, we seek to promote the overall interests of the franchise system and our interests as the franchisor We may receive rebates from approved or designated suppliers and/or service providers There are currently no purchasing or distribution cooperatives for the System We receive up to 25% of all purchases made by franchisees for developing and processing of photographic prints from our approved vendors

Required Purchases

Your obligations to purchase services, supplies, equipment, inventory, photographic equipment, software, and other specific items from us or from suppliers we approve, or under our specifications are all considered "required purchases " Assuming the estimated minimum initial cost to begin operations and other financial obligations are within the ranges described in Item 7, the proportion of your purchases from approved suppliers or of equipment, software, services and other items that meet our specifications will be approximately 26% to 41% of your purchases in establishing your PortraitEFX Franchised Business and approximately 20% to 35% of your ongoing costs of operation

Laboratory Film Development Services

You must process all of your digital film products and other specialty products through our approved vendors We derive income from rebates from the services they provide, on varying bases, depending on the product or service Our total revenue for 2015~~2014~~ was $~~433,678~~219,967 of which $~~43,636 (10~~70,081 (31%) was derived from this rebate

The Company can at its discretion allow you to utilize a current lab or lab you wish to do business with in the future that is not on our current approved vendor list The Company has the option to add monthly payment or a royalty ~~basis~~of 5% of monthly gross (less sales tax), or $300 00 whichever is greater, for the use of these vendors

Rebates and Cooperative Discounts

We and our affiliates reserve the right to receive payments from Approved Suppliers in connection with franchisee purchases We may also solicit and accept royalty fees and other payments from these suppliers When and if we do receive such payments, they are expected to be in a range of 10-25% of the total purchase by franchisees from these suppliers

The Company does not collect "royalty" on your sales Instead, the Company receives financial incentives from vendors based on our combined purchasing volume You must meet the Minimum Productivity Levels (Franchise Agreement Section 4 2) ~~for any twelve month period~~ in order for the Company to receive these incentives If you fail to meet any Minimum Productivity Level for any one Period ~~with the exception of December, January, June or July of each year~~, you must compensate the Company for the shortfall

The Processing Revenue Shortfall Rebate Fee (Shortfall Fee) The Shortfall Fee is calculated at $500 in lab fees ~~in the~~for all months except for the months of December, January, June, & July which is calculated at $250 in lab fees for Minimum Productivity Levels for each applicable period

Insurance

You are required to obtain and maintain during the term of your franchise agreement at least one million dollars in general liability coverage for your franchise business Your insurance policy must name us as additional insured and you must obtain coverage prior to commencing operations

Monthly Gross Sales Recap Reports

You are required to provide us with a monthly recap each month of your gross sales This report will be due each month on the ~~5th~~10th day of each month following the month before We will provide the format and documentation for these reports which can be submitted electronically

ITEM 9

FRANCHISEE'S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document

	Obligation	Section in Franchise Agreement	Item in Disclosure Document
a	Site selection and acquisition/lease	Sections 8 11 - 8 14	Item 7 and 11
b	Pre-opening purchases/leases	Sections 6 1, 8 11, 8 12	Item 7
c	Site development and other pre-opening requirements	Sections 8 11 – 8 14	Item 7
d	Initial and ongoing training	Sections 6 4, 7 1 – 7 14	Item 6 and 11
e	Opening	Section 7 2	Item 11
f	Fees	Section 4	Item 5 and 6
g	Compliance with standards and policies/operating manual	Section 8 1	Item 8, 11 and 16
h	Trademarks and proprietary information	Section 9 and 10	Item 13 and 14
i	Restrictions on products/services offered	Section 6	Item 8 and 16
j	Warranty and customer service requirements	Not applicable	None
k	Territorial development and sales quotas	Section 4 2 2	Item 8 and 12
l	Ongoing product/service purchases	Sections 8 15, 8 16	Item 6 and 8
m	Maintenance, appearance and remodeling requirements	Section 8 12	Item 11
n	Insurance	Section 13	Item 7 and 8
o	Advertising	Not Applicable	Item 11
p	Indemnification	Section 13	Item 6

Obligation		Section in Franchise Agreement	Item in Disclosure Document
q	Owner's participation/management/staffing	Section 8 18	Item 11 and 15
r	Records and reports	Section 11	Item 8
s	Inspections and audits	Sections 7 11, 11 3	Item 11 and 17
t	Transfer	Section 14	Item 6 and 17
u	Renewal	Section 3	Item 17
v	Post-termination obligations	Section 16	Item 17
w	Non-competition covenants	Section 10	Item 15 and 17
x	Dispute resolution	Section 18	Item 17
y	Other	Not Applicable	None

ITEM 10

FINANCING

Item Financed	Source of Financing	Down Payment	Amount Financed	Interest Rate	Monthly Payment ~~(24 MO Platinum, 12 Months Gold)~~	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Initial Fee	PortraitEFX Franchising Corporation	~~$12,500~~ $2995 or more of the initial fee ~~for~~ By request and with company approval, the ~~Gold Program, $15,000 or more of the initial fee for the Platinum Program~~ ~~There is no financing~~	Maximum of $~~5000~~900 0 00 of the Initial Fee ~~for the Platinum Program, Maximum of $2500 of the initial fee for the Gold Program~~	~~12%,~~ 10% with 50% down , 12% with 25%-49% down , 15% with less than 25% down	~~$233 33 Platinum or Gold~~ -Per Loan amortization table based on down payment, amount financed, term of financing and interest rate qualified for	None	Personal guaranty	The promissory note you are required to sign makes your owner personally liable for all amounts due and owing	None

		~~available for the Silver Program~~down payment may be reduced with a corresponding increase in Interest rate							

Note 1- We currently offer ~~two~~a flexible financing ~~options~~option to qualified franchisees We offer financing for up to $~~5~~7,000 00 of the initial franchise fee ~~for Platinum Program~~ However, upon mutual agreement a lesser down payment may be accepted in lieu of Franchisee's prior experience or financial hardship, with a corresponding increase in the interest percentage charged over time Franchisees ~~and up to $2500 00 of the initial franchise fee for Gold Program Franchisees We do not offer financing for Silver Members You may finance less than this amount, but under no circumstances will we offer financing for more than that amount Payment~~may select payment terms ~~are 24~~of 36, 48 or 60 months ~~for Platinum Members and 12 months for gold Members~~ There is no prepayment penalty

~~Option 1 Your finance term will be 24 months at an interest rate of 12% for Platinum Program Franchisees Payments will be $233 33 /month, and your total interest will be $600 00 If the principal amount of the note is less than $5,000 00, then your payments will be lower, and your interest payments less~~

~~Option 2 Your finance term will be 12 months at an interest rate of 12% for Gold Program Franchisees Payments will be $233 33 /month, and your total interest will be $300 If the principal amount of the note is less than $2500 00, then your payments will be lower, and your interest payments less~~

The form of Promissory Note we use is attached to this Disclosure Document as Exhibit H

We currently do not intend to sell, assign or transfer any financing instrument to a third party, but reserve the right to do so in the future Since no third party financing is available through us, we do not receive any payment as a result of referring you to a qualified lender

ITEM 11

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

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

Before you begin operating your PortraitEFX® Franchised Business, we will

1 Designate the Protected Area pursuant to which you may operate your business and offer photography services under the terms and conditions of the Franchise Agreement (Franchise Agreement – Section 2 1)

2 Provide you one copy of the Digital Operations Materials and other Operation Guides (Franchise Agreement, Section 7 4 See Exhibit D for the table of contents of the Digital Operations Materials I)

3 Provide access to our introductory training course (Franchise Agreement- Section 7 1)

4 Provide initial training for you and one other individual if you have not previously attended a new franchise owner initial training (Franchise Agreement – Section 7)

5 At your request and at your own expense we can provide additional training to individuals you select to attend and successfully complete such training (Franchise Agreement-Section 7 1)

6 Provide you with site selection guidelines if you decide to operate your PortraitEFX® Franchised Business from a commercial store front studio (Franchise Agreement-Section 8 12)

7 We will provide you with a list of approved suppliers, some of which may be us or our affiliates, for your photography equipment, and other items you must purchase to commence your business Prior to attending the initial training program, you must purchase certain equipment, cameras, lighting, photographic supplies and computer hardware and computer software (Franchise Agreement-5 3 and 6)

~~8 We will provide a proprietary Customer Resource Management (CRM) Database solution~~

~~9~~8 You have the option for us to conduct in field Sales & Marketing (SAM) training at your location for an additional fee of $2000 plus travel, lodging and meals for trainer

—You can purchase this option any time after your franchise purchase during the term of your franchise obligation If you purchase this option, we will schedule in field Sales & Marketing (SAM) training which will include 32 hours at franchise location This SAM training program will be conducted by PortraitEFX® Training Personnel or Assignees This fee must be paid prior to the training being conducted

During operation of your PortraitEFX® Business, we will

1 Advise and assist you regarding operating issues concerning your PortraitEFX® franchise In addition, we will provide guidance to you on standards, specifications, marketing and operating procedures and methods used by PortraitEFX® franchises This guidance will, at our discretion, be furnished in the Digital Operations Materials, bulletins, electronic media, newsletters or other materials and/or during telephone consultations and/or consultations at such places as we mutually agree (Franchise Agreement – Section 7)

2 Update operational content from time to time The Digital Operations Materials contains mandatory and suggested specifications, standards, operating procedures and rules ("System Standards") that we prescribe from time to time, issue, modify and supplement (Franchise Agreement -Section 7)

3 Hold a conference, either as a "Live" event or as a "virtual" one broadcast over the internet at least once each year for all franchisees to exchange ideas and provide suggestions on

methods to improve operation of a PortraitEFX® franchise (Franchise Agreement – Section 7)

4 Provide updated supplemental training and optional fee-based advanced training modules and PortraitEFX® certification programs, (Franchise Agreement – Section 7)

5 Provide pre-approved advertising brochures, marketing plans and marketing collateral materials for purchase (Franchise Agreement – Section 7)

6 Maintain a support line during regular business hours to provide on-going consultation and assistance during regular business hours (Franchise Agreement – Section 7)

7 At your request and in consideration of the On-site Assistance Fee described in Item 7, provide assistance at an agreed upon location, dates and times (Franchise Agreement – Section 7 6)

8 Provide and maintain an e-commerce enabled web site for your franchise (Franchise Agreement – Section 6 5)

9 Provide and maintain an email system and up to 4 email address for your use in the operation of the franchise

10 Provide and maintain an online site to facilitate communication with us and other PortraitEFX® franchisees

Site Selection

We make no attempt to select the location of the PortraitEFX® Franchised Business within the Protected Area –_Since the PortraitEFX® Franchised Business is amenable to a home-type operation, ~~it is anticipated~~if you ~~will utilize~~choose to use your home ~~as your business location, if your home is~~ and it is within the Protected Area, ~~is suitable to enable you to~~it must comply with operational standards, and zoning and other laws and regulations permit ~~–Your~~ For safety and security reasons, your business address of record may not be your home address, but rather should be a commercial address and / or business mail center or mail drop

_If you choose to operate your PortraitEFX® franchise from a commercial or store front studio location, you must first identify a proposed site and submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines and any other information we require We have 30 days after we receive this information to review and accept or not accept the proposed site and lease or contract of sale You must notify us within 10 days of our acceptance of the site that you intend to acquire or lease the location Our acceptance of a site does not guarantee that a PortraitEFX® Studio location will be profitable or successful at that site If we do not approve the first site you propose, you have one additional ~~30 day~~30day period to provide us with a secondary site location You must provide us a written description of this site, and we have 15 days to either approve or reject your second proposed site If you and we are unable to agree on an acceptable commercial store front studio location for your Franchised Business, you will have the option of operating your Franchised Business from your home, if your home complies with our operational standards, and any local zoning or other regulatory or permitting requirements You must notify us within 10 days of our rejection of your second proposed site if you desire to operate your Franchise Business from your home If you refuse to operate your Franchised Business from your home, we have the right to terminate the Franchise Agreement upon written notice

You must obtain all zoning classifications, clearances and approvals relating to the site and all required permits, licenses, and certifications You must also certify that the insurance coverage required by the Franchise Agreement is in full force and effect (Franchise Agreement, Section 2)

Marketing/Advertising- We currently do not require franchisees to provide local advertising Any advertising or promotional marketing campaign that you intend to run must first be approved by us in writing You are not required to participate in a local or regional advertising cooperative You must at all times comply with our instructions regarding the use of advertising materials, including modifying or ceasing to use these materials, whether or not these materials had been previously ~~been~~ prepared or approved by us Any use of electronic media, including the internet, used by you to advertise your PortraitEFX® business must be approved by us, in writing, prior to its being displayed

You understand that we have the right to disapprove any advertising materials at any time if we determine that such materials do not comply with our standards for use of our Marks or other intellectual property (Franchise Agreement-Sections 7 13, 8 5)

~~PortraitEFX® has established a marketing/advertising fund that is currently used to solicit National and Regional and local accounts and to develop and distribute targeted marketing materials for assisting Franchisees with their business Currently the marketing/advertising monthly fee is $50 per month (See Item 6) We are not required to spend any amount on advertising in your area The media in which advertisements may be disseminated include print ads and marketing collateral, radio, the internet, and television and may be conducted on a local, regional and/or national basis Fund contributions are not used primarily to sell additional franchises, but may be used to establish and maintain a marketing website, a portion of which may be dedicated to the offer of franchises We will prepare an annual unaudited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request~~

~~Other than stated above, you are not required to participate in any other advertising fund other than states~~

Franchise Advisory Board (FAB)

Currently, we do have ~~a~~an independent franchisee advisory council that advises us on ~~advertising policies~~proposed policy and program changes Franchisees are welcome petition the Council for membership There are no fees associated with such membership

Computer Equipment Currently, PortraitEFX® Franchised Businesses use a PC computer and software package The cost of the computer system is estimated from $750-$1500 You may obtain the Computer System from any vendor so long as the Computer System meets our standards and specifications as outlined below You will be solely responsible for the acquisition, operation, maintenance, and upgrading on your computer System There are no optional or required maintenance contracts specified by us

We may modify the specifications and the components of any such Computer System from time to time and may require you to obtain specified computer hardware and/or software, including, a license to use proprietary software developed by us or others, as well as service and support contracts for the hardware and software We will have the right to independent, unlimited access to the sales information and data produced by your Computer System There are no contractual limitations on the frequency and cost of this obligation or on our right to access this information and data (Franchise Agreement – Sections 8 5 and 11 1) We provide our franchisees with an order entry system for submitting orders to approved labs for production and final product delivery Currently there is no additional charge for the use of this software You are required to install certain software on your computer This software includes

- Adobe Photoshop Elements 9 0 or newer versions
- ACDSee Pro Photo Manager or Adobe Lightroom 4 0 or newer
- Microsoft Office Professional – current version (may be bundled with computer purchase)

We recommend a PC based computer system with the following minimum configuration

LAPTOP Computer – PC ONLY – any reputable brand These are just the Minimum Requirements – Windows 7, 8 or 10 Operating System 3 GHz processor (or faster) 8 GB Ram (or more) 500 GB Hard Drive (or bigger) 16" Screen (or bigger) We DO recommend buying an all-risk protection policy on Laptops and the rest of your system If you lease your system, your payment will depend on the amount of equipment you lease

We provide our franchisee with a web enabled e-commerce system, including use of up to 5 email addresses using the PortraitEFX com extension, and a forum platform to facilitate communications between us, you and other system franchisees We reserve the right to suspend your use of any web based service we provide, including access to our e-commerce site, forum and email extension, if you are in default of your Franchise Agreement, are delinquent in any payment(s) required or any other agreement between you, your affiliates and us and our affiliates We reserve the right to charge you a fee for providing you these services

Time Period from Franchise Agreement Execution to Opening- We estimate that there will be an interval of up to 60 days between the signing of the Franchise Agreement and your ability to provide services to your first customer This interval may vary based on factors like the following whether you operate your Franchised Business from home or from a commercial store front location, how quickly you decide to attend the initial training session, the delivery schedule for equipment and supplies and your compliance with local laws and regulations You must begin operating your Franchised Business within 90 days after the execution of the Franchise Agreement unless we agree otherwise However, because the Franchise Agreement establishes Minimum Lab Productivity Levels, the sooner you begin operation after you sign the Franchise Agreement and complete training, the better the likelihood that you will be able to meet your sales requirements

Your Franchise will provide PortraitEFX® with a Quarterly Profit and Loss Statement within 15 days from the end of each quarter This requirement will start 6 months from the completion of the Essential Training Course and must be submitted by the following dates Apr 15, Jul 15, Oct 15, Jan 15 PortraitEFX® will provide the required form and format to simplify this process

Initial Franchise Training

At least 30 days prior to your right to begin operating your franchise you must complete our web-based introductory training program, and attend and satisfactorily complete our initial training program unless you have previously attended our initial franchise training We recommend that two people attend our initial training program If you are not the Operating Principal, we require that your Operating Principal and one other person, at your election, attend and successfully complete our initial training program If you are a transferee, you must complete the initial training within 90 days of your franchise purchase You are responsible for all travel expenses, lodging and other expenses you incur in connection with the training program If you or your Operating Principal cannot complete the initial training to our satisfaction, we may terminate the Franchise Agreement (Franchise Agreement –Sections 6 4, 7 1 – 7 14)

Our initial franchise training is administered and directed by PortraitEFX® Management or Training Staff We may also draw upon the experience of other PortraitEFX® Franchisees and/or other training professionals -_ There is no additional charge for the first two persons who attend our initial training program If you request that additional persons attend our training program, we have the right to charge you a training fee of no more than $~~750~~350 per extra person attending the training program -_ You will be responsible for all travel, lodging and meal expenses incurred with attending all additional Training and Certification programs _ We offer additional training and certifications programs for advanced photography services We charge fees for attending such optional training programs, and the fees vary depending upon who is providing the instruction, and type of photography training offered -_ You are required to pay for your travel, lodging and meal expenses for all additional training programs you attend

Our initial training program (Essentials Training) is typically offered on a bi-monthly basis and is limited to 10 franchisees ~~Initial franchise training takes place over 6 days~~_ We currently conduct our initial training program at our training center in Dallas, TX, however we reserve the right to change our training facility to another location The instruction materials used during training are in the Digital Operations Materials, as amended from time to time

We recognize that Franchisees joining our system may vary widely in the amount of previous photography experience and basic photography skills While no previous photography experience is required to operate a PortraitEFX Franchise, the amount of training required to achieve the operational benchmarks for the Franchise will vary by individual PortraitEFX has adopted a three-day training curriculum which is an introduction to professional photography intended for those new to the industry, and a second three-day program specific to Business Management and Advanced photography skills intended for those that have either previous experience in professional photography, or have completed the Introductory three-day training with PortraitEFX

The programs are scheduled consecutively, within a six-day period, to provide continuity of training from the basic skills through advanced levels Those new to professional photography will attend both classes consecutively, comprising six full days of in-house training Those with previous, verifiable experience in professional photography will need to attend only the three-day Business Management and Advanced photography class PortraitEFX Management will assess each Franchisee applicants' background and skills in professional photography in advance and will make the sole judgement whether the three-day or six-day training programs will be required for that new Franchise

The topics covered and other information relevant to our initial training programs are described in the chart below– Management reserves the right to extend or reduce requirements based on the Training outcomes achieved

TRAINING PROGRAM

	SUBJECT	Hours of Classroom Training	Hours of on the Job Training	Location
MONDAY				
	Welcome, Introduction of Teaching staff and "Get Acquainted" with new Trainees	75	0	Our Facility
	Intro to PortraitEFX Sales and Marketing – Tactics and Strategies	2 75	0	Our Facility
	Camera Basics, menus and settings for optimal performance	2 25	0	Our facility
	Practice setting up mobile Studio, practice Exposure & Color Checks	1 5	0	Our facility
	Practice photo session— with Model(s) – Emphasize correct head sizing & Posing for single subjects (Business and School Portraits)	0	2 0	Our facility
TUESDAY				

	Critique of student images taken previous day	75		Our facility
	Sales and Marketing for PortraitEFX School Photography Program	2 75	0	Our facility
	Practice setting up Studio, review light control, exposure and posing basics	0	3 75	Our facility
	Practice Photo session with Model (s) – Posing exercise for single subjects in school photography scenario and posing of couples	0	2 0	Our facility
WEDNESDAY				
	Critique of student images taken previous day	75		Our facility
	Sales and Marketing for PortraitEFX Programs serving -Daycares and Preschools	2 75	0	Our facility
	Studio Set-Up for Early Childhood Photography, sets, backgrounds, posing	0	2 75	Our facility
	Practice Photo session with Model (s) – Posing and photography exercise of young –children taken in a Daycare or Preschool -environment	0	2 0	Our facility
THURSDAY				
	Critique of student images taken previous day	75	0	Our facility
	Sales and Marketing for PortraitEFX Church & Membership Directory Program	2 75	0	Our facility
	Off-Site Photo Lab tour	0	1 75	Our facility
	Workshop and practice - Family Portrait Posing and Lighting	0	2 5	Our facility
	Practice photo session with Model (s)– Family posing and session variety	0	1 5	Our facility
FRIDAY				
	Critique of Student images taken previous day	75	0	Our facility
	Sales and Marketing for PortraitEFX Sports Photography Program	2 75	0	Our facility
	Training on the use of Production Software	2 75	0	
	On-Camera / Fill Flash Exercise (done outdoors, weather permitting)	0	2 0	
	Social Event (dinner)as a group and / or Photo Safari to local venue	0	3 0	
SATURDAY				
	Prep for Sports Model Photo session / Indoors or Outdoors as weather permits	0	5	Our facility
	Practice photo session with Model(s) Sports Posing / Lighting exercise	0	1 5	Our facility
	Critique of Student Images taken this morning	1 0	0	Our facility
	Training on use of Franchisee Website and E-Commerce capabilities	1 0	0	Our facility
	Administrative Issues – Policies, Procedures, Use of Marks, etc Adjourn	75	0	Our facility
	TOTAL HOURS	26 75	25 25	52 Hours Total

Lead Trainer—Chris Wunder, CEO, oversees all training He has been in top management with photography companies at the regional, national, and international levels He is an experienced trainer, platform speaker, and maintains an affiliation with several professional photographer associations

Training Director, Marion Hughes, comes to us with an extensive background of over 35 years in portrait and school photography With a background in studio ownership, he understands the complex challenges that accompany entering the photography marketplace

~~Director of Photography and Education, Mike Oakley, has over 30 years' experience in professional photography With over 18 years of training experience and consulting with Eastman Kodak, he is a recognized expert on digital photography~~

~~Vice~~
President~~,~~ Mitchell Moore, oversees both the Franchise Development system as well as the Operations Systems

In addition to the initial training, you are also required to attend at least one of our annual ~~conference~~conferences every ~~two years~~ other year unless you are excused by us for extenuating circumstances ~~You~~ For any live conference (Non virtual) on location conference, you will be required to pay for all travel, food, and lodging expenses you and your participants incur in attending this conference In addition, we may assess a conference fee of up to $400 per person to cover our costs of training, ~~round tables and other conference activities If you or your designated representative don't attend at least one of our annual conferences every two years PortraitEFX® can at its discretion assess you up to a $400 attendance fee This fee must be paid within 30 days of your receipt of the invoice for this charge~~ roundtables and other conference activities

If you or your designated representative don't attend at least one of our annual on location conferences every other year PortraitEFX® can at its discretion assess you up to a $400 attendance fee for failing to attend a live conference or up to $50 00 for failing to participate in a virtual conference This fee must be paid within 30 days of your receipt of the invoice for this charge

It is required for you to attend or view ALL Virtual Conferences, Online Training and Information Webinars mandated by the Corporate Office While most of the Virtual and Online training are provided at no charge, Management reserves the right to charge up to $50 for special events and retains the right to charge this amount for non-attendance Attendance to Virtual and Online Events may be done live when they are broadcast, or can be reviewed as a recorded event up to seven days later PortraitEFX® will maintain a tracking system to ensure compliance with this requirement

ITEM 12
TERRITORY

The Franchise Agreement gives you the right to operate a PortraitEFX® Franchised Business and to advertise, market and provide approved PortraitEFX® photography services and related photography products within a specified territory (the "Exclusive Territory") identified in attachment D of the Franchise Agreement Except as disclosed herein, we do not have the right to alter the Territory As long as you are in full compliance with the Franchise Agreement and operating guidelines as set forth in the Manuals, and except for those rights that we specifically retain in the Protected Territory, we will not grant a PortraitEFX® Franchise to be located within, or to operate within the Exclusive Territory, operate ourselves as a PortraitEFX® Franchise in the Territory, or allow any other PortraitEFX® Franchise to advertise or market PortraitEFX® photography services within the territory without your consent

The Exclusive Territory granted for each PortraitEFX® Franchised Business is comprised of and is defined by one or more zip codes or postal codes A franchise territory will typically consist of one or more zip codes which within their boundaries include a minimum of 150,000 population~~ size for Silver Program Franchisees, or 300,000 population size for Gold Program Franchisees, or 500,000 population size for Platinum Program Franchisees~~

In certain circumstances, an Exclusive Territory may have specific businesses or organizations that are already protected by a previous Franchise Agreement, and these businesses or organizations may be excluded from your Exclusive Territory Exclusions of any business or customer in a Protected Territory will be disclosed in the Franchise Agreement prior to your signing the agreement, and will be set forth on Attachment D of your Franchise Agreement As a matter of policy, we generally do not allow franchisees in one Exclusive Territory to serve customers outside their Exclusive Territory~~, however~~ However, circumstances may arise justifying allowing one franchisee to serve limited customers outside their specific Exclusive Territory, provided written permission is granted by Management in advance Other exclusions may occur due to the size of a potential business or organization which may require the resources of more than one franchisee These businesses or organizations are referred to as Regional Accounts, and would fall under the PortraitEFX® Franchising Corporation's Regional Account Program Any exclusion is subject to the guidelines as defined in the Digital Operations Materials which are subject to change based upon our best Business Judgment We are not obliged to pay you for these orders You may relocate your franchised business within your territory Your territory may be altered only with the expressed, written agreement from us

Relocation of the Business

You may not relocate your territory without our approval We will approve your relocating your business within your territory, only if the new premises comply with our requirements If Franchisee's lease or sublease for the Premises terminates prior to its expiration for reasons other than a default thereunder by Franchisee or expires without Franchisee being able to obtain a renewal of the lease or sublease, then Franchisee may relocate its Center in accordance with Section 2 7 of the Franchise Agreement, and all other terms of this Agreement, subject to Franchisor's approval, provided however (a) Franchisee's rights under Section 2 7 of the Franchise Agreement terminate effective immediately upon closing of the old Premises and become operative again only when the new Premises are approved by Franchisor, (b) Franchisee's Center at the new Premises must be open within 12 months after the date of closing of the old Premises, (c) Franchisee's initial franchisee fee is not refundable, (d) Franchisee must sign the then-current form of franchise agreement, which Franchisor then currently uses in granting franchises for the operation of the Businesses, and which may contain provisions materially different from those contained herein, notwithstanding that the existing Franchise Agreement's Opening Date and Expiration Date shall remain the same, and (e) Franchisee agrees to reimburse Franchisor for all of its costs and expense incurred in connection with Franchisee's relocation Any such relocation shall be at Franchisee's own expense

Minimum Lab Productivity Levels

The Franchise Agreement establishes certain minimum lab sales requirements ("Minimum Lab Productivity Levels") that you must meet during the Term The table below outlines the Minimum Lab Productivity Levels throughout the Term

PERIOD	BEGINNING DATE	DURATION	MINIMUM LAB PRODUCTIVITY

			LEVELS
Initial ~~180~~90 days	Effective date (day after completion of training)	~~180~~90 days	None
December, January June & July -	Yearly	~~120 days~~On going	~~None~~ $250 minimum due in lab fees during this 30 day period Shortfall due is any amount less than $250 you have not achieved in that 30-day period in lab fees Payment is due by the 10th of the following month, payable by ACH or Credit Card debit
Subsequent months	1st day of each month following the month before with the exception of December January, June & July of each year	On going	$500 minimum due in lab fees during this 30-day period Shortfall due is any amount less than $500 you have not achieved in that 30 -day period in lab fees Payment is due ~~within 30 days~~by the 10th of ~~invoice receipt~~ the following month, payable by ACH or Credit Card debit

The Company does not collect "royalty" on your sales Instead, the Company receives financial incentives from vendors based on our combined purchasing volume You must meet the Minimum Lab Productivity Levels in order for the Company to receive these incentives If you fail to meet the Minimum Productivity Level during any ~~of the months of February, March, April, May, August, September, October and November~~month of any year under this agreement, you must compensate the Company for the shortfall

~~The Processing Revenue Shortfall Rebate Fee (Shortfall Fee)~~

The Processing Revenue Shortfall Rebate Fee (Shortfall Fee). The Shortfall Fee is calculated ~~as any~~ by subtracting the full or pro-rated amount ~~less than the $500 monthly~~ for a minimum ~~for each~~amount of $500 USD per month ~~of the year with the exception of~~lab fees except this fee will be $250 USD per month during December, January, June, & July

If a minimum amount of $500 (or $250 USD per month during December, January, June, & July) in lab fees are not met in a specific month the difference that does not meet the minimum, would require to be paid as a shortfall to PortraitEFX Shortfall Penalty is WAIVED for first three months of the start of your agreement with PortraitEFX which commences the day after you officially complete training

Payment is due by the 10th of the month following such shortfall, and ~~December of each year~~

payable by ACH or Credit Card debit Example If during the month of March, you spend an average of only $~~300~~400 in lab fees instead of the ~~Minimum~~minimum of $500 you will be required to submit a payment (Shortfall Fee) to The Company of $~~200 for that month~~100 for that month If you meet the $500 monthly lab fees (or $250 USD per month during December, January, June, & July) you will not owe any shortfall fee

Beginning on the second anniversary of the Effective Date and continuing on each anniversary thereafter during the term of this Agreement, we have the right to increase the Minimum Lab Productivity Levels for the succeeding twelve-month period by ~~a percentage commensurate with the percentage increase in the population of the Territory since the commencement of the preceding twelve month period For purposes of calculating the percentage increase in such population, we will utilize information available from the United States Department of Commerce – Bureau of the Census~~ no more than 10% Our determination of the percentage increase, if any, shall be final and not subject to challenge by you If we elect to exercise our right to increase the Minimum Lab Productivity Levels as provided above, we will notify you in writing within 45 days of the end of the preceding twelve-month period of the new Minimum Lab Productivity Levels for the succeeding twelve-month period

Upon the renewal of the Franchise Agreement, if any, we may establish new Minimum Lab Productivity Levels based upon such factors as population growth in the Territory since the Effective Date, our minimum fees for new franchises, changes in our System or Methods, and such other factors as we deem in good faith determine to be appropriate

Under certain limited circumstances, and at your request, (such as family emergency or financial hardship) we may suspend the Minimum Lab Productivity Levels for a specific period of time, which we determine in our sole discretion

If you fail to meet the quota, you must compensate us for the shortfall

Operating outside your Territory

Because each franchise territory is protected, we do not allow you to advertise, market, or provide photography services outside your Territory without our prior written consent- which will not be unreasonably withheld You may however, provide authorized photography services (refer to item 16) outside your Territory in circumstances when a customer or client residing within your territory contracts with you to provide individual or family photography services (including weddings) at a location outside your territory for them You may not under any circumstance, without our prior written consent provide individual, group or event photography services outside your ~~Territory~~territory for commercial accounts including daycares, preschools, private schools, public schools, churches, real estate offices, insurance offices, law offices or other businesses In addition, you may not provide photography services outside your Territory from customer solicitations made from outside the Territory

If you receive a call from a customer residing outside your Territory, you must immediately notify us of having received this call If the customer resides in an Exclusive Territory of another Franchised Business, such franchisee shall have the right to provide photography services to such customer If no franchisee is located in the customer's territory, then we may grant you the right to provide photography services to such customer In no event will our approval or consent to providing such photography services to an area outside your Territory be deemed an expansion of your Exclusive Territory You will not be able to provide any additional photography services to other customers located outside your Territory, and must seek our written consent You may, at our discretion, be offered right of first refusal to purchase the outside territory If you choose not to purchase, we may sell the area to another franchisee At that time, the new franchisee shall take over the customer accounts and will give you 10% of the net revenues from these accounts for the first year

We may develop a central referral system in which we solicit customers for the benefit of our franchisees We retain the right to charge a reasonable fee for providing such services at a future date

Regarding Franchisee Referrals – If you refer an account based on relationship/connection with a customer in an outside territory, and you assist the owner of that territory in closing the account, the ~~franchisee~~franchise owner will pay you a referral fee of 10% of net sales for that account for a period of 1 years unless the account is terminated at an earlier date The franchise owner of the outside territory is under no obligation to accept this account in their protected territory This applies to all franchisees PortraitEFX® corporate will from time to time solicit National and Regional accounts that could have units located inside your territory If the franchisee in the outside territory does not wish to service this account, PortraitEFX® or its designated representatives, in order to comply with its contractual obligations, may service this account and will provide the franchise owner a fee equal to 10% of the net sales for these accounts

If you provide unauthorized services in another franchisee's territory without our prior written consent, except as under the condition as stated above, then all proceeds from the services will belong to and must be paid directly to the affected franchisee In addition, the company has the right to impose an encroachment fee as described in Item 6 Subsequent violations of this policy may be grounds for termination of your Franchise

Except as stated above, we can establish and give others the right to establish and operate Franchised Businesses anywhere In addition, regardless of the protection afforded to you under the Franchise Agreement, we may

(a) offer and sell any products or services (regardless of their similarity to the services that Franchised Businesses offer) under any name or trademarks or service marks other than the Marks,

(b) host one or more websites on the Internet and advertise Franchised Businesses, and all the services they offer, even though the website is accessible to or viewable by Persons in the Exclusive Territory,

(c) market and distribute training programs bearing any proprietary marks (including the Marks) through other channels of distribution as we deem appropriate, and

(d) develop an internet system whereby we can solicit referrals or photography processing requests for ourselves and for System franchisees

You may relocate your franchised business within your territory Your territory may be altered only with the express, written agreement from us

~~You must not solicit orders by non-approved channels of distribution such as the internet, catalog sales or telemarketing~~

National and Regional Corporate Accounts – A national/regional corporate account is a company that owns multiple centers either nationwide or in a specific region PortraitEFX® will make all contact with National/Regional Account Corporate offices Franchisees should not contact National or Regional Corporate Accounts directly for services Some corporate accounts leave decision making for school photo services up to individual account decision makers In those cases, it is acceptable for Franchisees to pursue the account For decisions made at a corporate level, PortraitEFX® offers a referral program to Franchisees should they reach a center that is corporately owned Training on the Corporate Account Referral Program will be provided by PortraitEFX® Corporate PortraitEFX® Corporate will be responsible for soliciting National or Regional Accounts and will coordinate servicing of these accounts with Franchisees on a case-by-case basis

~~Territory Reserve Area – The Territory Reserve area is an additional territory that the franchisee can develop and transact business within The Franchisee does not own this territory unless they exercise their option to purchase it Upon written approval from PortraitEFX a franchisee in good standing may designate a "Territory Reserve Area" under the following conditions~~

~~A A maximum period not to exceed 12 months (Exception See Item E)~~
~~B A Non-Refundable Deposit Fee of $1000 to reserve this area, must be paid in full for the Territory Reserve Area to become effective The Deposit Fee will be applied to the purchase of the reserve area, if the Franchisee exercises their option to purchase an additional territory~~
~~C The Reserve territory area will be similar in size and demographics to the franchisee current territory~~

~~D A maximum of two reserve areas may be designated by a franchisee which would be in addition to their initial territory~~
~~E Franchisee will have the right of first refusal in the event another prospective franchisee candidate wishes to purchase this area Notification for the purchase of the reserve area will be issued in writing and the franchisee will have 10 calendar days from receipt of the notice, to advise PortraitEFX if they plan to exercise this option or decline to purchase it If the Franchisee agrees to exercise their purchase option for the reserve area, they will have 30 days from the initial notification date to complete the payment for the reserve area If they decline to purchase the Reserve Area within the 10 day decision period, or fail to purchase the reserve territory by the end of 30 days after notification, the reserve territory agreement will become void and PortraitEFX can sell this reserve territory to any prospective franchisee candidate We retain all rights not expressly granted under the Franchise Agreement~~

GRANTING OF ADDITIONAL TERRITORY Once you have reached an annual sales volume of $250,000, you have the option, subject to availability, to be awarded free of charge an additional territory for "contingent" development The expanded territory area will be similar in size and demographics to the franchisee current territory and program you are enrolled in, and subject to area availability

You will be granted this expansion territory at no charge if within 3 years from the start date of the expansion territory being awarded, you reach annual revenues of $150,000 in the expanded area If you do not meet the annual revenues of $150,000 within the 3 years you have the option to purchase the territory under the conditions stated in Item 5

ITEM 13

TRADEMARKS

The Franchise Agreement gives you a non-exclusive license to operate a PortraitEFX® Franchise under the Mark "PortraitEFX®" and to use any future Marks we authorize

Mark	Registration Number	Registration Date	International Class of Goods
PortraitEFX	3,344,353	November 27, 2007	041

Our mark is on the Principal Register There is no currently effective determination of the U S Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceeding or any pending material litigation involving the Marks We know of no superior prior rights or infringing use that could materially affect your use of the Mark, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise

All affidavits required to be filed with the United States Trademark Office have been filed and the mark is now INCONTESTABLE

You must follow our rules when using the Mark You may not use the Mark as part of your corporate name You may not register the Mark as part of any Internet domain name or URL, and may neither display nor use the Mark in connection with, or associate the System with (through a link or otherwise) any web site advertising, address or listing on any portion of the Internet without our prior written consent You may not use the Mark in connection with the advertisement, promotion, sale or distribution of any products or services, except for those that we authorize

You may not permit, and must promptly report to us, any challenge to your use of the Mark, any apparently unauthorized use of the Mark, or the use of a trade name, trademark, service mark or symbol that might be construed as an infringement of our Mark or as unfair competition or passing-off at common law We reserve the right to make the final determination of infringement or other unlawful use, to conduct all legal proceedings related to the Mark, and to compromise or settle all infringement claims We may require, if a condition of settlement, that you use a different or modified version of a Mark to identify the Franchised Business in your market area We are not required to defend or indemnify you against third party infringement claims based on your use of the Mark

We have the right to add, eliminate, or modify the Mark or add additional Marks in our sole discretion You must promptly take all action necessary to adopt all new and modified Marks and to discontinue using eliminated Marks We are not required to compensate you for adding, eliminating or modifying the Mark

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents (pending or otherwise) that are material to the Franchise We claim copyright protection in many elements of the System including the design elements of our Mark, the content of our Manual, the content of our training programs, the content and design of our web site, computer software programs, and our advertising and marketing materials (our "Copyrighted Works") These materials are considered proprietary and confidential and are considered our property, and you may use them only as provided in the Franchise Agreement

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials There are no agreements in effect which limit our right to use or license the copyrighted materials We are not aware of any infringing uses which could materially affect your use of the copyrighted materials in any state We are not required by any agreement to protect or defend any copyrights or you in connection with any copyrights

We will disclose to you certain confidential or proprietary information and trade secrets Except as necessary for the operation of the Franchised Business, and as we approve, you may not, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of the Franchised Business or the System You may disclose to your employees only the confidential, proprietary or trade secret information necessary to operate the business and then only while the Franchise Agreement is in effect

You must acknowledge that your knowledge of the operation of a PortraitEFX® Franchise will be derived from information we disclose to you and that information, including the contents of the Manuals, is proprietary and confidential You must agree that you will maintain the absolute confidentiality of all the information during and after the term of the Franchise Agreement, and that you will not use any of the information in any other business or in any manner we do not specifically authorize in writing

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We will allow you to operate your PortraitEFX® franchise through any individual you designate who has attended and successfully completed our initial training program ("Operating Principal"), and entered into a confidentiality and non-competition agreement acceptable to us You are not obligated to participate personally in the direct operation of your PortraitEFX® franchise, however, you are responsible for the successful operation of your PortraitEFX® franchise, and are directly responsible to us under the Franchise Agreement, whether you participate in day-to-day operations, or designate another individual to operate, manage and supervise your operations under the Franchise Agreement We do not require that your Operating Principal own an interest in you if you are a business entity

Each of your principals, including your Operating Principal, must sign the Personal Guaranty and Undertaking attached as Attachment A to the Franchise Agreement Any officers, directors, principals, and any employees that have access to our Digital Operating Manual must sign Confidentiality and Non-Competition Agreement substantially in the form attached as Attachment B to the Franchise Agreement

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Because the reputation and goodwill of PortraitEFX® is based upon, and can be maintained and enhanced only by providing professional quality photography services and related products, -you may offer and provide only those photography services and related products that you are certified or authorized by us to provide Until you successfully complete certain PortraitEFX® ~~advanced~~ training modules, you are limited to the types of photography services you may offer to customers PortraitEFX® has the right to waive this restriction based on an evaluation of your skill level by the Director of Photography In some instances, we may substitute on-site assistance for an advanced training to certify you in an advanced type of photography

We have the right to add or reduce the number and/or types of services we authorize franchisees to offer through Franchised Businesses, including providing specialized training programs for advanced photography There are no limits on our right to add or reduce the photography services and/or products We reserve the right to contract, manage, fulfill and service Regional Accounts through our Regional Account Management Program

We may periodically change required or authorized products or services There are no limits on our right to do so If we modify the System, you may be required to add or replace equipment and you may be required to make modifications as necessary to maintain uniformity with our current standards and specifications, however, you will not be required to spend more than $~~10,000~~5000 on modifications during the initial term of the franchise

On-Site Printing Technology and Retail Sales To help maintain it's company standard for quality control, the Franchisee's use of inkjet, dye sublimation, laser or other printing technology for the production of prints intended for retail sales is permitted only by written authorization of the Franchisor who may specify the scope, equipment, nature and duration of the permission granted for such sales Franchisee agrees to provide to the Franchisor a written report monthly detailing such sales conducted In consideration of the license to conduct such sales outside the typical business model of the Franchisor, Franchisee agrees to pay a rebate to the Franchisor equal to 5% of the gross sales collected, less state and local sales taxes, such rebate to be paid to the Franchisor no later than the 10th of the month subsequent such sales

Sales of Digital Images Retail sales of digital images for customer use require the Franchisee to pay a rebate to the Franchisor equal to 5% of the gross sales collected, less state and local sales taxes, such rebate to be paid to the Franchisor no later than the 10th of the month subsequent such sales

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
a Length of the franchise term	Section 3 1	5 years
b Renewal or extension of the term	Section 3 2	If you are in full compliance, you can extend the franchise for two consecutive renewal terms of 5 years each
c Requirements for you to renew or extend	Section 3 2	You must give timely notice of your intent to renew, sign a current franchise agreement, sign a general and full release of all claims against us and our affiliates, and satisfy all monetary obligations The franchise agreement that we may require you to sign upon renewal may have terms which are materially different than the terms of your current Franchise Agreement The new franchise agreement may impose additional charges, costs or expenses, all of which will be disclosed to you prior to your signing of any new agreement upon renewal You must pay a renewal fee of $1,000 00 which will be used for administrative fees associated with renewing your agreement
d Termination by franchisee	Section 15 2 1 through 15 2 15	Must comply with provisions in section 15 2 15
e Termination by Company without cause	No provision	Not applicable

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
f Termination by Company with cause	Section 15 2 1 through 15 2 15	Any of listed defaults
g "Cause" defined - curable defaults	Section 15 2	The following events may be cured (i) failure to begin operating the Franchised Business or complete the training program, (ii) failure to pay any sum due to us, (iii) any misuse of the Marks or other Intellectual Property (iv) offering photography services outside your territory without prior written consent, (v) failure to meet Minimum Lab Productivity Levels in any six-month period
h "Cause" defined - defaults that cannot be cured	Section 15 2	The following events may not be cured (i) conviction or plea of "no contest" by you or any Principal to a felony, (ii) misrepresentation of any information contained in your franchise application or any other information you have given us in connection with your purchase of the franchise, (iii) failure to maintain the confidentiality of Confidential Information, (iv) selling substantiality all of your inventory or assets, (v) repeated violations of this Agreement
i Your obligations on termination/non-renewal	Section 16 1	You shall immediately (i) discontinue use of the Marks, Copyrighted Material, the System and the Confidential Information, (ii) return to us the entire Manual and any other material designated by Company as containing Confidential Information or bearing any of the Marks, and (iii) pay us all sums due and owing
j Assignment of contract by Company	Section 14 1	We, in our sole judgment and discretion, may assign your Agreement and its rights and obligations as franchisor to any assignee
k "Transfer" by you - definition	Section 14 2	You agree not to assign, transfer, give way, pledge, mortgage or otherwise dispose of any interest in the Franchised Business, the franchise or your rights under the Franchise Agreement without our written permission

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
l Our approval of transfer by you	Section 14	You must get our prior written consent before any transfer
m Conditions for Our approval of transfer	Section 14 4	You must be in full compliance with your obligations under the Franchise Agreement Each proposed transferee must meet our standards for qualifying as a new Business Franchisee We must receive payment of the Transfer fee If we agree to release you from further liability under the Franchise Agreement, you must also give us an unconditional, general release of all claims against us and our affiliates
n Our right of first refusal to acquire your Franchised Business	Section 14 7	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions offered by a third party
o Our option to purchase your Franchised Business	Section 14 7	See Item 17(n) above
p Your death or disability	Sections 14 5 & 14 6	Any transfer must be concluded within three months and shall be subject to the conditions of 15 4
q Non-competition covenants during the term of the franchise	Section 10 4	You must have no involvement in a competing business anywhere
r Non-competition covenants after the franchise is terminated or expires	Section 10 5	For two years after the franchise ends, you must have no involvement in a competing business within your Territory or in any other area where a Franchised Business exists or is under development
s Modification of the agreement	Section 19 2	No modifications without a written agreement
t Integration/merger clause	Section 19 3	Only the terms of Franchise Agreement are binding (subject to state law) Any promises or representations made outside this disclosure document and franchise agreement may not be enforceable
u Dispute resolution by arbitration or mediation	Section 18 2	If parties cannot resolve or settle a dispute, the unresolved issues shall be submitted to binding arbitration
v Choice of forum	Sections 18 2	Arbitration and/or Litigation must take place in Chicago, IL This requirement may

PROVISION	SECTION OF FRANCHISE AGREEMENT	SUMMARY
		not be enforceable in some states See the state-specific Addenda to the Franchise Agreement
w Choice of law	Section 20 1	Illinois law applies, except for U S Arbitration Act and Lanham Act This requirement may not be enforceable in some states See the state-specific Addenda to the Franchise Agreement

A provision in the Franchise Agreement that terminates the agreement on your bankruptcy may not be enforceable under Title 11, United States Code Section 101
Please see the Appendix to this Disclosure Document for more information

ITEM 18

PUBLIC FIGURES

We do not currently use any public figure to promote the franchise

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with 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, Chris ~~Doyle, Director of Franchising and Business Development~~Wunder, CEO, PortraitEFX Corporate Management at 10612-D Providence Road, Suite 235 Charlotte, NC 28277 or phone 800-765-7561 or corporate@portraitefx com, the Federal Trade Commission, and/or the appropriate state regulatory agencies

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No 1

System-wide Outlet Summary for ~~2013~~2014 through December 2016~~2015~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014~~2013~~	44	~~44~~45	~~0~~1
	2015~~2014~~	~~44~~45	~~45~~42	~~1~~3
	~~2015~~2016	~~45~~42	~~42~~36	~~3~~6
Company-Owned	2014~~2013~~	0	0	0
	2015~~2014~~	0	0	0
	~~2015~~2016	0	~~0~~3	~~0~~3
Total Outlets	2014~~2013~~	44	~~44~~45	~~0~~1
	2015~~2014~~	~~44~~45	~~45~~42	~~1~~3
	~~2015~~2016	~~45~~42	~~42~~40	~~3~~2

TABLE NO 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS ~~2012 THROUGHT~~2014 THROUGH DECEMBER, 2016~~2015~~

State	Year	Number of Transfers
Alabama through Tennessee	2014~~2013~~	0
	2015~~2014~~	0
	~~2015~~2016	0
Texas	2014~~2013~~	0
	2015~~2014~~	0
	~~2015~~2016	0
Utah through Wyoming	2014~~2013~~	0
	2015~~2014~~	0
	~~2015~~2016	0
Total	2014~~2013~~	0
	2015~~2014~~	0
	~~2015~~2016	0

Table No 3

____STATUS OF FRANCHISED OUTLETS FOR YEARS ENDING DECEMBER 31, 2016~~2015~~

State	Year	Outlets at Start of Year	Outlets Opened	~~Terminations~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Alabama	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	0	1
	~~2015~~ 2016	1	0	0	0	0	0	1
Alaska	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Arkansas	2014 ~~2013~~	0	~~0~~2	0	0	0	0	~~0~~2
	2015 ~~2014~~	~~0~~2	~~2~~0	0	0	0	0	2
	~~2015~~ 2016	~~0~~2	~~2~~0	0	0	0	0	2
Arizona	2014 ~~2013~~	~~0~~2	~~2~~0	0	0	0	~~0~~1	~~2~~1
	2015 ~~2014~~	~~2~~1	0	0	0	0	~~1~~0	1
	~~2015~~ 2016	1	0	0	0	0	0	1
California	2014 ~~2013~~	~~3~~2	0	0	0	0	~~1~~0	2
	2015 ~~2014~~	2	0	~~0~~1	0	0	0	~~2~~1
	~~2015~~ 2016	2	~~0~~1	~~1~~0	0	0	0	~~1~~2
Colorado	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	~~0~~1	0	0	0	0	~~1~~2
	~~2015~~ 2016	~~1~~2	~~1~~0	0	0	0	0	2
Connecticut	2014 ~~2013~~	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	~~Termina-tions~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2015 ~~2014~~	1	~~0~~1	0	0	0	0	~~1~~2
	~~2015~~ 2016	~~1~~2	~~1~~0	0	0	0	0	2
Delaware	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Florida	2014 ~~2013~~	~~8~~7	~~0~~2	~~1~~0	0	0	~~0~~1	~~7~~8
	2015 ~~2014~~	~~7~~8	~~2~~0	0	0	0	1	~~8~~7
	~~2015~~ 2016	8	0	0	0	~~0~~1	1	~~7~~8
Georgia	2014 ~~2013~~	~~4~~3	~~1~~0	0	0	0	~~2~~0	3
	2015 ~~2014~~	3	0	0	0	0	0	3
	~~2015~~ 2016	3	0	0	0	0	0	3
Hawaii	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Illinois	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Idaho	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	0	1
	~~2015~~ 2016	1	0	0	0	0	0	1
Indiana	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	~~0~~1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	~~Terminations~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	~~2015~~ 2016	1	~~1~~0	0	0	0	0	~~0~~1
Iowa	2014 ~~2013~~	2	0	0	0	0	0	2
	2015 ~~2014~~	2	~~0~~1	0	0	0	0	~~2~~3
	~~2015~~ 2016	~~2~~3	~~1~~0	0	0	0	0	3
Kansas	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	0	1
	~~2015~~ 2016	1	0	0	0	0	0	1
Kentucky	2014 ~~2013~~	3	~~1~~0	0	0	0	~~1~~0	3
	2015 ~~2014~~	3	0	0	0	0	0	3
	~~2015~~ 2016	3	0	0	0	0	0	3
Louisiana	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Maine	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Maryland	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Massachusetts	2014 ~~2013~~	3	~~1~~0	1	0	0	0	~~3~~2
	2015 ~~2014~~	~~3~~2	0	~~1~~0	0	0	0	2
	~~2015~~ 2016	2	0	0	0	0	~~0~~1	~~2~~1

State	Year	Outlets at Start of Year	Outlets Opened	~~Termina-tions~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Michigan	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	~~0~~1	~~1~~0
	~~2015~~ 2016	~~1~~0	0	0	0	0	~~1~~0	0
Minnesota	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	0	1
	~~2015~~ 2016	1	0	0	0	0	0	1
Mississippi	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	2016 ~~2015~~	0	0	0	0	0	0	0
Missouri	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	~~0~~1	0	0	0	~~1~~0
	~~2015~~ 2016	~~1~~0	0	~~1~~0	0	0	0	0
Montana	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Nebraska	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	~~0~~1	0	0	0	0	~~0~~1
Nevada	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
New	2014 ~~2013~~	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	~~Termina-tions~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Hampshire	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
New Jersey	2014 ~~2013~~	~~1~~2	~~1~~0	0	0	0	0	2
	2015 ~~2014~~	2	~~0~~1	0	0	0	0	~~2~~3
	~~2015~~ 2016	~~2~~3	~~1~~0	0	0	0	0	3
New Mexico	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
New York	2015 ~~2013~~	1	0	0	0	0	0	1
	2016 ~~2014~~	1	0	~~0~~1	0	0	0	~~1~~0
	~~2015~~ 2016	~~1~~0	0	~~1~~0	0	0	0	0
North Carolina	2014 ~~2013~~	2	~~1~~0	~~1~~0	0	0	0	2
	2015 ~~2014~~	2	0	0	0	0	0	2
	~~2015~~ 2016	2	0	0	0	~~0~~1	~~0~~1	2
North Dakota	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Ohio	2014 ~~2013~~	3	2	0	0	0	1	5
	2015 ~~2014~~	5	1	0	0	0	1	5
	~~2015~~ 2016	5	~~1~~0	0	0	~~0~~1	1	5
Oklahoma	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	~~Termina-tions~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	~~2015~~ 2016	0	0	0	0	0	0	0
Oregon	2014 ~~2013~~	~~2~~1	0	0	0	0	~~0~~1	~~2~~0
	2015 ~~2014~~	~~2~~1	0	0	0	0	1	~~1~~0
	~~2015~~ 2016	1	0	0	0	0	1	0
Pennsylvania	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	~~0~~1	0	0	0	0	~~1~~2
	~~2015~~ 2016	~~1~~2	~~1~~0	0	0	0	0	2
Rhode Island	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
South Carolina	2014 ~~2013~~	4	0	~~0~~1	0	0	0	~~4~~3
	2015 ~~2014~~	~~4~~3	0	1	0	0	0	~~3~~2
	~~2015~~ 2016	~~3~~2	0	~~1~~0	0	0	0	2
South Dakota	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Tennessee	2014 ~~2013~~	~~4~~5	~~1~~0	0	0	0	0	5
	2015 ~~2014~~	5	0	0	0	0	~~0~~1	~~5~~4
	~~2015~~ 2016	~~5~~4	0	0	0	0	1	~~4~~3
Texas	2014 ~~2013~~	~~12~~9	~~0~~3	~~2~~1	0	0	1	~~9~~10
	2015 ~~2014~~	~~9~~10	~~3~~1	~~1~~0	0	0	~~1~~2	~~10~~9
	~~2015~~ 2016	~~10~~9	~~1~~0	0	0	0	~~2~~1	~~9~~8

State	Year	Outlets at Start of Year	Outlets Opened	~~Termina-tions~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Utah	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Vermont	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Virginia	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	0	1
	~~2015~~ 2016	1	0	0	0	0	0	1
Washington	2014 ~~2013~~	0	1	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	1	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Washington, D C	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
West Virginia	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Wisconsin	2014 ~~2013~~	1	0	0	0	0	0	1
	2015 ~~2014~~	1	0	0	0	0	0	1
	~~2015~~ 2016	1	0	0	0	0	1	0
Wyoming	2014 ~~2013~~	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	~~Terminations~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0	0
Total	2014 ~~2013~~	44	~~11~~9	~~5~~3	0	0	~~6~~5	~~44~~45
	2015 ~~2014~~	~~44~~45	~~9~~7	3	0	0	~~5~~7	~~45~~42
	~~2015~~ 2016	~~45~~42	~~7~~2	~~3~~0	0	~~0~~3	7	~~42~~40

Note See Exhibit A to this Disclosure Document for the names, addresses and telephone numbers of our franchisees

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with PortraitEFX® You may wish to speak with current and former franchisees, but be aware that not all of these franchisees will be able to communicate with you

Table No 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS ENDING DECEMBER 31, ~~2015~~2016

State	Year	Outlets at Start of Year	Outlets Opened	~~Terminations~~Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Alabama Through Wyoming	2014 ~~2013~~	0	0	0	0	0	0	0
	2015 ~~2014~~	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	~~0~~3	0	~~0~~3
Total	2014 ~~2013~~	0	0	0	0	0	0	0
	~~2014~~ 2015	0	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	~~0~~3	0	~~0~~3

TABLE NO 5

Received
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APR 1 0 2017

Department of
Business Oversight

PROJECTED OPENINGS AS OF DECEMBER 31, ~~2014~~2016

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
AK	0	0	0
AL	0	0	0
AR	0	0	0
AZ	0	1	0
CA	0	2	0
CO	0	1	0
CT	0	0	0
DE	0	0	0
FL	0	1	0
GA	0	1	0
HI	0	1	0
IA	0	1	0
ID	0	0	0
IL	0	0	0
IN	0	0	0
KS	0	0	0
KY	0	0	0
LA	0	0	0
MA	0	0	0
MD	0	1	0
MI	0	0	0
MN	0	0	0
MO	0	0	0
MS	0	0	0
MT	0	0	0
NC	0	0	0
ND	0	0	0
NE	0	1	0
NH	0	1	0
NJ	0	1	0
NM	0	0	0
NV	0	1	0
NY	0	2	0
OH	0	0	0
OK	0	1	0
OR	0	0	0
PA	0	0	0
SC	0	1	0
SD	0	0	0
TN	0	1	0
TX	0	2	0
UT	0	0	0

VA	0	0	0
WA	0	1	0
WI	0	1	0
WV	0	0	0
WY	0	0	0
TOTALS	0	22	0

During the last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us You may wish to speak with current and former franchisees, but be aware not all of those franchisees will be able to communicate with you

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

There are no trademark-specific organizations associated with this franchise system being offered

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit F are our Audited Financial Statements for PortraitEFX® for the years ending ~~December 31, 2013,~~ December 31, 2014, December 31, 2015, December 31, 2016

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document

Exhibit G Franchise Agreement with Attachments

ITEM 23

RECEIPTS

Two copies of an acknowledgement of your receipt of this Disclosure Document appear as Exhibit I Please sign and date one copy and return it to us Retain the other copy for your records

EXHIBIT A
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, ~~2015~~2016

Name of Franchisee	Street Address	City	State	Zip Code	Phone
Alford, Lee	12060 County Line Road, Suite J	Madison	AL	35756	(256) 850-3270
Marshall, Carl	237 Gum Lane	Russellville	AR	72802	479-567-5730
Lynn Hand	2040 S Alma School Rd~~.~~, Suite 511	Chandler	AZ	85286	480-459-4700
Perrin, Robert & Lara	6946 N Academy Blvd #B322	Colorado Springs	CO	80918	(719) 464-6481
~~Griego,~~ Bridget Griego	7609 S Waverly Mtn	Littleton	CO	80127	(720) 291-4403
Ross~~,~~ Tomlin	627 Pudding Hill Road	Hampton	CT	06247	(860) 821-9090
Tim McAuley	50 Quality Street, #110551	Trumbull	CT	06611	(203-)-987-9475
Fernandez, Miguel	811 104th Ave N	Naples	FL	34108	(239) 653-9876
~~Robinson, Perry~~	~~125 S State Road 7, #104-146~~	~~Wellington~~	~~FL~~	~~33414~~	~~561-601-5323~~
~~Green~~David GreenGreen, Curtis & Patricia	553 Wellington Way	Jonesboro	GA	30238	(770)-828-8926
Bob Hobbs	745 Chastain Rd, Ste 1140	Kennesaw	GA	30144	678-310-2549
Kirkpatrick, Jeff	4950 Hunt Road	Cedar Rapids	IA	42511	(319) 360-1089
Pierson, Doug	PO Box 842	Cherokee	IA	51012	(712) 587-2796
Reed, Jeff	104 E Fairview Ave , #216	Meridian	ID	83642	(208) 362-8600
Doyle, Steven	6021 SW 29th Street, ~~Suit~~Suite A PMB315	Topeka	KS	66614	(785) 478-9427
Ricky Styron	PO Box 503	Florence~~Burlington~~	~~KY~~MS	~~41005~~39073	601-940-8753
Sheridan, Dan	4700 Waterloo Road	Burlington~~Burlinton~~	KY	41004	(859) 586-5568
Bob Baker ~~Michael & Emily Magoon~~	~~14 Pitherville Road~~34145 Pacific Coast Hwy # 15, Dana Point CA 92629	~~Hubbardston~~Dana Point	~~MA~~CA	~~01452~~92629	~~978-766-5355~~949-295-6074
~~Alfano,~~ Stephen Alfano	58 Rolling Ridge Lane	Methuen	MA	07844	(978)-423-4949
Tree, John & Cheryl	26275 Drake Road	Farmington	MI	48331	248-228-

		Hills			0500
Schumacher, Jim & Linda	12527 Central Ave, Ste 205	Blain	MN	55424	(612) 600-1835
Wunder, Chris	6525 Outer Bridge Lane	Charlotte	NC	28270	(704) 763-0409
~~Cliff & Diane Black~~Green, David	~~137 Cross Center Road #231,~~ 2919 38th St	~~Denver~~Columbus	~~NC~~NE	~~28037~~68601	~~704-736-5469~~402-910-3444
~~Sprinkles, Kermit & Linda~~	~~2 Tipton Hill Road~~	~~Leicester~~	~~NC~~	~~28748~~	~~(828) 670-8868~~
Clare Moncourtois	1802 Route 31 N, Ste 205	Clinton	NJ	08809	609-501-3695
~~Towey,~~ Martin & Melissa Towey	3 Shawnee Trail	Sparta	NJ	07871	(973) 814-4063
Mark Dobyns	PO Box 340848	Beavercreek	OH	45434	937-838-1645
Hale, Charles & Tish	6031 East Main Street, Ste 172	Columbus	OH	43213	(614) 358-4509
~~Maddox, Karen~~	~~6845 East Walnut Street~~	~~Tipp City~~	~~OH~~	~~45371~~	~~937-304-4593~~
Clark, Scott	13394 SW 64th Ave	Portlant	OR	97219	(503) 880-4747
McGough, Maxine	4029 Thoms Run Road	Oakdale	PA	15071	(724) 693-9300
Cipollini, Louis	PortraitEFX of Bucks County	Yardley	PA	19067	215-932-9991
Rogers, Todd	105 Bushberry Way	Greer	SC	29650	(864) 322-7915
Wooten, Lee & Alison	845 Ermine Rd	West Columbia	SC	29170	(803) 331-4285
~~Weidley, Steve~~	~~1124 Kingston Pike, Suite 119-117~~	~~Knoxville~~	~~TN~~	~~37934~~	~~(865) 236-0880~~
~~Christian, Roy & Judy~~	~~8650 Spicewood Springs, Suite 145-545~~	~~Austin~~	~~TX~~		~~(512) 814-0950~~
Crum, Ross	9500 Feather Grass Lane, #120-308	Fort Worth	TX	76177	817-230-4525
Johnson, Cassandra	6037 Fry Road, Ste 126-144,	Katy	TX	77449	(713) 855-6147
McAtee, Ryan	2904 E Stan Shlueter Loop # 217	Killeen	TX	76542	254-247-1234
~~Williams, Doug~~	~~6140 Highway 6, Suite 262~~	~~Missouri City~~	~~TX~~	~~77459~~	~~713-206-4799~~
Moore, Mitchell	120 E FM544, Ste 72	Murphy	TX	75004	(972) 839-3686
Oakley, Laura & Mike	2600 E Southlake Blvd, Ste 120-369	Southlake	TX	76092	(214) 295-5250
Clark, Geri	3713 Ben Key	Va Beach	VA	23452	(757) 777-2493

LIST OF FORMER FRANCHISEES AS OF DECEMBER 31, ~~2015~~2016

Name Of Franchisee	Street Address	City	State	Zip Code	Phone
~~John & Cindy Salmon~~Robinson, Perry	~~1036 W Rio Altar~~125 S State Road 7, #104-146	~~Green Valley~~Wellington	~~AZ~~FL	~~85614~~33414	~~520-665-8507~~561-601-5323
~~Casabar, Cindy~~	~~47 W Acacia Ave, #118~~	~~Glendale~~	~~CA~~	~~91204~~	~~(626) 437-3002~~
Zarak/Johnson, Alan/Krista	6231 PGA Blvd, Ste 104-208	Palm Beach Gardens	FL	33418	(561) 254 6128
Schmoeger, John	5605-7 Old Porter Road	Portage	IN	46368	219-545-8282
Anderson, Nathan	20 High Street	Nahant	MA	01908	(805) 275-2108
Corn, Aaron	141 Wallace Hill Road	Townsend	MA	01469	(978) 729-8598
Bushey, Michelle	30160 Club House	Farmington Hills	MI	48334	(248) 539-1054
Hurst, Shauna	2131 W Republic Road #128	Springfield	MO		(417) 429-3642
Cliff & Diane Black	137 Cross Center Road #231,	Denver	NC	28037	704-736-5469
Colon, Michael	PO Box 114	Bronx	NY	10461	(888) 764-0011
~~James, Dennis~~Maddox, Karen	~~3839 Pacific Ave #111~~6845 East Walnut Street	~~Forest Grove~~Tipp City	~~OR~~OH	45371	~~(503) 535-9295~~937-304-4593
Koppel, Christine	22 Cheyenne Road	Myrtle Beach	SC	29588	(843) 457-9461
Brewer, Rick	514 E Palmer Street	Union City	TN	38261	(731) 335-1335
Gates/Zavala, Andrew & Crystal	15255 Gulf Frwy, Ste A-145	S Houston	TX	77034	(409) 770-3191
Michael & Emily	~~3750 FM 1488, Ste D~~	~~The~~	~~TX~~M	01452	~~(832) 813-~~

Magoon ~~Delgado, Daniel~~	~~111~~14 Pitherville Road	~~Woodlands~~Hubbardston	A		~~8511~~978-766-5355
~~Craig & Sharon Howard~~Sprinkles, Kermit & Linda	~~8220 W Gage Boulevard #753~~2 Tipton Hill Road	~~Kennewick~~Leicester	~~WA~~NC	~~99336~~28748	~~509-730-5584~~(828) 670-8868
~~Werner, Dee Dee & Bob~~Williams, Doug	~~S95 W 32805 Hickorywood Trail~~6140 Highway 6, Suite 262	~~Mukwonago~~Missouri City	~~WI~~TX	77459	~~(262) 363-3057~~713-206-4799
Christian, Roy & Judy	8650 Spicewood Springs, Suite 145-545	Austin	TX		(512) 814-0950
Weidley, Steve	1124 Kingston Pike, Suite 119-117	Knoxville	TN	37934	(865) 236-0880

EXHIBIT B

"Designated Equipment, Accessories & Software"

PortraitEFX® Franchisee Starting Equipment List

This package is appropriate for a franchisee planning to operate a basic home-based and/or location based photography business offering in-home and location family portraits, as well as a variety of higher volume opportunities such as special events, private schools, daycares and some sports leagues As an owner progresses in growing this franchise one can expect to enhance this basic package with additional/back up camera bodies, multiple light sets, extra accessories and at least one back up computer While this franchise only requires one computer to operate, it is our "best practices" recommendation that each owner purchase an identical computer to serve as a backup Owners with a back-up computer and currently backed up files on their external drive, experience an almost seamless transition in the event of a system failure

Components from these packages can be mixed and matched to suit any particular business need We will evaluate all requests and make recommendations based on specific needs

Equipment you may already own – Professional level digital cameras, professional quality lenses and flash lighting will be accepted into the system in lieu of a like component on our equipment package lists A member of our photography training staff will evaluate your equipment and grant the exception in writing if the equipment is deemed suitable to produce professional quality results

Film based camera equipment - The PortraitEFX® photography workflow, product offering and marketing programs are all developed and based on using digital cameras as the original capture device Film cameras will not be accepted for use in PortraitEFX® franchise

(See charts on following pages for detailed description and current pricing)

PortraitEFX Recommended Equipment List – Revised 4/1/~~2016~~2017 – This list represents the equipment you'll need to INITIALLY operate your business Additional equipment will be needed as you grow or diversify your business The HIGHLIGHTED items are the only items you need to purchase prior to Essentials Training The remainder of the equipment many be purchased after training We will provide resource information, but you are not required to buy from these sources Of course, if you already own equivalent equipment, this will reduce your needed investment Check with us to confirm

Item	Qty	Example(s) Manufacturers and Model Numbers	Est Cost ea ~~3~~4/1/~~4~~17	Extended Cost
Camera Equipment				
Primary & Back-Up Camera Bodies & Lens	2	Any Nikon or Canon brand DSLR camera APS or full-frame format (minimum 16mp or better) that accepts pro-quality interchangeable zoom lenses 24/28mm minimum thru 135mm minimum	$995 - $2995	$1890 - $5990
Round Rubber lens shade for above	2	Generic to fit	$8	$16
UV Filter for Above	2	Generic to fit	$39	$78
8- CF or SD Cards for Camera(s) above	4	Sandisk, Lexar or Verbatim brand	$25 ea	$100
Extra Batteries for Camera(s) above	2	EL15=$49 EL14=$39 / LPE6=$39 LPE8=$29	$39 avg	$78
RF Shutter Release for camera brand	1	Canon or Nikon	$79	$79
On-Camera Flash Equipment				
Hi-Power flash for hot shoe use – (Bring 1 to training	2	Speed Lite with TTL exposure control thru Cameras above TTL control is required	$250-$500 ea	$500 - $1000
TTL Cord for flash above (1 to training)	3	Off Camera Flash Cord Nikon or Canon	$44	$132
Flash Bracket for above	1	Custom Bracket Pro M Kit w/FQ-1	$375	$375
Other Photo Equipment				
Flash Meter		Shepherd / Polaris Dual 5	$279	$279
RF Flash Trigger Transmitter (4 channel) with 5 Receivers	1 Set	1- NPT-04 Transmitter from Cowboy Studios, plus 5- NPT Receivers	$110	$110

20-24" folding Tri-Tone Target	1	CALTAR or Ed Pierce Photovision 24	$84	$84
Med/Hvy duty Tripod w/ ball head	1	Manfroto 294 Tripod base with 496RC2 Tripod Head	$179	$179
Extra Camera Mounting plate	1	Manfrotto 294 Plate	$14	$14
Scissor bracket to mount Camera	1	(resource will be provided)	$39	$39
Camera / Equip Carry Case to hold two cameras lenses and flash	1	PRO102 or equivalent	$109	$109
32/40 x 60/72 reflector w/ stand	1	LumoPro	$99	$99
Backgrounds & Supports				
Studio Style Muslin – 10x20	1	#MM2211 Nightfall from Denny Mfg	$375	$375
9x20 Greenscreen MUST be PhotoBasics' olive from FJ Westcott	1	Greenscreen 9 x20	$129	$129
6x20 SPECIAL Blackscreen Background	1	(We'll provide procurement details)	$175	$175
Ex-Wide Background Support system (min 20 wide)	1	10 high x 20 wide	$199	$199
Adjustable Posing Stools	2	Posing Stool	$79	$158
Set of Posing Boxes	1	Cat #SS-1 from Denny Mfg Co or	$259	$259 or
	2	PB Set from Denny Mfg Co	$25 set	$49 90
Studio Lighting Equipment – We recommend lighting manufactured / distributed by Alien Bee Lighting 1-800-443-5542 www Alienbees com				
B-800 Lites w/ standard reflectors in Black, white or blue colors	5	#B-800	$280 ea	$1400
Battery Pack for above	1	Vagabond Mini Lithium #VM120	$240	$240
2nd / Backup Battery	1	Vagabond Mini Lithium VMB8 8A	$90	$90
13 Light Stands	5	2200556 INT13	$69 ea	$345
32 x40' Foldable Softboxes	2	#FSB3240 with Speedrings 32X48 with rng	$108 ea	$216

10 x36' Foldable Stripboxes	3	#FSB1036 with Speedrings 12x36" with rng	$168 ea	$504
Egg Crate" Grid for 12x36 Stripboxes	3	#G1035 Foldable Stripbox Grid for 12x36'	$44 ea	$132
30 degree grid – for standard 7" reflector	1	#HG30	$15	$15
Wired Remote Control for Alien Bees	1	#LG4X 4 channel Remote control	$100	$100
36" -42 White (not satin) Umbrellas w/ black backing	2	3220037 ProBlkWht	$24 ea	$48
Background Light stands	2	3220005 ProBkg	$24 ea	$48
Super Clamps (or equivalent)	2	2201559 ProClamp	$22 ea	$44
Real Gaffer s Tape Black 2' width	2	1215075 BlkGaffer	$22 ea	$44
Computer and Software				
Late Model PC (not MAC) Laptop Computer – not more than two years old These are minimum Specs	1	Windows 7, 8 or 10 Operating system 15' monitor 2 GHz or faster processor 8GB RAM 500GB HD	$800 est	$800
External CF / SD Card Reader USB 2 or 3	1	Commodity Product	$25	$25
MS Office Professional Software Suite (Word Excel, PPT, Outlook & Publisher	1		$249	$249
Editing / Archiving Software	1	ACDSee PRO 6 Photo Manager	$79	$79 or
		Or Adobe Lightroom 3 or 4	$149	$149
Automatic Retouch Software	1	~~portraitprofessional~~Portrait Professional com (Pro Vers)	$69	$69
Photoshop – 'Elements" or Full Vers (Full version is NOT required)	1	Photoshop Elements (current version)	$99	$99
		Photoshop CS3 or newer		
		TOTAL INVESTMENT IF EVERYTHING MUST BE PURCHASED INITIALLY	**$10,882 to $12,506**	

EXHIBIT C

ADVANCED TRAINING
MODULES & PRICING

TRAINING MODULE*	FEE
Sales and Marketing (SAM) Onsite Training (Four Day (32 Hour) Program)	$2000 plus travel, lodging and meals for trainer
School Photography Boot Camp (Three Day Program)	$295
In-Field Photography Training & Photography Event Supervision	$250 / day plus Travel, meals and lodging

*availability of advanced training modules will vary depending upon demand and skill level/needs of individual franchisees

EXHIBIT D

TABLE OF CONTENTS DIGITAL MANUALS

Digital Marketing Manual	# of Pages
Section A Sales and Marketing Training-Power Point Notes	52
Section B ~~Addt'l~~Additional Marketing Notes and Materials added at Training	21
Section C Bunny Promotions Materials	3
Section D "Little Grads" Program Materials	6
Section E Martial Arts Photography Program Materials	2
Section F Business and Executive Portraits Promotion Materials	6
Section G Dance School Photography Materials	2
Section H Beauty Promotion	2
Section I Daycare and Preschool Program Materials	26
Section J K-11 Undergrad School Photography Materials	69
Section K Family Portrait Fundraising Program Materials	5
Section L Church Directory Promotion	17
Section M Special Events-Other Promotions Dances, Galas, Proms, Pet/Pet & Family, Wedding Promotions	22
Section N -Forms & Items of Interest-Marketing Miscellaneous	56
Section O Location Based Portrait Promotions-Birthday Memories and Portrait Party Promotions	9
Section P Sports Programs-Team & Individual (T&I), Action Photos, Sports Posters	45
Section Z "How to" Instructions for "Birthday Memories" & "Portrait Party"	61
TOTAL DIGITAL PAGES	564

EXHIBIT E

STATE AGENCIES/ AGENTS FOR SERVICE OF PROCESS

Directory of Franchise Regulators

FEDERAL

FEDERAL TRADE COMMISSION
Division of Marketing Practices
Seventh and Pennsylvania Avenues, N W
Room 238
Washington D C 20580
202-326-2970

We intend to register this disclosure document as a 'franchise in some or all of the following states in accordance with the applicable state law If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states the following are the state administrators responsible for the review registration and oversight of franchises in that state

STATE

Directory of State Franchise Regulators	Agents Authorized to Receive Process
CALIFORNIA Department of Business Oversight Department of Corporations 1515 K Street Suite 200 Sacramento CA 95814 (916) 445 7205 1 866 275-2677	**CALIFORNIA** Department of Business Oversight California Corporations Commissioner 1515 K Street Suite 200 Sacramento CA 95814
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street Room 203 Honolulu HI 96813 (808) 586 2722	**HAWAII** Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street Room 203 Honolulu HI 96813
ILLINOIS Franchise Division Office of Attorney General 500 South Second Street Springfield IL 62706 (217) 782 4465	**ILLINOIS** Franchise Division Office of the Attorney General 500 South Second Street Springfield Illinois 62706
INDIANA Franchise Division Office of Secretary of State 302 W Washington St Rm E111 Indianapolis IN 46204 (317) 232 6681	**INDIANA** Franchise Division Office of Secretary of State 302 West Washington St Room E111 Indianapolis IN 46204
MARYLAND Office of the Attorney General Division of Securities 200 St Paul Place	**MARYLAND** Maryland Securities Commissioner 200 Saint Paul Place Baltimore MD 21202-2020

Baltimore Maryland 21202 2020
(410) 576 6360

MICHIGAN
Consumer Protection Division
Franchise Section
PO Box 30213
Lansing MI 48909
517 373 7117

Director of Franchise Regulators

MINNESOTA
Minnesota Department of Commerce
85 7th Place East Suite 500
St Paul MN 55101 2198
(651) 296 4026

NORTH DAKOTA
Franchise Division
North Dakota Securities Department
600 East Boulevard - 5th Floor
Dept 414
Bismarck ND 58505
(701) 328-4712

NEW YORK
Franchise & Securities Division
State Department of Law
120 Broadway 23rd Floor
New York NY 10271
(212) 416-8211

RHODE ISLAND
Franchise Office
Division of Securities
John O Pastore Complex
1511 Pontiac Avenue Bldg 69 1
Cranston RI 02910
(401) 222-3048

SOUTH DAKOTA
Department of Labor and Regulation
Division of Securities
~~445 East Capitol Ave~~
124 S Euclid, Suite 104
Pierre SD 57501
(605) 773 4823

VIRGINIA
Clerk of State Corporation Commission
Division of Securities and Retail Franchising
1300 E Main St 9th Floor
Richmond VA 23219
(804) 371-9051

WASHINGTON
The Department of Financial Institutions

Agents Authorized to Receive Process

MINNESOTA
Minnesota Commissioner of Commerce
85 7th Place East Suite 500
St Paul Minnesota 55101

NORTH DAKOTA
Securities Commissioner
600 East Boulevard 5th Floor
Bismarck ND 58505

NEW YORK
New York Secretary of State
41 State Street
Albany -NY 12231

RHODE ISLAND
State of Rhode Island and Providence Plantations
Department of Business Regulation
Securities Division
John O Pastore Complex
1511 Pontiac Avenue Bldg 69-1
Cranston RI 02910

SOUTH DAKOTA
Department of Labor and Regulation
Division of Securities
~~445 East Capitol Ave~~
124 S Euclid, Suite 104
Pierre SD 57501

VIRGINIA
Clerk of State Corporation Commission
1300 E Main St 9th Floor
Richmond VA 23219

WASHINGTON

Securities Division
P O Box 9033
Olympia WA 98507-9033
(360) 902-8760

The Department of Financial Institutions
P O Box 9033
Olympia WA 98507 9033

WISCONSIN
Department of Financial Institutions
Division of Securities
345 West Washington Ave 4th Floor
Madison WI 53703
(608) 266 3364

WISCONSIN
Department of Financial Institutions
345 West Washington Ave 4th Floor
Madison WI 53703

Director of Franchise Regulators

FLORIDA
State Department of Agriculture and Consumer Services
P O Box 6700
Tallahassee FL 32314-6700
850 410 3754

OREGON
Corporate Securities Section
Dept of Insurance & Finance
Labor & Industries Bldg
Salem OR 97310
(503) 378-4387

TEXAS
Secretary of State
P O Box 12887
Austin TX 78711 2887
(512) 463-5701

CANADA
Director of Franchises
Alberta Securities Commission Agency 21st Floor
10025 Jasper Avenue
Edmonton Alberta T5J 3Z5

EXHIBIT F

FINANCIAL STATEMENTS

Attached as Exhibit F are our Audited Financial Statements for PortraitEFX for the years ending December 31, ~~2013, December 31,~~ 2014, December 31, 2015, and December 31, ~~2015~~2016

PortraitEFX Franchising Corporation

Financial Statements

December 31 2015 2014 and 2013

Michael G Adkisson, P C CPA
Certified Public Accountant
6132 J Brookshire Blvd
Charlotte NC 28216

Michael G. Adkisson, P.C., CPA
Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
PortraitEFX Franchising Corporation
10612 D Providence Road Suite 235
Charlotte North Carolina 28277

I have audited the accompanying financial statements of PortraitEFX Franchising Corporation which comprise the balance sheets as of December 31 2015 2014 and 2013 and the related statements of income retained earnings and cash flows for the years then ended

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with U S generally accepted accounting principles 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
My responsibility is to express an opinion on these financial statements based on my audit I conducted my audit in accordance with U S generally accepted auditing standards Those standards require that I 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 I 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

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion
In my opinion the financial statements referred to above present fairly in all material respects the financial positions of PortraitEFX Franchising Corporation as of December 31 2015 2014 and 2013 and the results of its operations and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

Michael G Adkisson, PC CPA

Michael G Adkisson P C CPA
6132 J Brookshire Blvd
Charlotte North Carolina 28216
March 16 2016

6132 J Brookshire Boulevard Charlotte North Carolina 28216
Telephone (704) 392 8800 Facsimile (704) 393 6525 www mgapccpa com

PortraitEFX Franchising Corporation
Balance Sheet
December 31, 2015, 2014 and 2013

Assets

	2015	2014	2013
Current assets			
Cash	$ 21 431	$ 29 371	$ 31 115
Accounts receivable trade	8 727	15 645	18 815
Total current assets	30 158	45 016	49 930
Property and equipment			
Equipment	11 104	11 104	11 104
Office furniture	5 000	5 000	5 000
Library	12 000	12 000	12 000
Total cost of property and equipment	28 104	28 104	28 104
less accumulated depreciation	(28 104)	(28 104)	(28 104)
Net property and equipment			
Total assets	$ 30 158	$ 45 016	$ 49 930

Liabilities and Equity

	2015	2014	2013
Current liabilities			
Accounts payable trade	$	$ 2 834	$ 4 243
Accrued expenses	19 121	9 511	10 521
Contingent liability			
Customer deposits			
Current portion of long term debt	12 825	18 538	17 723
Total current liabilities	31 946	30 883	32 487
Long term liabilities			
Note payable	12 825	31 346	49 042
Less Current portion	(12 825)	(18 538)	(17 723)
Total long term liabilities		12 808	31 319
Total liabilities	31 946	43 691	63 806
Equity			
Common stock ($ 01 par 100 000 shares authorized 19 875 issued and outstanding)	199	199	121
Retained earnings (deficit)	(1 987)	1 126	(13 997)
Total equity	(1 788)	1 325	(13 876)
Total liabilities and equity	$ 30 158	$ 45 016	$ 49 930

The accompanying notes are an integral part of these financial statements

PortraitEFX Franchising Corporation
Statement of Income
For the Years Ended December 31, 2015 2014 and 2013

	2015	2014	2013
Sales	$ 225 790	$ 343 781	$ 375 953
Cost of sales	94 574	143,204	187 304
Gross profit	131 216	200 577	188,649
Selling, general and administrative	131,260	181 324	173,179
Income (loss) from operations	(44)	19 253	15 470
Other income (expense)			
Penalty refund		-	5,309
Interest expense	(3 069)	(4,130)	(3,736)
Miscellaneous income (expense)			
Total other income (expense)	(3 069)	(4 130)	1 573
Net income (loss)	$ (3 113)	$ 15 123	$ 17,043

The accompanying notes are an integral part of these financial statements

PortraitEFX Franchising Corporation
Retained Earnings
For the Years Ended December 31 2015 2014 and 2013

	2015	2014	2013
Beginning balance (deficit)	$ 1,126	$ (13 997)	$ (27 208)
Current net income (loss)	(3 113)	15 123	17 043
Stockholder distributions			(3 832)
Ending balance (deficit)	$ (1,987)	$ 1,126	$ (13,997)

The accompanying notes are an integral part of these financial statements

PortraitEFX Franchising Corporation
Statement of Cash Flows
For the Years Ended December 31, 2015 2014 and 2013

	2015	2014	2013
Cash flows from operating activities			
Net income (loss)	$ (3 113)	$ 15,123	$ 17 043
Adjustments to reconcile net income to net cash used in operating activities			
Disposal of assets		-	
Depreciation			270
Amortization			
(Increase) decrease in accounts receivable	6 918	3 170	15 302
Increase (decrease) in accounts payable	(2 834)	(1,409)	(4,268)
Increase (decrease) in accrued expenses	9 610	(932)	2 844
Increase (decrease) in customer deposits			(3 900)
Net cash provided by (used in) operating activities	10 581	15 952	27,291
Cash flows from financing activities			
Principal payments on debt	(18,521)	(17,696)	(16 431)
Stockholders distributions			(3,832)
Net cash provided by (used in) financing activities	(18 521)	(17 696)	(20 263)
Net increase (decrease) in cash	(7 940)	(1,744)	7,028
Cash beginning of year	29,371	31,115	24,087
Cash end of year	21 431	29,371	31 115
Supplemental disclosures of cash flows information			
Cash paid during the year for			
Interest	$ 3,069	$ 4 130	$ 3,736

The accompanying notes are an integral part of these financial statements

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31 2015

Note 1-Summary of Significant Accounting Policies

This summary of significant accounting policies of PortraitEFX Franchising Corporation (the Company) is presented to assist in understanding the Company s financial statements The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements

Nature of Operations
The Company is a franchising corporation formed in June 12 2006 in the state of Texas with its headquarters currently located in Charlotte, North Carolina The primary business of the Company is to sell franchises that participate in an on line innovative photographic system

Revenue and Expense Recognition
The transactions of the Company are recorded on the accrual basis of accounting Revenues from the sale of franchises are recognized when the franchise agreement is entered into. The franchise fees are not refundable Other services provided to the franchisees are billed separately as services are performed General and administrative expenses are recorded when the liability is incurred Initial franchise fees for the year ended December 31 2015 were $81,985

Cash and Cash Equivalents
For the purpose of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents

Accounts Receivable and Bad Debts
Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management The basis of accounting described above requires that the allowance method be used to recognize bad debts however the effect of using the direct write off method is not materially different from the results that would have been obtained under the allowance method

Concentration of Credit Risk
The company deposits its temporary cash investments with high quality financial institutions At times deposits may exceed federally insured limits The company has not experienced any losses in such accounts

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2015

Property and Equipment

Property and equipment are generally recorded at cost Depreciation is computed using the straight line method of accounting over the estimated useful life of respective asset usually five to ten years Expenditures for maintenance and repairs are charged against operations Renewals and betterments that materially extend the life of the asset are capitalized Depreciation expense for the year ended December 31, 2015 was $ 0

Income Taxes

The financial statements do not include a provision of liability for federal income taxes because the shareholders of the franchising corporation are taxed individually on their share of Company s earnings

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the company The Company has determined whether any tax positions have met the recognition threshold and have measured the company's exposure to those tax positions Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities Federal and state authorities generally have the right to examine and audit the previous three years of tax returns filed Any interest or penalties assessed to the company are recorded in operating expenses No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect certain amounts and disclosures Accordingly actual results could differ from those estimates

Advertising Expense

Advertising expenses are charged to operations as incurred Advertising expense for the year ended 2015 was $7,667

Financial Instruments

The carrying amount of financial instruments including cash and cash equivalents trade receivables and accounts payable approximate fair value as of December 31, 2015

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2015

Subsequent Events

Subsequent events have been evaluated through March 16 2016, which is the date the financial statements were available to be issued

Note 2-Related Party Transactions

The Company is affiliated with another company through common ownership Several minority interest stockholders in PortraitEFX Franchising Corporation are also stockholders in a corporation with which PortraitEFX Franchising Corporation conducts business Management represents that all transactions between the two corporations are at arm's length

Lab fees of $1,144 were paid to the related party Also, a rebate of $58,847 of lab fees was received from the related party in the current year

Note 3-Promissory Note

~~On August 26, 2013, the Company refinanced its loan from Frost Bank in the amount of~~ $54 762 44 The terms of this loan required monthly payments of $1 630 for thirty six months The interest rate on this note is 1 25% above the lender s prime rate and is subject to change from time to time based on changes to the lender s prime rate The rate on December 31, 2015 was 4 75% Principal maturities of long term debt are as follows

2016	$12,825
Thereafter	- 0
Total	$12,825

Note 4-Lease Obligation

The Company is obligated for a two-year lease on its Dallas Texas location The lease, which began April 2014 is for $1,620 per month Rent expense was $16 820 for the year

PortraitEFX Franchising Corporation

I in incial Statements

December 31 2016 2015 2014

Michael C Adkisson P C CPA
Certified Public Accountant
6132-J Brookshire Blvd
Charlotte, NC 28216

Michael G. Adkisson, P.C., CPA
Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
PortraitEFX Franchising Corporation
10612 D Providence Road, Suite 235
Charlotte North Carolina 28277

I have audited the accompanying financial statements of PortraitEFX Franchising Corporation which comprise the balance sheets as of December 31, 2016, 2015 and 2014, and the related statements of income, retained earnings and cash flows for the years then ended and the related noted 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 U S generally accepted accounting principles 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 froud or error

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U S generally accepted auditing standards Those standards require that I 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 I 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

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion
In my opinion the financial statements referred to above present fairly, in all material respects the financial positions of PortraitEFX Franchising Corporation as of December 31 2016 2015 and 2014 and the results of its operations and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

Michael G Adkisson PC, CPA
Michael G Adkisson, P C, CPA
6132 J Brookshire Blvd
Charlotte North Carolina 28216
February 8 2017

PortraitEFX Franchising Corporation
Balance Sheet
December 31, 2016, 2015 and 2014

Assets

		2016		2015		2014
Current assets						
Cash	$	39 017	$	21,431	$	29 371
Accounts receivable-trade		855		8 727		15,645
Total current assets		39 872		30 158		45,016
Property and equipment						
Equipment		11 104		11 104		11 104
Office furniture		5,000		5 000		5 000
Library		12 000		12 000		12 000
Total cost of property and equipment		28 104		28,104		28,104
less accumulated depreciation		(28 104)		(28 104)		(28,104)
Net property and equipment						
Total assets	$	39 872	$	30 158	$	45,016

Liabilities and Equity

		2016		2015		2014
Current liabilities						
Accounts payable trade	$		$	-	$	2 834
Accrued expenses		31,455		19,121		9 511
Contingent liability		-				
Customer deposits		-				
Current portion of long-term debt		-		12,825		18,538
Total current liabilities		31 455		31 946		30 883
Long-term liabilities						
Note payable				12 825		31,346
Less Current portion				(12 825)		(19,538)
Total long-term liabilities						12 808
Total liabilities		31 455		31 946		43 691
Equity						
Common stock ($.01 par 100 000 shares authorized 19,875 issued and outstanding)		199		199		199
Retained earnings (deficit)		8 218		(1,987)		1 126
Total equity		8 417		(1 788)		1 325
Total liabilities and equity	$	39 872	$	30,158	$	45,016

The accompanying notes are an integral part of these financial statements
2

PortraitEFX Franchising Corporation
Statement of Income
For the Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
Sales	$ 219 967	$ 225,790	$ 343 781
Cost of sales	101,403	94,574	143,204
Gross profit	118,564	131,216	200,577
Selling general and administrative	105,519	131 260	181 324
Income (loss) from operations	13,045	(44)	19 253
Other income (expense)			
Penalty refund	-	-	-
Interest expense	(2,840)	(3,069)	(4,130)
Miscellaneous income (expense)	-	-	
Total other income (expense)	(2,840)	(3 069)	(4 130)
Net income (loss)	$ 10,205	$ (3,113)	$ 15 123

The accompanying notes are an integral part of these financial statements
3

PortraitEFX Franchising Corporation
Retained Earnings
For the Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
Beginning balance (deficit)	$ (1,987)	$ 1,126	$ (13,997)
Current net income (loss)	10,205	(3,113)	15,123
Stockholder distributions	-		-
Ending balance (deficit)	$ 8,218	$ (1,987)	$ 1,126

The accompanying notes are an integral part of these financial statements
4

PortraitEFX Franchising Corporation
Statement of Cash Flows
For the Years Ended December 31, 2016 2015 and 2014

	2016	2015	2014
Cash flows from operating activities			
Net income (loss)	$ 10,205	$ (3,113)	$ 15 123
Adjustments to reconcile net income to net cash used in operating activities			
Disposal of assets	-		-
Depreciation	-	-	-
Amortization	-		
(Increase) decrease in accounts receivable	7 872	6,918	3,170
Increase (decrease) in accounts payable	-	(2,834)	(1,409)
Increase (decrease) in accrued expenses	12,334	9,610	(932)
Increase (decrease) in customer deposits	-	-	-
Net cash provided by (used in) operating activities	30,411	10,581	15,952
Cash flows from financing activities			
Principal payments on debt	(12,825)	(18,521)	(17 696)
Stockholders distributions		-	-
Net cash provided by (used in) financing activities	(12 825)	(18,521)	(17,696)
Net increase (decrease) in cash	17,586	(7,940)	(1 744)
Cash beginning of year	21,431	29 371	31,115
Cash end of year	39,017	21,431	29,371
Supplemental disclosures of cash flows information			
Cash paid during the year for			
Interest	$ 2,840	$ 3,069	$ 4,130

The accompanying notes are an integral part of these financial statements

5

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1-Summary of Significant Accounting Policies

This summary of significant accounting policies of PortraitEFX Franchising Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company is a franchising corporation formed in June 12, 2006 in the state of Texas with its headquarters currently located in Charlotte, North Carolina. The primary business of the Company is to sell franchises that participate in an on-line, innovative photographic system.

Revenue and Expense Recognition

The transactions of the Company are recorded on the accrual basis of accounting. Revenues from the sale of franchises are recognized when the franchise agreement is entered into. The franchise fees are not refundable. Other services provided to the franchisees are billed separately as services are performed. General and administrative expenses are recorded when the liability is incurred. Initial franchise fees for the year ended December 31, 2016 were $42,300

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Bad Debts

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The basis of accounting described above requires that the allowance method be used to recognize bad debts, however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Concentration of Credit Risk

The company deposits its temporary cash investments with high quality financial institutions. At times, deposits may exceed federally insured limits. The company has not experienced any losses in such accounts.

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2016

Property and Equipment
Property and equipment are generally recorded at cost. Depreciation is computed using the straight line method of accounting over the estimated useful life of respective asset, usually five to ten years. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation expense for the year ended December 31, 2016 was $ 0-

Income Taxes
The financial statements do not include a provision of liability for federal income taxes because the shareholders of the franchising corporation are taxed individually on their share of Company's earnings

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the company. The Company has determined whether any tax positions have met the recognition threshold and have measured the company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates

Advertising Expense
Advertising expenses are charged to operations as incurred. Advertising expense for the year ended 2016 was $4,204

Financial Instruments
The carrying amount of financial instruments including cash and cash equivalents, trade receivables and accounts payable approximate fair value as of December 31, 2016

PortraitEFX Franchising Corporation
Notes to the Financial Statements
For the Year Ended December 31, 2016

Subsequent Events
Subsequent events have been evaluated through February 8, 2017, which is the date the financial statements were available to be issued

Note 2-Promissory Note

The Company paid off its loan from Frost Bank in 2016

Note 3-Lease Obligation

The Company is obligated for a two year lease on its Dallas, Texas location The lease which began June 2016, is for $1,753 per month for the first year and $1,853 for the second year Rent expense was $19,209 for the year

The Company is also obligated for a two-year lease on its retail location in a Salem, New Hampshire Walmart Store #2142 The lease began October, 2016 Rent expense is 15% of annual gross sales with a minimum of $920 per month Rent expense was $2,760 for the year

EXHIBIT G

PortraitEFX Franchising Corporation
FRANCHISE AGREEMENT

SUMMARY PAGES

Effective Date	________________
Franchisee	________________
Type of Entity	☐ Individual ☐ Corporation ☐ Limited Liability Company ☐ Other (specify) ________
Franchisee's Address	________________ ________________
Franchisee's Home Tel No	________________
Franchisee's Cell Phone No	________________
Franchisee s E-Mail	________________
Training Date (Anticipated)	________________
Initial Term	~~10~~5 Years
Territory	________________
Commencement Date	________________
Expiration Date	________________
Initial Franchise Fee Silver Program	$~~7995~~9995 00
~~Initial Franchise Fee Gold Program~~	~~$15,000 00~~
~~Initial Franchise Fee Platinum Program~~	~~$20,000 00~~
Amount of Initial Franchise Fee Financed	________________
Royalty Fee	$ None
Transfer Fee	25% of ~~then~~than current franchise fee

EXHIBIT G

PortraitEFX Franchising Corporation

FRANCHISE AGREEMENT

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Attachments/Exhibits

PortraitEFX Franchise Corporation

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into between PortraitEFX Franchise Corporation a Nevada corporation (hereinafter referred to as "Company" 'Franchisor' 'we', 'us' or 'our') and ______________________________ (hereinafter referred to as Franchisee you' or your") doing business as PortraitEFX®

BACKGROUND

A **The PortraitEFX® System** We have developed a distinctive system for operating a professional photography business which includes proprietary programs for training marketing advertising, managing and operating such businesses We have made a strategic decision to use franchising to create brand identity, maximize market penetration and achieve and maintain a competitive advantage for our brand We refer to franchisees operating businesses under our Marks as 'Franchise Businesses PortraitEFX® franchisees use certain proprietary knowledge procedures systems printed materials specifications, standards technology and techniques authorized or developed by us and feature distinctive marketing materials product offerings formats procedures and advertising (the 'System) We identify PortraitEFX® franchisees and various components of the System by certain trademarks service marks, designs and other commercial symbols including PortraitEFX® (collectively the 'Marks") We may in the future develop or modify various aspects of the System and/or discontinue the Marks as well as add new trademarks If we make any changes, modifications alterations or add or discontinue the use of any marks including the Marks, you are obligated to make those changes that we specifically require all at your sole cost and expense

B **Acknowledgements** We are offering this opportunity to you because you expressed the desire to operate a Franchised Business and you satisfy our minimum requirements for franchisees of our System You understand and agree that the terms of the Agreement are reasonable and necessary to maintain our high quality and uniform service standards at each Franchised Business thereby, preserving the goodwill of the Marks and the System By signing this Agreement, you acknowledge (a) the importance of operating your Franchised Business in strict conformity with our standards (b) that you recognize that the System may change over time as we specify and that you will be required to conform with such changes and (c) that the purchase of a PortraitEFX® franchise involves business risks and that the success of your Franchised Business is not guaranteed is dependent on your business abilities, acumen and efforts, including your diligent and thorough knowledge and application of the System

C **No Representations or Guarantees** You specifically acknowledge that you have not received or relied upon (nor have we or anyone else working in our name or on our behalf, provided) any statements promises or representations that you will succeed in your Franchised Business achieve any particular sales income or other levels of performance, earn any particular amount including any amount in excess of your Initial Franchise Fee or other payments to us, or receive any rights goods or services not expressly set forth in the Agreement Any statements regarding actual, potential or probable revenues or profits of any Franchised Business not contained in our Federal Disclosure Document is unauthorized unwarranted and unreliable, and we do not endorse any statements not specifically set forth in our Federal Disclosure Document We will not be responsible for any statements not contained in the Federal Disclosure Document and you should immediately report any such statement if made

D **Grant of Franchise** We desire to grant you the non-exclusive right to operate a Franchised Business and you desire to accept the franchise and obligations to operate a Franchised Business in accordance with the terms and conditions of this Agreement

AGREEMENT

WHEREFORE, in consideration of the mutual promises contained in this Agreement and other valuable consideration, the receipt and sufficiency of which is acknowledged by the parties the parties agree as follows

1 DEFINITIONS

To simplify this Agreement, we have defined certain terms used in the Agreement When you see a capitalized word or if you do not understand the definition of a particular reference, look below at this Section to see whether the term has been defined Capitalized words that are not defined in this Section are defined in the section where they first appear The following capitalized terms shall have the meanings ascribed to them in this Section unless the context otherwise indicates

"Affiliate" - as used herein with respect to you or us, means any Person directly or indirectly owned or controlled by, under common control with or owning or controlling you or us For purposes of this definition "control of a Person means ownership or control of a majority of the voting rights of the Person that afford control of the management and policies of such Person

"Agreement" - This Franchise Agreement including its attachments

"Approved Name" – The name under which you shall conduct the Franchised Business as agreed to by us under this Agreement

"Business Entity" means a corporation a general or limited partnership, or a limited liability company

"Business Judgment" - means that we are allowed to exercise our judgment however we consider appropriate in our sole and absolute discretion, except that we will not do so arbitrarily You and we agree that provisions in this Agreement where we describe instances in which we may exercise our Business Judgment we must and do have the unrestricted right to make decisions and/or take (or refrain from taking) actions except that we will not do so arbitrarily We have this right even if a particular decision/action may have negative consequences for you a particular individual or group You understand and agree that the exercise of Business Judgment is critical to our role as a Franchisor and to our goals for our continuing improvement This is a defined term for purposes of ease and clarity in the Agreement and is not intended and should not be construed to incorporate principles related to the application of the business judgment rule in a corporate law context

"Commencement Date" - The date specified on the Summary Page of this Agreement that indicates the date you officially begin operating your business This date is typically the first weekday after you have successfully completed your initial training

"Confidential Information" – All information used or useable (current or future) in connection with the operation of a Franchised Business or which relates to the System including among other things all (1) techniques policies, procedures information systems and knowledge regarding the development marketing, operation and franchising of PortraitEFX®, (2) information regarding and suppliers of items used and/or offered by Franchised Businesses including the products and services and (3) all information regarding customers and/or franchisees including any statistical and/or financial information and all lists and (4) any trade secrets including PortraitEFX® training, marketing, management, technology and customer service systems Confidential Information includes the content of all Digital Operating Manuals as well as materials information and advice provided by us during training or thereafter Confidential Information does not include information that, (a) is or becomes generally available to the public except as a result of a breach of this Agreement (b) becomes available to you from a source other than us except where such source has breached a legal obligation of confidentiality (c) is developed by you without reliance on any Confidential Information except that where such developed information is applicable to the operation or otherwise of a Franchised Business it will become part of the Confidential Information upon our election and incorporation of such information into the System In addition we may designate certain other information as Confidential Information which you agree to keep confidential pursuant to this Agreement

"Contract Customer Account" customers with more than one location situated within two or more Protected Territories

"Copyrighted Materials" means all versions variations and adaptations of the following materials in tangible form either produced by us or produced on our behalf as works for hire or derived from works we produce or works that are produced on our behalf (i) the design elements of the Marks (ii) the content of the Digital Operating Manual and our web site, (iii) the contents of our web site www portraitefx com (iv) our training programs and content (v) our internet and intranet content (vi) proprietary marketing systems and collateral materials, and (vi) our advertising and promotional materials

"Designated Equipment" means equipment that meets our requirements and which must be obtained and used in the operation of a Franchised Business Designated Equipment includes (among other things) certain makes and models of cameras lighting systems photographic accessories and supplies computer(s) operating system and software

"Designated Equipment Package' means the Designated Equipment that you are required to acquire prior to attending the initial franchise training program (Essentials Training)

"Effective Date" means the date identified as such on the Summary Page and pertains specifically to the date the Franchise Agreement is executed by one of our authorized officers

"Franchise" means the non-exclusive license to operate a PortraitEFX® Franchised Business as described in and under the terms of this Agreement

"Franchised Business" means the right to provide professional photography services under the Marks and the System in accordance with this Agreement

"Good Standing" – You are in Good Standing if you (and each of your principles and/or affiliates) are not in default of any obligation to us whether arising under this Agreement or any other agreement between you (or any of your principles and/or affiliates) and us, the Digital Operating Manuals or other System requirements (collectively, the "Obligations') provided that you are not in Good Standing if you have been in default at any time throughout the Term of this Agreement of any of your obligations and such defaults are either not subject to cure or as of the date of determination of whether you are in Good Standing have not been timely and adequately cured and/or the defaults are part of a series of repeated or cross defaults as set forth in this Agreement

"Gross Revenue" means all revenues of every kind and nature derived from the operation of the Franchised Business by you or your employees or subcontractors under your direction or control (whether or not performed under the name PortraitEFX® or any other name) and revenues accruing on account of your sale or lease of equipment or supplies, and whether from cash, check, credit card or credit transactions, but excluding all federal state or municipal sales use or service taxes collected from customers and paid to the appropriate taxing authority

"Initial Franchise Fee" means the fee set forth on the Summary Pages which you will pay us for the rights granted under the Franchise Agreement

"Intellectual Property" means all Marks Confidential Information, Copyrighted Works and patented designs and processes that we designate for use in connection with the System

"Manual" means all manuals (including, if applicable Digital Operating Manual audiotapes videotapes magnetic media computer software and written materials), policy statements, directives bulletins and memoranda that contain prescribed or recommended specifications standards, procedures policies and advice relating to operating managing and promoting the Franchised Business

"Marks" refers to and includes (i) trade name and service mark PortraitEFX® (ii) PortraitEFX® logo and (iii) any and all additional or different trade names, trademarks, service marks logos and slogans that we may adopt in the future and require franchisees to use in connection with their Franchised Business, and the products and services that they offer

"Operating Principal" means, you if you are an individual or another person that has at least a 10% ownership Interest in the Business Entity- that owns and/or operates the Franchised Business and which you designate as having the responsibility of operating and/or managing the Franchised Business

"Ownership Interest means in relation to a (i) corporation the shares of capital stock of the corporation, (ii) limited liability company the membership or other ownership interests in such company, or (iii) partnership the general and limited partnership interest in such partnership

'**Person"** means natural persons corporations limited liability companies general or limited partnership and any other form of legal entity

"Principals" mean collectively and individually your spouse (if you are an individual) all of your officers directors and shareholders (if you are a corporation) all of your general and limited partners and the principals of your general partner as applicable (if you are a general or limited partnership) all of your members, officers directors and managers (if you are a limited liability company) and all other Persons holding an Ownership Interest in you regardless of how large or small of an Ownership Interest held by such Person When we refer to Principals we also refer to the Operating Principal, unless otherwise stated

"Proprietary Products" mean any item bearing the Marks including without limitation Company proprietary marketing and training materials

"Protected Territory" means the geographic area that is defined by a zip code or zip codes wherein you are authorized to operate a Franchised Business The Protected Territory population may vary depending upon the characteristics related to the particular Protected Territory in our Business Judgment Should boundaries of any zip code within the Protected Territory change due to political re-districting or other such action, your Protected Territory will be deemed the same geographic boundaries as those designated in Attachment D of this Franchise Agreement for that zip code on the Effective Date of this Agreement

"Regional Account" accounts that require the resources of more than one franchisee and may also be located in multiple Protected Territories These are commonly under the direction of the franchisor

"Services" - The photography services provided under the Marks and System

"Similar Business" means any business other than the Franchised Business that offers or is otherwise involved in or deals with any goods products and/or services which are substantially similar to those goods products and/or services now or in the future authorized by us for sale at or from your Franchised Business

"Standards" mean the mandatory standards specifications, policies, procedures and techniques that we have developed relating to the operation of a Franchised Business all of which may be changed by us in our sole discretion The Standards include among other things required and recommended business practices, marketing programs and systems customer service standards sales techniques and procedures and other management, operational and accounting procedures

"Summary Page" means the page that appears at the beginning of this Agreement that summarizes certain key information related to the parties relationship and the terms of this Agreement

"System" means the proprietary business system for operating a Franchised Business The distinguishing features of the System include, without limitation the Marks Intellectual Property, Confidential Information and Standards the Proprietary training and marketing systems and materials, proprietary operational procedures and other policies procedures standards and specifications that we have developed for use in connection with operating a Franchised Business all of which may be changed improved upon and further developed from time to time all of which we have the right to require our franchisees to follow and adhere to

"Term means the initial term of years beginning on the Effective Date and ending at midnight on the Expiration Date

"Transfer" means either (a) the direct or indirect sale, assignment transfer conveyance gift, pledge, mortgage, or encumbrance of your interest or any Principal s interest in this Agreement or (b) the direct or indirect sale, assignment, transfer conveyance gift pledge mortgage, or encumbrance of any Principal s interest in you (if you are a Business Entity)

"Transfer Fee" means the fee reflected in the Summary Pages

"Undertaking and Guaranty" means the personal undertaking and guarantee of your obligations under this Agreement by each Principal as set forth in Attachment A

"We, Us or Our" – refers to the Franchisor

"You or Your" - refers to the Franchisee and collectively and individually, your spouse (if you are an individual) all of your officers, directors and shareholders (if you are a corporation) all of your general and limited partners and the principals of your general partner as applicable (if you are a general or limited partnership), all of your members officers and directors (if you are a limited liability company) and all other Persons holding an Ownership Interest in you

2 GRANT OF FRANCHISE

2 1 Subject to the terms and conditions of this Agreement we are pleased to grant you a non-exclusive right to operate a Franchised Business within the Protected Territory as per Attachment D to this Agreement and to use the Marks and System, in the operation of your Franchised Business pursuant to the terms and conditions of this Agreement You hereby accept the Franchise and undertake and agree to perform the obligations and covenants contained in this Agreement

2 2 During the Term, you may operate advertise and promote the Franchised Business in the Protected Territory that is defined in Attachment D of this Agreement You may not advertise or promote the Franchised Business, and may not offer or provide photography services outside the Protected Territory without our prior written consent We will grant consent if (1) Services will not be performed in another franchisee s Protected Territory, or (2) if Services will be performed in another franchisee s area the affected franchisee first grants their consent, and you agree to abide by the Standards which may include sharing fees with the affected franchisee We may revoke our consent at any time if in our Business Judgment your provision of Services outside your Protected Territory adversely affects another System franchisee

2 3 You acknowledge and agree that from time to time we may enter into agreements with customers that we consider a Contract Customer Account" or National or Regional Account that contemplate performance of photography services in your Protected Territory To the extent that we enter into a Contract Customer Account Agreement with any such customer if you are a franchise in good standing we will offer you the opportunity to service any account located in your Protected Territory that you are certified by us to fulfill and you must provide services to the customer on terms on which we and the customer agree If you refuse to provide services to the Contract Customer Account customer or if you fail to provide services to the National Account customer on two consecutive occasions or on any two occasions in any 12-month period, then we may grant other system franchisees the right to perform such Services within your Protected Territory, without violating your rights under this Agreement

2 4 You acknowledge that Regional Accounts must be managed and fulfilled exclusively by the franchisor and under our supervision or that of the regional director

2 5 Except for (i) our reservation of rights set forth in Section 2 5 and (ii) the right to assign Services for Contract and Regional Accounts as provided in Section 2 3 and 2 4 above we will neither perform nor grant other system franchisees the right to perform photography services in the Protected Territory during the Term without first obtaining your prior written consent, which consent will not be unreasonably withheld denied or conditioned

2 6 We reserve all rights and opportunities not expressly granted in the Franchise Agreement including the right to, or to grant third parties the right to (a) perform and to franchise others the right to offer photography services under the Marks and System outside the Protected Territory, (b) offer services other than photography services under any proprietary marks (including the Marks) in or outside the Protected Territory (c) offer and sell any products or services (regardless of their similarity to the services that Franchised Businesses offer) under any name or trademarks or service marks *other than* the Marks (d) host one or more websites on the Internet and advertise Franchised Businesses and all the services they offer, even though the website is accessible to or viewable by Persons in the Protected Territory, (e) market and distribute training programs bearing any proprietary marks (including the Marks) through other channels of distribution as we deem appropriate and (f) develop an internet system whereby we can solicit referrals or photography processing requests for our ourselves and for System franchisees, in which case we have the right to charge you a reasonable fee for maintaining and promoting the internet referral system or charge you a reasonable fee for processing your photography orders

2 7 You may not relocate your territory without our approval We will approve your relocating your business within your territory only if the new premises comply with our requirements If Franchisee s lease or sublease for the Premises terminates prior to its expiration for reasons other than a default thereunder by Franchisee or expires without Franchisee being able to obtain a renewal of the lease or sublease then Franchisee may relocate its Center in accordance with this Section of the Franchise Agreement, and all

other terms of this Agreement subject to Franchisor s approval, provided however (a) Franchisee s rights under this Section of the Franchise Agreement terminate effective immediately upon closing of the old Premises and become operative again only when the new Premises are approved by Franchisor (b) Franchisee s Center at the new Premises must be open within 12 months after the date of closing of the old Premises, (c) Franchisee s initial franchisee fee is not refundable, (d) Franchisee must sign the then-current form of franchise agreement, which Franchisor then currently uses in granting franchises for the operation of the Businesses, and which may contain provisions materially different from those contained herein notwithstanding that the existing Franchise Agreement's Opening Date and Expiration Date shall remain the same, and (e) Franchisee agrees to reimburse Franchisor for all of its costs and expense incurred in connection with Franchisee s relocation Any such relocation shall be at Franchisee's own expense

3 TERM AND RENEWAL

3 1 This initial term of this Agreement shall commence on the Commencement Date and continue for a consecutive period of 5 years

3 2 At your option you shall have the right to renew, without having to pay us an Initial Franchise Fee, your rights under this Agreement for two successive terms of 5 years, provided that all of the following conditions have been fulfilled

3 2 1 You must not be in default of this Agreement neither you nor your Affiliates can be in default of any other agreement with us or any of our Affiliates and your Affiliates must have substantially and timely complied with the terms and conditions of such agreements during their respective terms,

3 2 2 You have delivered to us written notice of your election to renew the franchise not less than three (3) months nor more than six (6) months prior to the end of the then-current term

3 2 3 You have satisfied all monetary obligations owed by you to us and have met these obligations on a timely basis throughout the term of this Agreement

3 2 4 You sign and the Principals personally undertake and guarantee your performance under our then-current form of franchise agreement provided that you will not be required to pay any Initial Franchise Fee imposed thereunder and

3 2 5 You and each Principal sign a general and full release of all claims against us and our Affiliates, and their respective present and former officers directors shareholders members partners agents representatives independent contractors servants and employees in their corporate and individual capacities including, without limitation claims arising under this Agreement or the offer or sale of the franchise represented by this Agreement or under any federal, state or local laws rules regulations or orders provided that the release will not be inconsistent with any state law regulating franchising

4 PAYMENTS BY FRANCHISEE

4 1 Upon execution of this Agreement, you must pay to us the Initial Franchise Fee in the amount set forth on the Summary Page Certain qualified franchisees may finance up to $~~5~~7 000 00 of the Initial Franchise Fee If you qualify and decide to finance a portion of the Initial Franchise Fee we will require you to sign a Promissory Note, the form of which is attached hereto as Exhibit H Under the terms of such note, we may accelerate the entire amount due if you are in default of your payment obligations Otherwise the Initial Franchise Fee is fully earned upon payment and payment of the Initial Franchise Fee is nonrefundable except as described in this paragraph

If we determine that you are unable to satisfactorily complete the initial training program, we may terminate the Franchise Agreement in which case we shall refund the Initial Franchise Fee that you actually paid less any out-of-pocket expenses that we incurred in connection with the franchise sale (including, without limitation, attorneys' fees third party sales commissions or brokerage fees We estimate that out of pocket expenses portion only will not exceed $1 500) This is provided you and your Principals sign a general release in favor of us and our officers directors employees agents independent contractors, or any other person, in their corporate and individual capacities including, without limitation, claims arising under this Agreement or the offer or sale of the franchise represented by this Agreement or under any federal state or local laws rules, regulations or orders provided that the release will not be inconsistent with any state law regulating franchising

The Company reserves the ability to waive the current training program in Dallas, TX in lieu of existing experience online training or other training programs designated by the Company

4 2 Minimum Lab Productivity Levels

The Company does not collect royalty' on your sales Instead the Company receives financial incentives from vendors based on our combined purchasing volume You must meet the Minimum Lab Productivity Levels (Franchise Agreement Section 4 2) in order for the Company to receive these incentives

If you fail to meet the Minimum Productivity Level during any of the months of February March, April May August September October and November of any year under this agreement ~~You~~you must compensate the Company for the shortfall

The Processing Revenue Shortfall Rebate Fee (Shortfall Fee)

~~The Processing Revenue Shortfall Rebate Fee (Shortfall Fee)~~ The Shortfall Fee is calculated ~~as any~~ by subtracting the full or pro-rated amount ~~less than the $500 monthly~~ for a minimum ~~for each~~amount of $500 USD per month ~~of the year with the exception of~~lab fees except this fee will be $250 USD per month during December, January, June, & July

If a minimum amount of $500 (or $250 USD per month during December, January, June, & July) in lab fees are not met in a specific month the difference that does not meet the minimum, would require to be paid as a shortfall to PortraitEFX Shortfall Penalty is WAIVED for first three months of the start of your agreement with PortraitEFX which commences the day after you officially complete training

Payment is due by the 10th of the month following such shortfall, and ~~December of each year~~

payable by ACH or Credit Card debit Example If during the month of March, you spend an average of only $~~300~~400 in lab fees instead of the ~~Minimum~~minimum of $500 you will be required to submit a payment (Shortfall Fee) to The Company of $~~200 for that month~~100 for that month If you meet the $500 monthly lab fees (or $250 USD per month during December, January, June, & July) you will not owe any shortfall fee

4 2 1 You are required to submit to us or to our approved vendor digital files or images for processing and printing all as defined as Products and Services under this Agreement

4 2 2 During the first 90 days after the Effective Date (Grace Period) there will be no Minimum Lab Productivity Levels (as defined below)

4 2 3 Thereafter, you will be required to maintain the Minimum Lab Productivity Levels set forth in the chart below Short fall fees are due within 30 days of receipt

PERIOD	BEGINNING DATE	DURATION	MINIMUM LAB PRODUCTIVITY LEVELS
Initial 90 days	Effective date (day after completion of training)	90 days	None
December January, June & July	Yearly	~~120 days~~On going	~~None~~$250 minimum due in lab fees during this 30-day period Shortfall due is any amount less than $250 you have

			not achieved in that 30-day period in lab fees Payment is due within 30 days of invoice receipt
Subsequent months	1st day of each month following the month before with the exception of December January June & July of each year	On going	$500 minimum due in lab fees during this 30--day period Shortfall due is any amount less than $500 you have not achieved in that 30--day period in lab fees Payment is due within 30 days of invoice receipt

Beginning on the second anniversary of the Effective Date and continuing on each anniversary thereafter during the term of this Agreement we have the right to increase the Minimum Lab Productivity Levels for the succeeding twelve--month period ~~by a percentage commensurate with the percentage increase in the population of the Territory since the commencement of the preceding twelve month period For purposes of calculating the percentage increase in such population, we will utilize information available from the United States Department of Commerce - Bureau of the Census and other licensed resources~~

Our determination of the percentage increase, if any, shall be final and not subject to challenge by you If we elect to exercise our right to increase the Minimum Lab Productivity Levels as provided above, we will notify you in writing within 45 days of the end of the preceding twelve--month period of the new Minimum Lab Productivity Levels for the succeeding twelve--month period Upon the renewal of the Franchise Agreement, if any we may establish new Minimum Lab Productivity Levels based upon such factors as population growth in the Territory since the Effective Date our minimum fees for new franchises changes in our System or Methods and such other factors as we deem in good faith determine to be appropriate

Upon request we will furnish a calendar outlining the specific dates terms and requirements in relation to the Effective Date of your Agreement -

4 2 4 Upon Renewal of this Agreement, we may establish new Minimum Lab Productivity Levels based upon factors other than increases in population in your Territory, including increase in System goodwill, other franchisees in the surrounding territories and other factors we ~~deems~~deem necessary or appropriate

4 2 5 Under certain circumstances we have the right to suspend any Minimum Lab Productivity Levels for a franchisee for any reason and in our sole and absolute discretion

4 2 6 We receive financial incentives from our vendors in direct proportion to your meeting the Minimum Lab Productivity Levels for any twelve--month period If you fail to meet any Minimum Lab Productivity Level for any period we have the right to declare this Agreement in default unless you compensate us for any shortfall in meeting your Minimum Lab Productivity Levels ~~Within 15 days of the end of each six-month period we will send you a report on your Minimum Lab Productivity Levels~~

If you are short for the preceding period, we will notify you of the shortage, and the amount owed to us to cure any default You must pay any shortage within 5 days of receipt of the report For illustration purposes only, if during the month of April, you only spend $300 (as a monthly average during such period) on processing and printing you should have spent no less than $500 in order to remain in compliance with this Agreement you will have to pay us $200 which is the shortfall in the Minimum Lab Productivity Levels for the applicable period

4 2 7 Monthly Gross Sales Recap Reports

You are required to provide us with a monthly recap each month of your gross sales This report will be due each month on the 10th day of each month following the month before We will provide the format and documentation for these reports which can be submitted electronically

5 PAYMENT AND COLLECTION RESPONSIBILITIES

5 1 We may require that you establish and pay the appropriate fees to set up a credit card merchant account through our approved merchant account provider which will allow your customers to make payments and pay for services and products you provide by credit card All transactions processed through your merchant account will be deposited directly into your business banking account through the merchant account system

5 2 Notwithstanding the foregoing you acknowledge and agree that you are solely responsible for collecting customer payments for Services that you perform and products that you sell we are not required to collect or assist you in collecting such payments

5 3 Upon reasonable prior written notice to you (not to exceed thirty (30) days) amounts payable under this Agreement including but not limited to, payments for Designated Equipment, advertising fund contributions and any interest charges due thereon, shall be made by electronic funds transfer or such other method as we may reasonably direct You agree to comply with procedures we specify in our Manuals, and/or perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish any payment method designated in accordance with this Section, including as required authorization in the form that we designate for direct debits from the Account We require you to use ACH for our collection of payments Payment by electronic funds transfer means you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the due date for payment

6 DESIGNATED EQUIPMENT, ACCESSORIES, SOFTWARE, SERVICES AND SUPPLIERS

6 1 In order to maintain professional standards and train and support you in providing professional photography services and products, we require that you utilize only designated makes, models and versions of certain equipment accessories and software in the operation of your Franchised Business You must purchase specific equipment, accessories and software we require for use in the operation of your Franchised Business (Refer to Attachment C for a complete list of required items) These items must be obtained prior to attending the initial training at our facility

6 2 If you already own any of the items we require for the operation of the franchise business or if you already own any item that is of comparable quality and that we deem acceptable in writing we will allow you to substitute that item or items and will adjust our requirements accordingly

6 3 Because the reputation and goodwill of PortraitEFX® and the System are based upon, and can be maintained and enhanced only by providing professional quality photography services and related products you may offer and provide only those photography services and related products that you are certified or authorized by us to provide By successfully completing our Essentials Training Program you will be authorized and certified by PortraitEFX® to offer and provide portrait photography services for children families and individuals as well as promotional volume photography programs for preschools daycares private schools and small scale youth sports leagues

~~6 4 You have the option to attend advanced PortraitEFX® training modules which, upon your successful completion of each module will give you the required PortraitEFX® certification and authorization to expand your services by offering and providing photography services and related products associated with that specific module Until you successfully complete certain PortraitEFX® advanced training modules, you are limited to the types of photography services you may offer to customers PortraitEFX® has the right to waive this restriction based on an evaluation of your skill level by the Director of Photography In some instances we may substitute on-site assistance for an advanced training to certify you in an advanced type of photography~~

~~Unless we provide our prior written consent we require that you attend and successfully complete additional training and obtain certification and authorization from us prior to offering and/or providing photography services for Engagement and Wedding Photography, and prior to opening a "Store Front" or commercial studio (collectively, "Advanced Photography Services") The fees and other cost associated with attending advanced PortraitEFX® trainings and obtaining PortraitEFX® Certification and/or authorization are not included in your initial franchise fee We have the right to add additional photography services to the list contained in this Section 6 4, and require that you attend additional training and receive additional certifications at your cost and expense prior to authorizing you to provide these photography services If~~

~~you elect not to become certified in any Advanced Photography Service we have the right to either provide those services ourselves or to grant other franchisees the right to perform those services even if the franchisee we designate to provide the Advanced Photography Services is required to perform those services in your Protected Area In this case we will not be deemed to have violated any of your rights under this Agreement or any other Agreement between us and you including our respective Affiliates if any~~

~~6 5 We currently intend to~~6 4 We currently provide system franchisees with an e-commerce enabled web site to assist you with providing Services to your customers As part of this system, we give you the right to maintain 4 e-mail addresses using the PortraitEFX com extension We will be responsible for maintaining the e-commerce web site as well as controlling your use of the PortraitEFX® e-mail system If at any time you are in default of this Agreement or any other agreement between you us or our respective Affiliates we have the right to suspend your use of the e-commerce web site as well as suspending your PortraitEFX® e-mail privileges We also intend to provide a web based forum to facilitate communication between us and other system wide franchisees

We have the right to control the content and use of such forum and have the right to suspend your forum privileges for any reason ~~Although we currently do not charge a fee to our franchisees for web support and maintenance we reserve the right, in the future to charge you a fee to assist with defraying some of the costs associated with web e-mail and forum maintenance We will give you 30 days written notice prior to implementing any fees We reserve the right to discontinue providing any service contemplated by this Section 6 5 for any reason, upon 30 days written notice to you~~

7 TRAINING AND ASSISTANCE

7 1 At least 30 days prior to your right to begin operating the Franchised Business we will provide a training program which includes an introductory web-based training curriculum and ~~five and one half days of~~additional live, hands-on training at our office in Dallas TX or such other training facility we designate which you or your operating principal must attend and successfully complete to our satisfaction – The live training program is comprised of two sections, a three-day introduction to professional photography, and a three-day territory management program Based on the previous professional photography experience of the Franchisee and their previous skills demonstrated, the Company will make a decision to require one or both parts of the Training

We do not charge tuition or impose a materials charge for the attendance of two persons at our initial training program – You are responsible for all other training-related expenses that you and/or your employees incur during training including travel to and from the training site lodging, and other personal expenses ~~Lodging for up to 7 nights and some~~Some meals are provided At your request we may permit your personnel to attend future initial training programs subject to space availability - We may impose a fee not to exceed $~~750~~350 per person for such attendance

7 2 If you fail to begin operating the Franchised Business within six (6) months after successfully completing the initial training program we may require that you or your Operating Principal re-attend the initial training program If we require re-attendance for the initial training you must pay to us a training fee not to exceed $~~750~~350 for each individual attending any such required training

7 3 During the term of the franchise we may periodically provide and may require you or your Operating Principal to attend additional training programs or seminars however neither you nor your Operating Principal will be required to attend more than six days of additional training or seminars per calendar year These programs may be held at any location we designate We may charge a reasonable tuition fee or impose a reasonable materials charge for attendance at such programs You are responsible for all training or seminar-related expenses which may include travel, lodging dining and other incidental expenses

7 4 We shall communicate to you our Standards via the Digital Operating Manual or otherwise in writing and shall loan you one copy of our Digital Operating Manual at the initial training program We shall provide additions and supplements to the Digital Operating Manual as they become available and shall disclose information concerning developments relating to the System as we deem appropriate in our Business Judgment

7 5 We shall at our own expense maintain a telephone support line to provide ongoing consultation

and assistance during regular business hours For purposes of this Agreement regular business hours shall be from 8 30 a m to 5 00 p m Central Standard Time Monday-Friday excluding holidays We have the right to change the hours of telephone support as we deem necessary provided that we will notify you in writing of any changes

7 6 We shall at your request provide advisory analysis consulting photographic and marketing assistance at your location or within your Protected Territory (On-site Assistance') at times and dates mutually agreed upon You will be responsible for paying reasonable travel expenses plus $500 for the first day, and $250 per day thereafter for such assistance

7 7 During the Term we shall have the right but not the obligation to host and maintain an e-commerce enabled web site for the Franchised Business The web site shall include an intranet email system, and sales management system We retain ownership of all intellectual property and copyrights for this web site If we develop such an intranet you agree to use the facilities of the intranet in strict compliance with the standards protocols and restrictions that we include in the Digital Operating Manuals (including without limitation standards protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements)

7 8 Advise and assist you regarding operating issues concerning your PortraitEFX® franchise In addition we will provide guidance to you on standards specifications marketing and operating procedures and methods used by PortraitEFX® franchises This guidance will at our discretion be furnished in the Digital Operating Manual, bulletins, electronic media newsletters or other materials and/or during telephone consultations and/or consultations at such places as we mutually agree

7 9 Revise the Digital Operating Manual from time to time The Digital Operating Manual contains mandatory and suggested specifications standards, operating procedures and rules (System Standards) that we prescribe from time to time issue modify and supplement

7 10 We may hold a conference, either Live or 'Virtual via the Internet at least once each year for all franchisees to exchange ideas and provide suggestions on methods to improve operation of a PortraitEFX® franchise

7 11 At our option we may inspect and observe the operations of your Franchised Business from time to time to determine whether you are complying with this Agreement and all System Standards

7 ~~12 Provide optional fee-based advanced training modules and PortraitEFX® certification programs which you may be required to successfully complete prior to expanding your services and product offerings beyond those photography services and related product offerings we authorize you to offer upon completion of the initial training program Advanced PortraitEFX® training and certification modules are listed in Section 6 4 The fees and other cost associated with attending advanced PortraitEFX® trainings and obtaining PortraitEFX® Certifications is not included in your initial franchise fee In addition we have the option to introduce additional advanced training programs combine or discontinue any training programs currently being offered and charge fees for attendance and materials as we deem appropriate~~

~~7~~13 We may provide and continue to develop pre-approved marketing and advertising brochures marketing plans and marketing collateral materials for you to purchase

7 14 We may provide consolidated billing services where appropriate to facilitate integrated web based ordering and photo processing and final product delivery systems

7 15 We will pay a referral fee of $500 towards Franchisee Advertising and Marketing, or Training costs to a franchisee who introduces a prospective franchisee to us if we approve the prospect and we and the prospect sign a PortraitEFX® Franchise Agreement within 6 months after the referral is made and the prospective franchisee pays us the associated initial fee The prospective franchisee must have paid the current franchise fee in full and not have financed any portion of the franchise fee for you to be eligible for this referral fee Persons you refer must also have liquid assets of at least $~~16,750~~15,000 and a total net worth of $~~75~~50 000 We will pay this referral fee towards the franchisees Advertising Training or other fees when the referred prospective franchisee s Franchise Agreement is fully signed and the initial fee is fully paid

7 16 ~~You are~~In addition to the initial training, you are also required to attend at least one of our annual live

on location conferences every ~~two years at a location of our choosing You~~ other year unless you are excused by us for extenuating circumstances For any live on location conference (Non virtual) on location conference, you will be required to pay for all travel ~~meal~~food, and lodging expenses ~~for~~ you and ~~anyone who attends the national~~your participants incur in attending this conference In addition, we may ~~charge~~ assess a conference fee of up to $400 per person ~~for attending the annual~~to cover our costs of training, roundtables and other conference activities

If you or your designated representative don t attend at least one of our annual ~~conferences~~on location conference every ~~two years~~other year PortraitEFX® can at its discretion assess you up to a $400 attendance fee for failing to attend a live conference This fee must be paid within 30 days of your receipt of the invoice for this charge

7 17 It is optional for you to complete an infield Sales & Marketing (SAM) training which will include 32 Hours of training at your franchise location This SAM training program will be conducted by PortraitEFX® Training Personnel or Assignees The cost for this training is $2000 plus travel, lodging and meals for trainer This fee must be paid prior to the training being conducted

8 Image and operation

8 1 You will always operate your Franchised Business in full compliance with the then-current System System Standards and the Digital Operating Manuals, as each is modified by us from time-to-time in our Business Judgment

8 2 You must promptly comply with all ongoing requirements standards and operating procedures relating to the operation appearance function products and services, and with our other requirements for a Franchised Business Mandatory specifications, standards and operating procedures prescribed from time-to-time in the Digital Operating Manuals, or otherwise communicated to you in writing electronically or otherwise will constitute provisions of this Agreement as if fully set forth herein All references to this Agreement include all such mandatory specifications standards and operating procedures

8 3 Your Franchised Business may not be used for any purposes other than the operation of a Franchised Business in full compliance with this Agreement and the Digital Operating Manual

8 4 You will operate your Franchised Business in full compliance with all applicable laws ordinances and regulations including all licensing requirements You will not engage in any illegal discriminatory practices We make no representations as to what (if any) licenses permits authorizations or otherwise will be required in connection with the establishment or operation of your Franchised Business, and it is your sole responsibility to determine what licenses permits, authorizations or otherwise are required and to obtain them all at your sole cost

8 5 All advertising by you must be completely factual in good taste and will conform to high standards of ethical advertising, and must conform to the Standards for advertising set forth in the Digital Operating Manual We do not require you to spend a minimum amount of your Gross Revenues on local advertising, however, we strongly recommend that you conduct a local advertising program ~~We have established an advertising / marketing fund to promote system franchisees generally You must contribute to the advertising fund up to $50 per month based on monthly invoice We will supplement our Digital Operating Manuals to reflect the policies and procedures relating to the advertising fund~~

8 6 You will, in all dealings with your customers, suppliers and public officials, adhere to high standards of honesty integrity fair dealing and ethical conduct

8 7 You will refrain from any practice which may injure or diminish the goodwill associated with the Marks

8 8 You will notify us 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 relates to or which may affect the operation or financial condition of you and/or your Franchised Business

8 9 You acknowledge that the System is dependent on (among other things) the establishment of good

relationships with your customers You therefore agree

(a) To adopt and adhere to all aspects of the System including (among others) systems whereby any ~~inquires~~inquiries by customers or potential customers are responded to within twenty-four (24) hours

(b) To immediately report all customer complaints to us and to participate in any procedures specified by us for the resolution of such complaints In addition, you will fully cooperate with all means of quality control as we specify from time-to-time including (among others) pro-active quality control systems, such as "secret shoppers ', phone phantoms, customer thank-you programs customer response cards, and similar customer satisfaction programs we develop or employ

8 10 You understand and agree that each employee or independent contractor you hire will be required to a) sign an ~~Employment~~ Confidentiality and Non-Compete Agreement, the form of which must be approved by us and that we recommend that you retain local counsel in your state to review and conform the language of such agreements to ensure that it complies with state and federal laws applicable to your Franchised Business, and b) Conduct a background check on the Employee or Contractor to ascertain they have not been convicted of any felony You will be solely responsible for any and all legal and other fees incurred by you to do so You will be solely responsible for the supervision termination terms of employment compensation and proper training for each employee or independent contractor you hire

8 11 If you choose to operate your PortraitEFX® franchise from a commercial or store front studio location you must first obtain our prior written consent and/or attend and successfully complete our advanced training for ' Store Front Studio Operations '

8 12 Prior to acquiring a site for a commercial store front studio location by lease or purchase you must first identify a proposed site and submit to us in writing a description of the proposed site, evidence that the site satisfies our site selection guidelines and any other information we require We have up to 30 days after we receive this information to review and accept or not accept the proposed site and lease or contract for sale You agree to furnish to us a copy of the executed lease or contract of sale within ten (10) days after execution

8 13 You must obtain all zoning classifications clearances and approvals relating to the site and all required permits licenses, and certifications at your sole expense You must also certify that the insurance coverage required by this Agreement is in full force and effect prior to commencing business operations at the site

8 14 You understand and agree that our acceptance of a site does not guarantee that your PortraitEFX® Studio location will be profitable or successful at that site

8 15 You agree that you (i) will offer and sell only the Designated Equipment Products and Services that we periodically specify (ii) will not offer or sell at or from the Franchised Business any products or Services that we have not authorized, and (iii) will discontinue selling and offering for sale any products or Services that we at any time disapprove

8 16 You agree to obtain items and/or services only from our approved suppliers (including manufactures distributors photo processors labs marketing organizations, service providers, dealers and other sources) for any supplies, services, materials, equipment computer hardware software warranty services and products used or offered for sale by your franchise

8 17 You understand and agree that we may designate ourselves or our Affiliates (if any) as approved suppliers of any item or service including the Services

8 18 You may operate your Franchised Business through any individual you designate who has attended and successfully completed our initial training program and signed a confidentiality and non-competition agreement in a form acceptable to us- and having passed a background check You are not obligated to participate personally in the direct operation of your Franchised Business however you are responsible for the successful operation of your Franchised Business and are directly responsible to us under this Franchise Agreement whether you participate in the day-to-day operations or designate another individual to operate, manage and supervise your operations under this Franchise Agreement

8 19 Each of your Principals including your Operating Principal must sign the Personal Guaranty and Undertaking attached as Attachment A to this Franchise Agreement Any officers directors Principals and any employees or independent contractors that have access to our Digital Operating Manual must sign Confidentiality and Non-Competition Agreement substantially in the form attached as Attachment B to this Franchise Agreement

9 MARKS AND INTELLECTUAL PROPERTY

9 1 You understand and expressly acknowledge that

9 1 1 We own and retain all rights title and interest in and to the Intellectual Property and to all goodwill associated with and symbolized by the Marks, We have the right to use and to license the use of the Intellectual Property and we have the right standing and capacity to enforce all provisions of this Agreement related to the Intellectual Property,

9 1 2 Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our exclusive benefit and upon expiration or termination of this Agreement no monetary amount shall be assigned or payable to you for any goodwill associated with your performance of your obligations hereunder and

9 1 3 Your right and license to use the Marks and Intellectual Property under this Agreement is nonexclusive and we retain all other rights in and to the Intellectual Property You agree to use the Marks as the sole identification of the Franchised Business

9 2 You must use the applicable Marks as the sole identification of your PortraitEFX Franchise, and you must identify yourself as an independent owner in the manner we require You may not use any Mark as part of any corporate or trade name or with any prefix suffix or other modifying words terms designs or symbols (other than logos franchised to you under the Franchise Agreement) or in any form that has been modified, nor may you use any Mark in performing or selling any unauthorized services or products or in any other manner not expressly authorized in writing by us You must display the applicable Marks prominently at your PortraitEFX Franchise on supplies or materials designated by us, and on packaging materials, forms, labels and advertising and marketing materials You must display all applicable Marks in the manner we require, and you must use the registration symbol (®) in using the registered Marks You must refrain from any business or marketing practice which may be injurious to our business and the goodwill associated with the Marks or PortraitEFX Franchise 9 3 You may not register the Marks as part of any Internet domain name or Uniform Resource Locator (URL) and may neither display nor use any of the Marks or other Intellectual Property in connection with or associate the System with (through a link or otherwise) any website advertising, address or listing on the World Wide Web or any other portion of the Internet without our prior written consent You acknowledge that as between you and us we own all rights in and to the URL and domain name www portraitefx com You further agree not to register or use any URL or domain name that contains the word ' PortraitEFX®

9 4 You may not use the Marks to incur any obligation or indebtedness on our behalf You may not enter into any contracts or agreements on our behalf

9 5 You acknowledge that your unauthorized use of any of the Intellectual Property will constitute infringement of our rights therein which will entitle us to obtain an injunction in any court of competent jurisdiction under applicable equity rules, to restrain such infringement

9 6 You must promptly notify us of any apparent infringement of or challenge to your use of any of the Marks or other Intellectual Property We are not required to take affirmative action when notified of a claim or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks or Intellectual Property or if the proceeding is resolved unfavorably to you but will take whatever action we determine to be appropriate under the circumstances We have the right to control all administrative proceedings or litigation involving the Marks and Intellectual Property If we undertake the defense or prosecution of any litigation pertaining to any of the Marks or Intellectual Property you must sign all documents and perform such acts and things that may in the opinion of our counsel be necessary to carry out the defense or prosecution

9 7 We may designate new modified or replacement Marks for your use in your Franchised Business

and require you to use them in addition to or instead of any of the previously designated Marks (this change may require you and other System franchisees to do business under a trade name other than the trade name PortraitEFX®) In the event we require you to discontinue the use of one or more of our Marks you must pay your own expenses associated with implementing required changes, including the use of a new Mark

9 8 All ideas, concepts, techniques or materials relating to a Franchised Business, whether or not constituting protectable intellectual property and whether created by or on behalf of you or your Principals to the extent you are permitted will be promptly disclosed to us deemed to be our sole and exclusive property and part of the System and deemed to be works made-for-hire for us, except that you shall be entitled to use all such ideas, concepts techniques or materials without charge by us You and your Principals agree to sign whatever assignment or other documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas concepts techniques or materials You agree to sign all documents necessary to complete the assignment contemplated under this Section 9 8

9 9 You and each Principal hereby assign to us all tangible media of expression derived from any of the Copyrighted Works, and agree to sign any additional assignment documents that we ask you to sign which we believe are reasonably necessary to give effect to the purpose and intent of this Section 9

9 10 You agree that any images taken in conjunction with the performance of your business may be used by the Franchisor in advertising, for displays or in training or marketing collateral in perpetuity, and waive copyright protection for same

10 CONFIDENTIAL INFORMATION AND NONCOMPETITION COVENANTS

10 1 We will loan to you a copy of our Digital Operating Manual prior to your completion of our initial training program and will loan you additions and supplements to the Digital Operating Manual as they become available You must operate the Franchised Business in accordance with the Digital Operating Manual The Digital Operating Manual at all times will remain our property You must keep it in a secure place and must return it to us immediately upon request or upon termination or expiration of this Agreement or upon any Transfer We may periodically revise the contents of the Digital Operating Manual or any Standards contained in the Digital Operating Manual and you must immediately comply with all revised Standards You must keep the Digital Operating Manual current and up-to-date If any dispute arises as to the contents of the Digital Operating Manual, the terms of the master copy of the Digital Operating Manual that we maintain at our corporate headquarters will control If you lose or misplace the Digital Operating Manual we may impose a reasonable replacement fee to cover the cost of providing you with a replacement Digital Operating Manual

10 2 You acknowledge that all Confidential Information (including without limitation all customer information) belongs exclusively to us You must maintain the confidentiality of all Confidential Information and may neither duplicate nor divulge the Confidential Information to any Person not affiliated with the System, except to your employees and advisors on a need-to-know basis, provided that prior to disclosing any Confidential information such employees or advisors, other than legal or accounting, shall sign a confidentiality agreement in a form acceptable to us The failure to obtain the confidentiality agreement required in this Section 10 2 , shall be deemed a material default of this Agreement for which if we chose, we may immediately terminate your rights You may use the Confidential Information only for the purpose of operating the Franchised Business This obligation will survive the expiration or termination of this Agreement and any Transfer and will be perpetually binding upon you

10 3 You acknowledge that you and certain of your employees agents independent contractors and other persons will receive valuable specialized training and Confidential Information that are beyond your present skills knowledge and experience You further acknowledge that such specialized training and Confidential Information provide a competitive advantage to you, and are valuable in the operation of the Franchised Business, and that gaining access to such specialized training and Confidential Information therefore is a primary reason for entering into this Agreement In consideration for such specialized training and Confidential Information, you agree that

10 4 During the Term, neither you nor any Principal including your Operating Principal may directly or indirectly for themselves or through on behalf of or in conjunction with any Person(s)

10 4 1 Divert, or attempt to divert any business customer or potential customer to any competitor by direct or indirect inducement or otherwise

10 4 2 Employ or seek to employ, without our prior written consent any person who is employed or at any time in the preceding twelve (12) month period has been employed by us or any other System franchisee nor otherwise directly or indirectly induce or seek to induce such person to leave his employment or

10 4 3 Own operate engage in perform services for, participate or have any direct or indirect (e g , through an immediate family member or otherwise) as a disclosed or beneficial owner, investor, partner director officer employee consultant, representative or agent or in any other capacity in any Similar Business -located or operating at any location within the United States or any of its territories or commonwealths or any other jurisdiction in which we or any of our franchisees do business

10 5 For a continuous uninterrupted period of two (2) years beginning on date that this Agreement expires (unless you have entered into a successor franchise agreement) or is terminated (regardless of the reason for termination) or that you effect a Transfer of all of your interest in this Agreement or with respect to any Principal on the date that the Principal ceases to satisfy the definition of Principal' under this Agreement, neither you nor any Principal may directly or indirectly, for themselves or through on behalf of or in conjunction with any other Person

10 5 1 Divert, or attempt to divert any business, customer or potential customer to any competitor successor in interest or self by direct or indirect inducement or otherwise

10 5 2 Employ or seek to employ without our prior written consent any person who is employed or at any time in the preceding twelve (12) month period has been employed by us or any other System franchisee nor otherwise directly or indirectly induce or seek to induce such person to leave his employment or

10 5 3 Own operate engage in, perform services for participate or have any financial direct or indirect (e g , through an immediate family member or otherwise) as a disclosed or beneficial owner investor partner director officer employee, consultant representative or agent or in any other capacity in any Similar Business located or operating on the effective date of termination or expiration (a) at the site of any Franchised Business (b) within the Protected Territory (c) within a ten (10) mile radius of the Protected Territory or (d) within a ten (10) mile radius of any other Franchised Business in operation or for which we have granted a franchise to, and such Franchised Business is scheduled to begin operation within six (6) months from the date on which a person restricted by this Section becomes subject to this Section

10 6 The parties acknowledge and agree that each of the covenants contained in Section 10 5 are reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or other business interests or the system generally The parties agree that each of the covenants in Section 10 will be construed as independent of any other covenant or provision of this Agreement Except as expressly provided to the contrary herein each section, subsection paragraph term and provision of this Section 10, and any portion thereof will be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final non-appealable ruling issued by any court agency or tribunal with competent jurisdiction in a proceeding to which we are a party that ruling will not impair the operation of, or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible which will continue to be given full force and effect and bind the parties hereto although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires if you are a party thereto otherwise upon your receipt from us of a notice of non-enforcement thereof

10 7 We have the unilateral right in our sole discretion to reduce the scope of any covenant set forth in Section 10 5, above, or any portion thereof, which reduction will become effective immediately upon delivery of notice to you and you must comply with any covenant as so modified which will be fully enforceable notwithstanding the provisions of Section 10 6 above We may enforce the covenants contained in this

Section 10 notwithstanding any claim that you or any Principal may have or allege to have against us or our Affiliate

10 8 You must cause (a) all Principals to sign the Undertaking and Guaranty and (b) any officers directors, principals, and any key employees that have access to our Digital Operating Manual or other Confidential Information must sign Confidentiality and Non-Competition Agreement substantially in the form attached as Attachment B You must provide us with executed copies of such agreements within thirty (30) days after they are signed

10 9 You and each Principal acknowledge that ~~a violation of any of~~ the ~~terms~~actual damages likely to result from breach of this ~~Section~~section 10 ~~would result in irreparable harm to us for which no adequate remedy at law may be available Accordingly you and each Principal consent~~are difficult to ~~the issuance of an injunction prohibiting any conduct in violation~~estimate on the date of this ~~Section 10 without~~ agreement and would be difficult for the ~~necessity of showing actual or threatened harm likelihood of success on the merits of~~Franchisor to prove The parties intend that the payment of $10,000 as the ~~claim~~Liquidated Damages Amount would serve to compensate the Franchisor for any breach by Franchisee of its obligations under this section 10, and ~~without being required to furnish a bond or other security~~ they do not intend for it to serve as punishment for any such breach by Franchisee

11 RECORDS AND REPORTS

11 1 You ~~shall~~may (i) adopt either a calendar year fiscal year or any other 12-month period as your fiscal year for accounting purposes (ii) adopt and follow the accounting principles policies and practices we prescribe including use of our web based order entry system (iii) acquire install and use the computer systems and software we specify from time to time (iv) install and continually maintain a broadband Internet connection You acknowledge that we may electronically access the Franchised Business s data captured by and contained within our order entry system to obtain Gross Revenue figures as well as other financial and operating information

11 2 At Our request you shall furnish to us copies of all federal and state income and sales tax returns that you have filed with respect to the Franchised Business's income or sales

11 3 You shall permit us at any time during the term of this Agreement and for two years after its expiry or termination to audit your books and records relating to the Franchised Business's operation To assist us in planning and conducting our audit program you expressly authorize us to obtain from any vendor with which you do business copies of invoices and other sales data related to your account with the vendor

11 4 You shall maintain complete and accurate books and records relating to the operation of the Franchised Business in accordance with Section 11 1 You will also permit our representatives to inspect such books and records at reasonable times and within 45 days after the end of each fiscal year of the Franchised Business You are also required to submit to us a balance sheet, income statement and statement of cash flow for the year then ended These financial statements shall disclose separately the items specified by us on forms we provide and shall be prepared in accordance with the accounting principles and practices we prescribe and/or endorse If you are at any time required to furnish any lender lessor, and government agency or other Person audited or un-audited financial statements with respect to your franchised business, you shall concurrently furnish us a copy of such financial statements

12 RELATIONSHIP OF THE PARTIES

12 1 Independent Contractor Relationship You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venture partner or employee of the other for any purpose You agree to conspicuously identify yourself in all dealings with customers suppliers public officials personnel and others as the owner of the Franchised Business under a franchise we have granted and to place such notices of independent ownership on such forms, business cards stationery and advertising and other materials as we require from time to time

12 2 You are solely responsible for all the debts and obligations of the Franchised Business and the franchise represented by this Agreement including but not limited to, all bills, debts, taxes (including sales taxes) rents, employee payroll taxes, unemployment compensation insurance and employee benefits We

shall not be liable for any of your debts or obligations

12 3 You as an independent business person or entity, recognize that there are economic hazards in connection with the operation of any business, including the type contemplated by this Agreement We do not guarantee success, whether financial or otherwise even though you may follow or may rely on our advice, recommendations, programs, policies and procedures, including System Standards You acknowledge that you have made an independent investigation of the Franchised Business and that we have made no representations regarding the potential or future profitability of your Franchised Business You understand that any income or profits you may realize will be the result of your efforts and labors and not those of third parties This Franchised Business is not a security and you acknowledge that you are not relying on us our Affiliates or their respective officers directors member independent contractors agents salesman or any third party to produce your income pursuant to this Agreement

12 4 No Authority Nothing in this Agreement authorizes you to make any contract agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name We shall in no event assume liability for or be deemed liable under this Agreement for any act omission, claim or judgment arising from any action you undertake as a PortraitEFX® Franchise owner

13 INSURANCE AND INDEMNIFICATION

13 1 You shall procure at your sole cost and expense and maintain in full force and effect during the Term of this Agreement, a business liability insurance policy or policies protecting yourself and us against any loss, liability, personal injury death or property damage or expense whatsoever arising or occurring upon or in connection with the Franchised Business as we may reasonably require for our own and your protection We shall be named as an additional insured or loss payees on such policy or policies The insurance required hereunder will not limit your liability nor release ~~your~~you from any liability under this Agreement

13 2 Such policy or policies shall be written by an insurance company satisfactory to us and shall include at a minimum, the coverage specified in the Digital Operating Manual You acknowledge that such specified coverage is a minimum requirement only there is no assurance that specified minimum coverage will be sufficient to meet your individual needs

13 3 The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by us No later than ten days prior to the Commencement Date you must provide us with a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by you to us Such certificate shall state that said policy or policies will not be canceled or altered without at least twenty (20) days prior written notice to us and shall reflect proof of payment of premiums Maintenance of such insurance and the performance by you of the obligations of this Section 13 shall not relieve you of liability under the indemnity provision set forth in this Agreement Minimum limits as required above may be modified from time to time as conditions require by written notice to you

13 4 If you fail to maintain the required insurance coverage we have the right but are not obligated to procure and maintain such coverage on your behalf and shall be entitled to reimbursement for all out-of-pocket costs we may incur in procuring and maintaining such coverage on your behalf, and to collect an administrative fee equal to twenty-five percent (25%) of the annual insurance premium

13 5 You acknowledge and agree that you are responsible for all losses damages judgments liabilities claims injuries and illness to persons and all related costs and expenses arising directly or indirectly out of your ownership and operation of the Franchised Business

13 6 You agree to indemnify, defend and hold harmless us our franchisees and Affiliates and our and their respective shareholders members partners directors officers employees agents successors and assignees (the "Indemnified Parties") against and to reimburse any one or more of the Indemnified Parties for all claims any and all taxes described in this Agreement and any and all claims and liabilities directly or indirectly arising out of the operation of the Franchised Business or your breach of this Agreement without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole joint or concurrent or active or passive) or strict liability of us or any other party or parties in connection therewith Notwithstanding the foregoing this indemnity shall not apply to any liability

arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your Principals Operating Principals, officers directors employees, independent contractors or Affiliates For purposes of this indemnification "claims' includes all obligations damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including without limitation, accountants' arbitrators' attorneys' and expert witness fees costs of investigation and proof of facts court costs other expenses of litigation arbitration or alternative dispute resolution and travel and living expenses We have the right to defend any such claim against us This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party or otherwise to mitigate our their or your losses and expenses, in order to maintain and recover fully a claim against you You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you

13 7 Your obligations to defend hold harmless and indemnify us shall not be affected by the existence or non-existence of insurance

13 8 Our right to indemnity under this Agreement shall arise even if joint or concurrent liability may be imposed on us by statute ordinance, regulation, or otherwise We are not required to seek recovery from third parties or otherwise to mitigate our losses in order to maintain a claim for recovery against you under this Section 13 The terms of this Section 13 will survive termination or expiration of this Agreement or any Transfer

14 TRANSFER OF INTEREST

14 1 You acknowledge that we may transfer or assign, without your consent this Agreement and all or any part of our rights or obligations in this Agreement to any entity, including an entity who operates one or more businesses that are similar to or competitive with the Franchised Business We may also may sell our assets, our rights in the Marks, any of the Confidential Information or other Intellectual Property or the System to a third party may offer our securities privately or publicly may merge spin-off, acquire other companies or be acquired by another company may undertake a refinancing recapitalization leveraged buy-out or other economic or financial restructuring and you expressly and specifically waive any claims demands or damages against us arising from or related to any or all of the above sales assignments and dispositions Upon any such transfer the transferee shall be solely responsible to you for all obligations and duties arising subsequent to such sale assignment or disposition and we shall have no further liability to you We are not required to provide to you prior notice of any intended sale assignment or disposition

14 2 You acknowledge that the integrity of the PortraitEFX® concept and the stability of PortraitEFX® franchise network depend on the business qualifications financial capabilities honesty and integrity of our franchisees You further acknowledge that our lack of opportunity to evaluate and approve each potential franchisee's qualifications and the terms of each proposed transfer could irreparably damage the PortraitEFX® franchise system Consequently, you acknowledge and agree that neither you nor any Principal may affect a Transfer without our prior written consent Any transfer lacking our prior written consent or that otherwise violates the restrictions in this Section 14 2 will be ineffective against us and will constitute a material breach of this Agreement and shall be grounds for immediate termination of this Agreement

14 3 If you are in full compliance with this Agreement, and entered into this Agreement as an individual you may transfer this Agreement to a corporation or limited liability company which conducts no business other than operation of the Franchised Business in which you maintain management control and of which you own and control at least fifty one percent of the equity and voting power of all issued and outstanding capital stock or other ownership interest and further provided that all assets of the Franchised Business are owned and the entire business is conducted, by a single corporation or limited liability company Transfers of ownership interests in such corporation or Limited Liability Company will be subject to the provisions of Sections 14 Notwithstanding anything to the contrary herein you agree to remain personally liable under this Agreement as if the transfer to such corporation or limited liability company had not occurred and will execute any and all documents and instruments we may reasonably require to evidence that liability including the Undertaking and Guaranty, the form of which is attached as Attachment A to this

14 4 We may condition our consent, in the case of any other proposed Transfer on any or all of the following

14 4 1 All of your financial obligations are fully paid and satisfied,

14 4 2 The proposed transferee meets our then-current qualifications for new franchisees

14 4 3 The proposed transferee has attended and satisfactorily completed our initial training program

14 4 4 You and each Principal have executed a general release in a form acceptable to us of all claims against us, our Affiliates and their respective present and former officers directors, members employees agents, independent contractors or any other Person arising under this Agreement or the offer or sale of the franchise represented by this Agreement or under any federal state or local laws rules regulations or orders provided, that the release will not be inconsistent with any state law regulating franchising

14 4 5 We have received payment of the Transfer Fee ~~and~~

14 4 6 Upon our request the transferee has executed our then-current franchise agreement for the remainder of the Term, provided that the transferee shall not be required to pay any initial franchise fee due thereunder

14 4 7 If you utilize the services of any of our sales consultants (including outside agencies and brokers) in completing the transfer then, prior to transfer you or the transferee must reimburse us an amount equal to any commission or other sales compensation which we must pay to such persons by virtue of the Agreement or any other contract with such party

14 5 If you are a natural person and you die during the Term the executor administrator or other personal representative of your estate shall transfer your interest in this Agreement and sell the Franchised Business assets to a third party whom we have approved If you are a corporation or other legal entity and any of your Operating Principals die during the Term, we may at our option, require either that you repurchase, assign or extinguish the deceased person s interest or cause the transfer of the deceased person s interest to a third party whom we have approved Any transfer required under this paragraph must be concluded within a reasonable time after communication by us in writing of our intent to enforce the provisions of this Section 14 5 but in no event shall any required Transfer under this Section 14 5 occur later than twelve (12) months following your death or the death of one of your Operating Principals Any Transfer under this Section 14 5 shall be subject to the conditions of Section 14 4 provided that no Transfer Fee will be payable on account of the Transfer

14 6 If your Operating Principal dies or becomes permanently disabled during the Term you must designate a new Operating Principal within one hundred eighty (180) days from the date of such death or permanent disability Any replacement Operating Principal must complete to our satisfaction the initial training program before assuming responsibility as Operating Principal To the extent that such replacement requires a Transfer of an interest in this Agreement or in ownership of a Business Entity franchisee such Transfer shall be subject to the conditions described in Section 14 4 above provided that no Transfer Fee will be payable on account of the Transfer

14 7 If you or any Principal wish to transfer all or part of your interest in the Franchised Business or this Agreement or if you or a Principal wish to transfer any ownership interest in yourself pursuant to any bona fide offer received from a third party to purchase such interest then such proposed seller shall promptly notify us in writing of each such offer and shall provide such information and documentation relating to the offer as we may require We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation describing the terms of such offer to send written notice to the seller that we intend to purchase the seller s interest on the same terms and conditions offered by the third party In the event that we elect to purchase the seller s interest closing on such purchase must occur within sixty (60) days from the date of notice to the seller of the election to purchase by us, or such other date as the parties agree upon in writing Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of

an initial offer Our failure to exercise the option afforded by this Section 14 7 shall not constitute a waiver of any other provision of this Agreement including all of the requirements of Section 14, with respect to a proposed Transfer

15 DEFAULT AND TERMINATION

15 1 This Agreement shall terminate automatically without notice if (a) you become insolvent file a voluntary petition under any bankruptcy law or under any similar law or statute (b) you make a general assignment for the benefit of creditors, (c) you admit in writing your inability to pay any debt as and when it becomes due, (d) an involuntary bankruptcy action is instituted against you and is not dismissed within sixty (60) days from the date of filing (e) you are adjudicated bankrupt or insolvent in proceedings filed under any bankruptcy laws or under any similar law or statute, (f) a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or the Franchised Business is filed and you consent, or if a receiver or other custodian (permanent or temporary) of any of your assets or property is appointed by any court of competent jurisdiction (g) proceedings for a composition with creditors are instituted by or against you (h) a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless an appeal bond is filed) (j) execution is levied against the Franchised Business or your property (k) suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days (l) a significant portion of the personal property related to the operation of the Franchised Business is sold after levy thereupon by any government official or (m) you (if you are a Business Entity) are dissolved or your corporate charter is forfeited for any reason under the laws of the jurisdiction under which you were formed We reserve the ability to suspend services (Email & Website) freeze deliveries of goods and services and vendor accounts for non-compliance

15 2 We have the right to terminate this Agreement if you are in Default effective upon delivery of written notice of termination to you or where expressly applicable upon your failure to cure to our satisfaction any breach of this Agreement before the expiration of any time period within which such breach may be cured in accordance with the provisions set forth below 'Default, for purposes of this Section 15 means and includes without limitation any of the following

15 2 1 Failure to satisfactorily complete our initial training program as required by Section 7 of this Agreement,

15 2 2 You or any of your Affiliates fail refuse or neglect promptly to pay any monies owed to us or any of our Affiliates when due under this Agreement or any other agreement and do not correct such failure within ten (10) days after written notice of such failure is delivered to you

15 2 3 The conviction or plea of no contest by you or any Principal to a felony crime involving moral turpitude or other crime or offense that we believe is reasonably likely to have an adverse effect on the System or the Marks

15 2 4 You (or any of your Principals) have made any material misrepresentation or omission in connection with your application for and purchase of the Franchised Business including the franchise application you submitted to us for our evaluation or breach of any representation or warranty contained in Section 21 of this Agreement or any other Section of this Agreement

15 2 5 Commission by any Person in connection with the operation of the Franchised Business any fraud illegal activity or act that we believe is reasonably likely to threaten public health or safety

15 2 6 Any attempt by you or any Principal to affect a Transfer in violation of this Agreement,

15 2 7 Any misuse of the Marks or other Intellectual Property by you or any Principal and failure to correct such misuse within twenty-four (24) hours after receiving from us written demand for corrective action

15 2 8 Failure to maintain the confidentiality of Confidential Information by you or any Principal as required by Section 10 of this Agreement

15 2 9 Any other violation of this Agreement and failure to correct such violation within thirty (30) days after receiving written demand from us for corrective action

15 2 10 Repeated violation of this Agreement whether or not such violations are timely cured For purposes of this provision, 'repeated means two (2) or more violations occurring within any twelve (12) month period for which you have received written notice from us

15 2 11 You (or any of your Principals) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records to pay when due amounts owed to us or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you

15 2 12 You (or any of your Principals) fail to comply with any other provision of this Agreement or any other agreements between you your Principals, your Affiliates and us and our Affiliates, or any System Standards, and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you or

15 2 13 In the event of your death or disability or the death or disability of the owner of a Controlling Interest (51%) in you this Agreement or such owner's interest in you is not assigned as herein required

15 2 14 You fail to meet any Minimum Productivity Levels for a three month ending period and you fail to cure such default within 10 days of receiving written notice from us that you are in default of this Agreement

15 2 15 Franchisee can voluntarily terminate the franchise agreement at any time during the agreement term so long as they provide written notification 90 days prior to the termination date The Conditions for this voluntary termination are as follows Franchisee maintains 'Good Standing' prior to and until such a time as the voluntary termination becomes effective You are in Good Standing' if you (and each of your principles and/or affiliates) are not in default of any obligation to us whether arising under this Agreement or any other agreement between you (or any of your principles and/or affiliates) and us, the Manuals or other System requirements (collectively the 'Obligations), provided that you are not in Good Standing if you have been in default at the time of request for termination of this Agreement of any of your obligations and such defaults are either not subject to cure, or as of the date of determination of whether you are in Good Standing have not been timely and adequately cured and/or the defaults are part of a series of repeated or cross defaults as set forth in this Agreement

__A-_ Franchisee agrees to sign a voluntary release form if they initiate the termination B Franchisee and PortraitEFX complete and sign a mutual agreement to hold each respective party harmless C Both parties will agree to refrain from negative public comments regarding each other for the length of the original franchise agreement D In the event of voluntary termination Franchisee understands that no fees or franchise payments will be refunded

16 PROCEDURES AFTER EXPIRATION OR TERMINATION

16 1 Upon termination or expiration of this Agreement you shall immediately

16 1 1 Pay to us all sums due and owing,

16 1 2 Cease all use of all Marks and other Intellectual Property

16 1 3 You may not directly or indirectly at any time or in any manner promote and market yourself or your business as a current or former PortraitEFX® Franchised Business, or as one of our current or former franchisees, use any Mark any colorable imitation thereof or other indicia of a PortraitEFX® franchisee in any manner or for any purpose, or utilize for any purpose any trade name trade or service mark or other commercial symbol that indicates or suggests a connection or association with us including but not limited to by use of a

website,

16 1 4 Return to us the all documents containing Confidential Information or bearing the Marks including all marketing materials brochures business cards stationery and other item bearing the Marks We will also require a LIST OF YOUR CURRENT OR PAST CUSTOMERS

16 1 5 Turn over to us all advertising and promotional materials Digital Operating Manuals, records files materials, instructions, correspondence brochures forms, agreements Digital Operating Manuals and any and all other materials and all copies thereof in your possession related to our business and -otherwise cease to represent yourself to the public as a current or former PortraitEFX® franchisee

16 1 6 Surrender to us all signs stationery letterhead forms and printed packaging and advertising materials and remove any signage or graphics reflecting any of the Marks or Intellectual Property

16 1 7 Cease providing Services to any former customers acquired under the PortraitEFX® Mark and adhere, and ensure that each Principal adheres to the post term confidentiality and no compete obligations set forth in Section 10 5 of this Agreement

16 1 8 Provide us within thirty (30) days after the effective date of termination or expiration with evidence satisfactory to us of your compliance with the foregoing obligations

16 1 9 Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark including but not limited to any electronic address domain name or website which displays any Mark or that identifies you as associated with us or with a Franchised Business

16 1 10 _Pay to us all damages costs and expenses including reasonable attorney s fees and expenses incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 17 and

16 1 11 Adhere to all provisions of this Agreement which by their nature survive the termination or expiration hereof

17 NOTICES

17 1 All notices request and reports required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by any of the following delivery methods (a) expedited delivery service (b) certified or registered mail return receipt requested, (c) first-class mail, postage prepaid or (d) via electronic mail, facsimile or other electronic system (provided confirmation is sent by expedited delivery service or registered or certified mail Notices shall be sent to the parties at the addresses reflected in the Summary Page unless and until a different address or number has been designated by written notice to the other party Notices delivered or sent pursuant to (a) or (b) will be considered to have been delivered at the time of personal delivery by the sender or receipt by the recipient Notices delivered or sent pursuant to (c) will be considered to have been delivered on the third business day following the date that the notice was deposited in the U S Mail Notice delivered by (d) shall be deemed delivered one (1) business day after transmission by electronic mail facsimile or other electronic system

18 DISPUTE RESOLUTION

18 1 Except as otherwise provided in this Article 18 in the event of any claim or controversy between the parties (a Dispute) the disputing party shall serve upon the other party written notice of the dispute including a detailed description of all claims The parties shall use good faith efforts to resolve the Dispute If the Dispute is unresolved within fourteen (14) days after delivery of the notice described in this Section 18 1 , then the parties shall meet face-to-face at our headquarters within sixty (60) days of delivery of the notice

18 2 If any Dispute is unresolved after the sixty (60) day period described in Section 18 1 the Dispute shall be submitted for resolution by a single arbitrator in accordance with the American Arbitration

Association s (AAA) Rules of Commercial Arbitration Arbitration shall be initiated conducted and concluded in Chicago IL The parties shall jointly select an arbitrator from the panel of arbitrators maintained by the AAA The arbitrator must be either a retired judge or an attorney experienced in the practice of franchise law who has no prior social business or professional relationship with either party If the parties are unable to agree on an arbitrator within 30 days after the arbitration demand is filed the parties shall direct the AAA to select an arbitrator possessing these criteria The arbitrator s award shall be final and binding on all parties and neither party shall have any right to contest or appeal the arbitrator s award except on the grounds expressly provided by the Federal Arbitration Act (the 'Arbitration Act') The party who demands arbitration shall pay the arbitration filing fee but the parties will otherwise separately bear their own costs and expenses (including legal fees) of participating in the arbitration process The arbitrator shall not be authorized to award either party extra contractual damages (i e compensatory, reliance or punitive damages) Notwithstanding the foregoing sentence the arbitrator shall award attorneys fees and costs to the prevailing party in such arbitration proceeding Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof

18 3 Nothing in Section 18 1 or 18 2 above shall prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment a temporary injunction preliminary injunction and/or other emergency relief available to safeguard and protect Our Marks or Intellectual Property prior to the filing of any arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any arbitration proceeding

18 4 Further notwithstanding Sections 18 3 the parties mutually agree that we shall not be obligated to arbitrate any claim arising from your failure to pay when due any monetary obligation to us, unless you assert a counter-claim based on our alleged breach of a material obligation under this Agreement in which case our suit will be stayed and the entire matter will be referred to arbitration

18 5 The parties acknowledge and agree that this Agreement is entered into in Chicago, IL and that valuable services will be provided from Chicago, IL Accordingly with respect to any action filed pursuant to Sections 18 3 or 18 4 above the parties hereby consent to the personal jurisdiction of the state courts located in Chicago IL and the appropriate U S District Court for Chicago, IL The parties further agree that service of process by certified mail return receipt requested shall be sufficient to confer *in persona* jurisdiction over them in connection with any such action All representations requiring the franchisees to assent to a release estoppel or waiver of liability incurred under the Maryland Franchise Registration and Disclosure Law are void All claims under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of this Franchise

19 ENTIRE AGREEMENT AND MODIFICATION OF AGREEMENT

19 1 The preambles and exhibits to this Agreement and your application for the Franchised Business are a part of this Agreement which together with the Digital Operating Manuals constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document

19 2 Except for our unilateral right to modify the Standards as provided in this Agreement the parties acknowledge and agree that this Agreement may not be modified except by written agreement signed by both parties

19 3 The provisions of this Agreement are severable and if any provision is held illegal, invalid or unenforceable the holding shall not affect the legality, validity or enforceability of any other provision Any illegal, invalid or unenforceable provision shall be reformed to the minimum extent necessary to render it legal valid and enforceable and as so reformed shall continue in full force and effect

20 CHOICE OF LAW AND CONSTRUCTION

20 1 This Agreement shall be governed by and interpreted and enforced under the laws of the state of Illinois, without regard to its conflicts of law principles, except that the non-competition covenants in this Agreement shall be governed by the laws of the state in which the Franchised Business is located or if the Franchised Business operates in multiple states, the state in which you maintain your principal offices

20 2 Section headings are inserted for convenience and reference only, and are not intended to define, limit or describe the scope, intent or language of this Agreement or any of its provisions

20 3 The language of all provisions of this Agreement shall be construed according to fair meaning and shall not be strictly construed against either party

20 4 The provisions of this Agreement are severable, and this Agreement shall be interpreted as if all completely invalid or unenforceable provisions were not contained herein and all partially valid and enforceable provisions will be enforced to the extent that they are valid or enforceable If any provision of this Agreement may be construed in two ways one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render it valid and enforceable such provision shall have the meaning which renders it valid and enforceable

20 5 The ~~parties~~ parties acknowledge that various provisions of this Agreement specify certain matters are within our discretion or judgment If our discretion or judgment is challenged you hereby acknowledge and agree and direct the Trier of fact in any arbitration or judicial proceeding to conclude that the exercise of our discretion or judgment was reasonable and proper if it served or was intended to serve any legitimate business purpose, even if other motivating factors may have existed

20 6 The parties acknowledge and agree that either party s failure to demand full compliance with any provision of this Agreement shall not be considered a waiver of the party s rights regardless of any law custom, usage or rule to the contrary Any delay or omission by any party to enforce its rights with respect to any particular breach or default shall not affect the party s rights with respect to any subsequent breach or default

20 7 Unless otherwise provided by this Agreement, all rights and remedies granted by this Agreement are cumulative Our election to exercise any remedy available by law or contract shall not be deemed a waiver of or preclude our right to seek or obtain, any other remedy

20 8 This Agreement shall be binding on the parties and their heirs executors personal representatives successors and assigns All signatories to this Agreement as Franchisee shall be jointly and severally liable for the performance of all terms covenants and conditions hereof

20 9 Any provision of this Agreement which reasonably may be interpreted to impose any obligation after Transfer or termination or expiration hereof shall survive such Transfer, termination or expiration and be binding on the parties

21 REPRESENTATIONS AND WARRANTIES

21 1 We make no warranties or representations, except those expressly set forth in this Agreement

21 2 You and each Principal warrant and represent to us that you and each Principal have the right and authority to enter into this Agreement that no such person or entity is a party to any agreement that might interfere with the performance of this Agreement and that entering into this Agreement will not interfere with or breach any contracts to which you or any Principal currently is a party If you are a Business Entity you represent and warrant that you are duly organized or formed validly existing and in good standing under the laws of the state of your organization or formation and are duly qualified and authorized to do transact or conduct business in each jurisdiction where your business activities require qualification You will also ensure that your organizational documents or partnership agreement, if you are a Business Entity franchisee will state that the issuance and transfer of ownership interests in you are restricted by the terms of this Agreement and your share certificates and other documents representing ownership interests in you will bear a legend referring to those restrictions

21 3 You and each Principal warrant and represent to us that you have not received from us or any of our representatives any information concerning actual or potential earnings of the franchise contemplated hereunder and that neither you nor any Principal have relied on any such earnings representations made by us or our representatives in making the decision to purchase the franchise represented by this Agreement

21 4 Each party represents to the other party that it has full right and authority to enter into this Agreement

22 ACKNOWLEDGMENTS

22 1 YOU ACKNOWLEDGE THAT NO SALESPERSON REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO MAKE ANY REPRESENTATION OR AGREEMENT THAT IS BINDING ON US EXCEPT AN AUTHORIZED OFFICER BY WRITTEN DOCUMENT YOU ACKNOWLEDGE THAT NO REPRESENTATIONS PROMISES INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON OUR BEHALF WHICH HAVE CAUSED YOU TO ENTER INTO THIS AGREEMENT YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE DEPENDS SOLELY ON YOUR EFFORTS, BUSINESS JUDGMENT AND THE PERFORMANCE OF YOUR EMPLOYEES MARKET CONDITIONS AND OTHER FACTORS BEYOND OUR CONTROL OR INFLUENCE YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE SUCCESSFUL OR LESS SUCCESSFUL THAN OTHER FRANCHISEES, AND THAT WE HAVE MADE NO REPRESENTATION OR PROMISE THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE

22 2 YOU AND EACH PRINCIPAL ACKNOWLEDGE RECEIPT OF OUR FEDERAL DISCLOSURE DOCUMENT AT LEAST TEN (10) BUSINESS DAYS (FOURTEEN CALENDAR DAYS IN ILLINOIS) PRIOR TO YOUR EXECUTION OF THIS AGREEMENT OR PAYMENT OF ANY CONSIDERATION FOR THE FRANCHISE YOU AND EACH PRINCIPAL ACKNOWLEDGE THAT YOU HAVE RECEIVED THIS AGREEMENT AND ANY AMENDMENT HERETO WITH ALL BLANKS FILLED IN, AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO EXECUTION OF THIS AGREEMENT

22 3 AS AN INDEPENDENT BUSINESS PERSON YOU AND EACH PRINCIPAL RECOGNIZE THAT THERE ARE ECONOMIC HAZARDS IN CONNECTION WITH OPERATING ANY BUSINESS INCLUDING THE AREA DEVELOPMENT FRANCHISE YOU ACKNOWLEDGE THAT WE HAVE NOT GUARANTEED YOUR SUCCESS FINANCIAL OR OTHERWISE EVEN THOUGH YOU MAY FULLY COMPLY WITH THIS AGREEMENT CONFORM TO OUR STANDARDS, AND FOLLOW OUR ADVICE AND RECOMMENDATIONS

22 4 YOU ACKNOWLEDGE THAT YOU HAVE MADE AN INDEPENDENT INVESTIGATION OF THE PORTRAITEFX® FRANCHISE OFFERING YOU ACKNOWLEDGE AND AGREE THAT THIS FRANCHISE IS NOT AN INVESTMENT CONTRACT OR OTHER SECURITY YOU UNDERSTAND THAT ANY INCOME OR PROFITS THAT YOU MAY REALIZE WILL BE PRIMARILY THE RESULT OF YOUR EFFORT AND LABOR AND NOT THE EFFORT OR LABOR OF US, OUR AFFILIATES OR ANY THIRD PARTY

22 5 YOU ACKNOWLEDGE THAT COMPANY HAS RECOMMENDED AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN REVIEW OF THIS AGREEMENT AND OUR FEDERAL DISCLOSURE DOCUMENT BY YOUR LAWYER ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO ENTERING INTO THIS AGREEMENT

22 6 WE HAVE APPROVED YOUR APPLICATION FOR A FRANCHISED BUSINESS IN RELIANCE ON THE MATERIALS YOU HAVE SUBMITTED AND THE STATEMENTS YOU HAVE MADE TO US IN CONNECTION WITH YOUR APPLICATION FOR THE PURCHASE OF THIS FRANCHISE AS AN INDUCEMENT TO OUR ENTRY INTO THIS AGREEMENT YOU REPRESENT TO US THAT ALL OF THOSE MATERIALS AND STATEMENTS ARE COMPLETE AND ACCURATE AND DO NOT CONTAIN ANY MISREPRESENTATIONS OR MATERIAL OMISSIONS

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed

FRANCHISOR	FRANCHISEE
PortraitEFX Franchise Corporation	______________________
By ______________________	By ______________________
Name ______________________	Name ______________________
Title ______________________	Title ______________________

Date ____________________

Date ____________________

By ____________________

Name ____________________

Title ____________________

Date ____________________

ATTACHMENT A

"Undertaking and Guaranty"

The undersigned (whether one or more herein called "Guarantors") general partners or holders of the outstanding equity interests in the Franchisee under the Franchise Agreement to which this Undertaking and Guaranty is annexed jointly and severally absolutely and unconditionally guarantee to Franchisor, its successors and assigns ("Company")

(1) The faithful and punctual performance of each and every duty and obligation of the Franchisee under the Franchise Agreement,

(2) The payment in full when due of any and all amounts for which the Franchisee may become obligated pursuant to Sections 4 11, 14 and 15 of the Franchise Agreement The monetary obligations described in clauses (2) through (4) above are called 'Debts'

This is a continuing Guaranty and applies to all Debts for or with respect to which the Franchisee may become obligated whether during the initial Term of the franchise any renewals or extensions thereof or, with respect to Debts described in clause (4) above, after the franchise s expiration, termination or cancellation This Guaranty shall be binding upon each Guarantor s heirs executors administrators guardians successors and assigns and under no circumstances will any Guarantor s obligations under this Guaranty be released or extinguished without Our written consent and release or until all Debts have been paid in full whether or not a Guarantor s interest in you is transferred sold or otherwise surrendered

Guarantors expressly waive demand and diligence on the part of the Company in the collection of any of the Debts and agree to all extensions that may be granted to the Franchisee by Company Company shall be under no obligation to notify Guarantors of any sales or extensions of credit to the Franchisee in reliance on this Guaranty, or of the failure of the Franchisee to pay any of the Debts when due, or to use diligence in preserving the liability of any person on the Debts or in bringing suit or in taking other action to enforce collection of the Debts

If the Franchisee s status should change through merger consolidation or otherwise, this Guaranty shall cover the Debts of the Franchisee under its new status according to the terms of this Guaranty

Company shall not be required to pursue or exhaust any remedies against the Franchisee, to foreclose its interest in any collateral now or hereafter held by Company as security for the payment of the Debts to terminate the Franchise Agreement or to take any other action before requiring payment under this Guaranty Without in any manner impairing or diminishing the obligations of Guarantors under this Guaranty, Company may elect to pursue any legal or equitable remedy available against the Franchisee or against any collateral held by Company even though the exercise by Company of such remedy results in loss to Guarantors of any right of subrogation or right to proceed against the Franchisee for reimbursement

If the Franchisee is not liable on any of the Debts because the act of their creation is ultra vires, or if the officers or persons incurring any of the Debts acted in excess of their authority and therefore the Debts cannot be enforced against the Franchisee Guarantors shall nevertheless be liable under this Guaranty

If any payment by the Franchisee to Company is held to be a preference under the United States Bankruptcy Code or if for any other reason Company is required to refund such payment or pay the amount thereof to any other person such payment by the You shall not constitute a discharge of Guarantors from any liability under this Guaranty and Guarantors agree to pay such amount to Company upon demand

Each Guarantor represents that he or she owns a substantial equity interest in the Franchisee and that he or she is receiving consideration from the Debts that is a material direct benefit to such Guarantor

Each Guarantor agrees that this Guaranty is to be performed by Guarantors in Chicago, IL that this Guaranty shall be deemed to be a contract made under the laws of Illinois and that this Guaranty and the rights of the parties hereto shall be governed by, interpreted in accordance with and enforced under Illinois law Guarantors agree to pay our reasonable attorney's fees if this Guaranty is placed in the hands of an attorney for collection or if it is collected through a proceeding in any court

The provisions of Sections 4, 8, 9 10 19, 21 and 22 of the Franchise Agreement are incorporated into this Undertaking and Guaranty by this reference Each Guarantor acknowledges the contents of and agrees to be personally bound by the restrictions, limitations and obligations set forth in each of those Sections to the same extent as though Guarantors were the Franchisee

GUARANTORS' SIGNATURES

Signature ________________________________

Name Printed ________________________________

Street Address ________________________________

Telephone Number ________________________________

Signature ________________________________

Name Printed ________________________________

Street Address ________________________________

Telephone Number ________________________________

Signature ________________________________

Name Printed ________________________________

Street Address ________________________________

Telephone Number ________________________________

ATTACHMENT B

"Confidentiality and Non-Competition Agreement"

(For trained employees, shareholders, officers, directors, members, and general partners of Franchise)

SAMPLE FORM ONLY

In consideration of my being a ______________________ of ______________________ (Covenanter of Franchisee, and for other good and valuable consideration the receipt and sufficiency of which is acknowledged I hereby acknowledge and agree that

1 ______________________ doing business as ______________________ (the Franchisee") has acquired the right and franchise from PortraitEFX® Franchise Corporation (PortraitEFX®") to establish and operate a PortraitEFX® Franchise and the right to use in the operation of the Franchised Business the PortraitEFX® trade names trademarks service marks including the service mark PortraitEFX® (the Marks) and the system developed by PORTRAITEFX® for operation and management of a PortraitEFX® franchised businesses (the 'System) as they may be changed improved and further developed from time to time at the sole discretion of PortraitEFX®

2 PortraitEFX® possesses certain proprietary and confidential information relating to the operation of the System, which includes the Digital Operations Manual, trade secrets and copyrighted materials methods and other techniques and know-how (the Confidential Information)

3 Any and all Digital Operating Manuals, trade secrets, copyrighted materials methods information knowledge know-how and techniques which PortraitEFX® specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement

4 As a Covenanter of the Franchisee PORTRAITEFX® and Franchisee will disclose the Confidential Information to Covenanter in furnishing to Covenanter the training program and subsequent ongoing training, PortraitEFX -Digital Operations Manual (the DOM) and other general assistance during the term of this Agreement

5 Covenanter agrees that he/she will not acquire any interest in the Confidential Information other than the right to utilize it in the operation of the Franchised Business during the term hereof and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition

6 The Confidential Information is proprietary involves trade secrets of PortraitEFX® and is disclosed to Covenanter solely on the condition that he/she agrees, and does hereby agree that Covenanter shall hold in strict confidence all Confidential Information and all other information designated by PortraitEFX® as confidential Unless PortraitEFX® otherwise agrees in writing Covenanter will disclose and/or use the Confidential Information only in connection with the duties as ______________________ of the Franchise and will continue not to disclose any such information even after Covenanter ceases to be in that position and will not use any such information even after Covenanter ceases to be in that position unless Covenanter can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement

7 Except as otherwise approved in writing by PortraitEFX® Covenanter shall not, while in the position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of Covenanters' position with the Franchised Business regardless of the cause for termination and continuing for one (1) years thereafter either directly or indirectly, for Covenanter or through on behalf of or in conjunction with any other person partnership corporation or other limited liability company own maintain engage in, be employed by or have any interest in any other business which operates a professional photography service or offers other similar products or services offered by the Franchised Business, under the PortraitEFX® System as of the date of termination of Covenanters employment within the Territory, as that term is defined in the Agreement This restriction does not apply to Covenanters' ownership of less than five percent beneficial interest in the outstanding securities of any publicly-held

corporation

8 Covenanter agrees that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which PortraitEFX® is a party, Covenanter expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement

9 Covenanter understands and acknowledges that PortraitEFX® shall have the right, in its sole discretion to reduce the scope of any covenant set forth in this Agreement or any portion thereof without Covenanter s consent effective immediately upon receipt of written notice thereof and Covenanter agrees to comply forthwith with any covenant as so modified

10 PortraitEFX® is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee Covenanter is aware that a violation of this Agreement will cause PortraitEFX® and the Franchisee irreparable harm therefore Covenanter acknowledges and agrees that the Franchisee and/or PortraitEFX® may apply for the issuance of an injunction preventing Covenanter from violating this Agreement and Covenanter agrees to pay the Franchisee and PortraitEFX® all the costs it/they incur(s), including without limitation legal fees and expenses if this Agreement is enforced against Covenanter Due to the importance of this Agreement to the Franchisee and any claim Covenanter has against the Franchisee or PortraitEFX® is a separate matter and does not entitle Covenanter to violate or justify any violation of this Agreement

11 This Agreement shall be construed under the laws of the State of Illinois The only way this Agreement can be changed is in writing signed by both the Franchisee and Covenanter

12 With respect to all claims, controversies and disputes, Covenanter irrevocably consents to personal jurisdiction of the state courts located in Chicago IL Covenanter acknowledges that this Agreement has been entered into in the state of Illinois and that Covenanter is to receive valuable information emanating from PORTRAITEFX® headquarters in Charlotte NC In recognition of information and its origin Covenanter hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Illinois as set forth above Notwithstanding the foregoing Covenanter acknowledges and agrees that PortraitEFX® may bring and maintain an action against Covenanter in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages under the usual equity rules including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions

THE PARTIES HERETO INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS AGREEMENT THE DAY AND YEAR FIRST ABOVE WRITTEN

Signature ______________________	**ACKNOWLEDGED BY FRANCHISEE**
Name ______________________	Signature ______________________
Title ______________________	Name ______________________
Address ______________________	Title ______________________

ATTACHMENT C

"Designated Equipment, Accessories & Software"

PortraitEFX Franchisee Starting Equipment List

This package is appropriate for a franchisee planning to operate a basic home based and/or location based photography business offering in-home and location family portraits as well as a variety of higher volume opportunities such as special events private schools, daycares and some sports leagues As an owner progresses in growing this franchise one can expect to enhance this basic package with additional/back up camera bodies, multiple light sets extra accessories and at least one back up computer While this franchise only requires one computer to operate it is our 'best practices recommendation that each owner purchase an identical computer to serve as a backup Owners with a backup computer and currently backed up files on their external drive experience an almost seamless transition in the event of a system failure

Components from these packages can be mixed and matched to suit any particular business need We will evaluate all requests and make recommendations based on specific needs

Equipment you may already own – Professional level digital cameras professional quality lenses and flash lighting will be accepted into the system in lieu of a like component on our equipment package lists A member of our photography training staff will evaluate your equipment and grant the exception in writing if the equipment is deemed suitable to produce professional quality results in the volume market

Film based camera equipment - The PortraitEFX® photography workflow product offering and marketing programs are all developed and based on using digital cameras as the original capture device Film cameras will not be accepted for use in a PortraitEFX® franchise

(See charts on following pages for detailed description and current pricing)

PortraitEFX Recommended Equipment List – Revised ~~4~~04/01/~~2016~~2017 – This list represents the equipment you'll need to INITIALLY operate your business Additional equipment will be needed as you grow or diversify your business The HIGHLIGHTED items are the only items you need to purchase prior to Essentials Training The remainder of the equipment many be purchased after training We will provide resource information, but you are not required to buy from these sources Of course, if you already own equivalent equipment, this will reduce your needed investment Check with us to confirm

		~~OrePetameMa3&20100~~		~~$129~~	~~$129~~
~~135mm, min~~		~~Canon 7D w/18-135~~		~~$1199~~	~~$1199~~
~~Back-up Camera Body and Lens (APS format, plastic construction OK)~~ ~~Round Rubber Lens Shade for above~~	~~1~~ ~~1~~	~~Nikon D5200 w/18-105~~ ~~Generic to fit~~		~~$1099~~ ~~$8~~	~~$1099 or~~ ~~$8~~
~~UV Filter for Above~~	~~1~~	~~Canon T4i w/18-135~~ ~~Generic to fit~~		~~$1099~~ ~~$38~~	~~$1099~~ ~~$38~~
[illegible]	12	[illegible]		$125	$816
~~with 2.5 Tele Meter~~ ~~Flash Brackets for above~~		[illegible]		[illegible]	[illegible]
~~Extra Wide Background Support system (min. 20' wide)~~		[illegible] ~~Night Receivers~~ $39		[illegible]	Cost $199
~~Flash Bracket for Back up Camera~~ ~~Adjustable Posing Stool/target~~	~~1~~	~~Custom Bracket Digital~~ ~~CAT-PAC or Ed Zerbe Posing Stool 24"~~		$69 $179	$69 $84 $158
Sturdy Tripod with camera head and	1	Manfrotto 294 Tripod Head	1	Cat #SW from Denny Mfg Co or,	$79 ~~$259~~	$79 $179 $259, or
~~Set of Posing Boxes~~ ~~(min. construction)~~	1	Manfrotto 294 Plate		PB Set from Denny Mfg	$14	$14 $49 9
~~Scissor bracket to mount Camera~~ (Bring 1	1	~~Nikon D3000 w/18-105~~ ~~Add~~ with TTL exposure		[illegible] set	[illegible]
Camera Equip Carry Case to hold two cameras lenses and flash	2	~~PRO102~~ ~~camera~~ above TTL control is required		[illegible]	[illegible]
	12	~~Nikon D7000 body only~~ Any Nikon or Canon		[illegible]	~~$1000~~
Studio Lighting Equipment – We recommend lighting by Alien Bee Lighting 1-800-445-5842					
~~Backgrounds & Supports~~		~~accents are qu lenses 24/28~~ ~~minimum~~			
~~Studio Style Muslin~~ 10x20	1	~~#MM2214 Kig~~			
~~B-800 Lites w/ standard reflectors in Black, white or blue colors~~		~~Greenscreen 9'x20'~~	5	~~#B-800~~ ~~"Canberra" from FJ~~	~~$280 ea~~	~~$1400~~
~~Studio Style Muslin – 10x20'~~ Battery Pack for above	~~1~~	~~Westcott~~	1	Vagabond Mini Lithium #VM120	$~~240~~ $2402 9 ~~$199~~ 129	$240
9x20' Greenscreen MUST be "PhotoBasics" olive from FJ Westcott 2nd Backup Battery	1		1	Vagabond Mini Lithium ~~VMB8 8A~~	$90	$90
13 Light Stands			5	2200556 INT13	$69 ea	$345
32'x40 Foldable Softboxes			2	#FSB3240 with Speedrings 32X48 with ring	$108 ea	$216
10"x36" Foldable Stripboxes			3	#FSB1036 with Speedrings 12x36 with ring	$168 ea	$504
Egg Crate Grid for ~~12x36~~2x36 Stripboxes			3	#G1035 Foldable Stripbox Grid for 12x36	$44 ea	$132
30--degree grid – for standard 7' reflector			1	#HG30	$15	$15
Wired Remote Control for Alien Bees			1	#LG4X 4 channel Remote control	$100	$100
36' -42" White (not satin) Umbrellas w/ black backing			2	3220037 ProBlkWht	$24 ea	$48
Background Light stands			2	3220005 ProBkg	$24 ea	$48
Super Clamps (or equivalent)			2	2201559 ProClamp	$22 ea	$44
Real" Gaffer's Tape Black 2 width			2	1215075 BlkGaffer	$22 ea	$44
Computer and Software						
Late Model PC (not MAC) Laptop Computer – not more than two years old These are minimum Specs			1	Windows 7, 8 or ~~8~~10 Operating system, 15 monitor, 2 GHz or faster processor 8GB RAM ~~350GB~~500GB HD~~, 4x CD/DVD Writer~~	$800 est	$800
External CF / SD Card Reader USB 2 or 3			1	Commodity Product	$25	$25
MS Office Professional Software Suite (Word Excel, PPT Outlook & Publisher			1	~~Via online Download~~	$249	$249
Editing / Archiving Software			1	ACDSee PRO 6 Photo Manager	$79	$79, or

~~Item~~	~~Qty~~	~~Example(s) of Manufacturers and Model Numbers~~	~~Est Cost ea 4/1/16~~	
~~Editing / Archiving Software~~	1	Or Adobe Lightroom 3 or 4	$149	$149
~~Automatic Retouch Software~~	~~1~~			
Automatic Retouch Software	1	~~portraitprofessional~~Portrait Professional com (Pro Vers)	$69	$69
Photoshop – Elements' or Full Vers (Full version is NOT required)	1	Photoshop Elements (current version)	$99	$99
~~Photoshop – "Elements" or Full Vers (Full version is NOT required)~~	~~1~~	Photoshop CS3 or newer		
		TOTAL INVESTMENT IF EVERYTHING MUST BE PURCHASED INITIALLY	**$10,882 to $12,506**	

ATTACHMENT D

"Protected Territory"

ATTACHMENT E

Promissory Note

(SAMPLE)

On this date of ____________ ______ the undersigned borrower FRANCHISEE NAME (Borrower') promises to pay to PortraitEFX® Franchising Corporation the "Lender the sum of $__________ Dollars which represents the balance of the initial franchise fee due under the terms of that certain franchise agreement between Borrower and Lender signed on the ____________ ______ (Franchise Agreement) together with interest thereon at the rate of ____________ ______per annum which will begin accruing on the 1st month from the Franchise Agreement effective date of ____________ ______ If the balance is paid in full by the fourth installment then all accrued interest will be credited to the account All terms not otherwise defined herein shall have the meaning ascribed to them under the Franchise Agreement

Terms of Repayment This loan shall be repaid under the following terms Payments shall be paid in _________ monthly installments beginning one month from the Effective Date Payments received by the holder hereof from time to time shall be applied first to accrued interest and late payment fees if any and then to the principal balance hereof

Terms of Repayment (Periodic Payment) Starting on ____________,______and continuing until the principal balance of this Note, and any accrued interest have been repaid in full on the 10th day of each month for the term of the Note the Borrower shall pay the amount of $____for ___________consecutive months and a final payment of $_______on the thirty-sixth (36th) monthly installment (Note Maturity Date) All payments shall be first applied to interest and late payment fees if any and the balance to principal

Late Fees In the event that a payment due under this Note is not made within ten (10) days of the time set forth herein the Borrower shall pay an additional late fee in the amount of $25 00

Method of Payment - all payments due under this note shall be made check or money order mailed to the PortraitEFX Franchising Corporation 10612-D Providence Road Suite 235 Charlotte NC 28277 Payments may also be satisfied by use of a credit card but there will be an additional processing fee of 4% of the payment total

Prepayment - This Note may be prepaid in whole or in part at any time without premium or penalty All prepayments shall first be applied to interest, late fees, if any, and then to principal payments in the order of their maturity

Default – This Note shall, at the option of Lender become immediately due and payable without notice or demand upon the occurrence of any of the following events (each an ' Event of Default")

1 Borrower fails to make payments hereunder on three (3) consecutive payments dates, or

2 Borrower fails to make any payment hereunder on any payment date for any reason, or

3 Borrower fails to make payment in full of the principal balance hereof and all accrued interest thereon within [60] days after the Note Maturity Date or

4 Borrower shall admit its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors or

5 A proceeding in bankruptcy or for reorganization of Borrower or the readjustment of any of its debts under Title 11 of the United States Code as amended or any part thereof or under any other laws whether state or federal, for the relief of debtors now or hereafter existing shall be commenced by Borrower or shall be commenced against Borrower and shall not be discharged within sixty (60) days of its commencement or

6 A receiver or trustee shall be appointed of Borrower or for any substantial part of its or his assets or any proceeding shall be instituted for the dissolution or the full or partial liquidation of Borrower and such receiver or trustee shall not be discharged within 60 days of his appointment or such proceeding shall not be discharged within 60 days of its commencement, or

7 A judgment creditor of Borrower shall obtain possession of any of Borrower s assets by any means including without limitation, levy, restraint, or replevin or

8 The validity or enforceability of this Note, or any lien contemplated hereby shall be contested by Borrower or Borrower shall deny any further liability or obligation hereunder or thereunder

In the Event of Default the Borrower agrees to pay all costs and expenses incurred by the Lender including all reasonable attorney fees (including both hourly and contingent attorney fees as permitted by law) for the collection of this Note upon default and including reasonable collection charges (including where consistent with industry practices, a collection charge set as a percentage of the outstanding balance of this Note) should collection be referred to a collection agency

Acceleration of Debt - In the event that the borrower fails to make any payment due under the terms of this Note, or breach any condition relating to any security security agreement note mortgage or lien granted as collateral security for this Note seeks relief under the Bankruptcy Code, or suffers an involuntary petition in bankruptcy or receivership not vacated within thirty (30) days the entire balance of this Note and any interest accrued thereon shall be immediately due and payable to the holder of this Note In the event Borrower sells or transfers his interest in the franchise in accordance with the Franchise Agreement, then any balance remaining on this note is due and payable at the time of transfer

Dismissal of Debt – In the event the Franchise Agreement is terminated by Lender or by Borrower in accordance to the Franchise Agreement at any time prior to the final and complete payment of this note it is understood and agreed any remaining balance due after the date of termination shall be waived and considered paid

Modification - No modification or waiver of any of the terms of this Note shall be allowed unless by written agreement signed by both parties No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature

Transfer of the Note - The Borrower hereby waives any notice of the transfer of this Note by the Lender or by any subsequent holder of this Note and agrees to remain bound by the terms of this Note subsequent to any transfer and agrees that the terms of this Note may be fully enforced by any subsequent holder of this Note

Severability of Provisions - In the event that any portion of this Note is deemed unenforceable all other provisions of this Note shall remain in full force and effect

Choice of Law - All terms and conditions of this Note shall be interpreted enforced and construed under the laws of the State of Illinois excluding its conflict of law principles

Signed Under Penalty of Perjury, this ______ day of ____________, 201_

____
Borrower Signature

____
Address
Signed in the presence of

______________________________ ______________________
Witness Signature Phone#

EXHIBIT H

MULTI-STATE ADDENDUM
ADDENDUM TO PORTRAITEFX
FEDERAL DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

THIS ADDENDUM is dated __________ 20___ (the Effective Date) between PortraitEFX® a Nevada based Corporation and ____________________(Franchisee) This addendum amends the terms and conditions of that certain PortraitEFX® Franchise Agreement dated of even date herewith (the Franchise Agreement') To the extent that the terms and conditions are inconsistent with the terms and conditions of the Franchise Agreement the terms and conditions herein govern

FOR THE STATE OF CALIFORNIA

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

California Business and Professions Code 20000-20043 provide the rights to the franchisee concerning termination or non-renewal of a franchise If the Franchise Agreement contains a provision that this is inconsistent with the law the law will control

The Franchise Agreement provides for termination upon bankruptcy As disclosed in the Disclosure Document, this provision may not be enforceable under federal bankruptcy law -(11 U S C A SCC 101 *et seq*)

The Franchise Agreement requires application of the laws of the State of Illinois This provision may not be enforceable under California law

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

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

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATION CODE §§31000 THROUGH 31516) BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONAL CODE §§20000 THROUGH 20043)

Our Web site is located at www portraitefx com OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www corp ca gov

FOR THE STATE OF ILLINOIS

Notwithstanding anything to the contrary set forth in the Agreement the following provisions will supersede and apply to all franchises offered and sold in the State of Illinois

- For choice of law purposes and for the interpretation and construction of the Franchise Agreement the Illinois Franchise Disclosure Act 815 ILCS 705 governs

- No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act or 90 days after delivery to the franchisee of a written notice disclosing the violation whichever shall first expire

- Illinois law governs the Franchise Agreement (without regard to conflict of laws) and jurisdiction and venue for court litigation shall be in Illinois

- Any provision in the Franchise Agreement requiring a general release is void if the provision requires a waiver of compliance with the Illinois Franchise Disclosure Act

- Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void

ITEM 17 of the Disclosure Document is amended to add the following

- The conditions under which a franchise can be terminated and your rights upon non-renewal, as well as the application by which you must bring any claims may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987 815 ILCS 705/19 and 705/20

- The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois

- The deferral of the initial franchise fees is required by the Illinois Attorney General s Office based on our financial statements/condition

FOR THE STATE OF INDIANA

The Franchise Agreement obligates the franchisee to arbitrate or litigate disputes outside of the State of Indiana To the extent these provisions are inconsistent with Indiana law the Franchise Agreement is amended to provide that Indiana law will govern

FOR THE STATE OF MARYLAND

Pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law the appropriate provision of the Franchise Agreement is amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise The statement in the Franchise Agreement that provides for termination of the Franchisee Agreement upon bankruptcy may not be enforceable under federal bankruptcy law

Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law the

Franchise Agreement is not intended to require a franchise to release or waive any claims it may have against Franchisor as a result of Franchisor s violation of the Maryland Franchise Registration and Disclosure Law

Maryland regulations require a franchisor to disclose how fees related to advertising are raised and spent and how a franchisee may obtain an accounting of those accounting expenditures Therefore if a franchisor requires franchisees to contribute to an advertising fund the franchisor must provide an accounting of that advertising fund and make that accounting available to franchisees The franchisor must disclose this information in Item 11 of its Disclosure Document

Maryland regulations require a franchisor to amend its Disclosure Document and any agreements to clarify that a franchisor may not require a franchisee to sign anything that waives or releases the franchisor from liability from claims that may arise under the Maryland Franchise Law The Division requires a franchisor to amend its Disclosure Document and any related agreements filed with the franchisor s registration to conform to this requirement of Maryland law and include a copy of the form "release to be used

The Franchise Agreement is hereby amended to provide that the franchisee shall not be required to pay any initial fees to the franchisor unless and until the franchisor has satisfied all its initial obligations to the franchisee

FOR THE STATE OF MINNESOTA

Item 17 of Disclosure Document is amended to include the following language

> With respect to franchises governed by Minnesota law PortraitEFX® will comply with Minnesota Statues Section 80C 14, Subdivisions 3 4 and 5 which require except in certain specified cases that a franchisee be given 90 days~~-~~notice of termination (with 60 days to cure) and 180 days of notice for nonrenewal of the Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld

Minnesota Statues Section 80C 21 and Minnesota Rule 2860 4400J prohibit PortraitEFX® from requiring litigation to be conducted outside Minnesota In addition, nothing in the Disclosure Document or Franchise Agreement shall abrogate or educe any of your rights as provided for in Minnesota Statues Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

Minnesota law provides franchisees with certain termination and non-renewal rights Minnesota Statues Section 80C 14 Subdivisions 3 4 and 5 require except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days of notice for non-renewal of the Franchise Agreement

The Minnesota Department of Commerce requires that the franchisor indemnify Minnesota franchisees against liabilities to third parties resulting from claims by third parties that the franchisee s use of the franchisor s trademark infringes trademark rights of the third party Franchisor will protect franchisee s rights to use of its service marks and all other commercial symbols and/or indemnify franchisee from any loss cost or expense arising out of any claim suit or demand regarding the use of the name

Franchisor does not indemnify against the consequences of the franchisee s use of the franchisor s service marks except in accordance with the requirements of the franchise, and as a condition to indemnification, franchisee must provide notice to franchisor of any the claim within ten (10) days and tender the defense of the claim to franchisor If the franchisor accepts the tender of defense franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claim

Minnesota Rule 2860 4400J prohibits franchisors from requiring franchisees to waive any rights Accordingly, where the Franchise Agreement requires the franchisee to consent to the franchisor obtaining injunctive relief that requirement is invalid Instead the documents are amended to the state that the franchisor may seek injunctive relief

Minnesota Rule 2860 4400D prohibits a franchisor from requiring a franchisee to assent to a general release Accordingly, Item 17 of the Disclosure Document and the Franchise Agreement are amended to the extent necessary to remove this requirement

The foregoing Addendum is a part of all Franchise Agreements in the State of Minnesota and shall be effective upon the execution of any such Franchise Agreement

FOR THE STATE OF NEW YORK

REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE- DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, N Y 10271

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS

The following is added to Item 3 of the Disclosure Document
Neither we nor our predecessor a person Identified in Item 2, or 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

Neither we nor our predecessor, a person Identified in Item 2 or 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 nor our predecessor, a person Identified in Item 2, or 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 this person from membership in this association or exchange or is subject to a currently effective injunctive or restrictive order relating to any other business activities 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

The following is added to Item 4 of the Disclosure Document

Except as described in Item 4 of this Disclosure Document neither we nor any of our affiliates any predecessor, or any of our officers or general partner during the 10-year period immediately before the date of this Disclosure Document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within one year after our officer or general partner held this position in the company or partnership

The following is added to Item 17 of the Disclosure Document

Section 17 w is supplemented to state that the foregoing choice of law should not be considered a waiver of any right conferred upon us or you by Article 33 of the General Business Law of the state of New York Any condition stipulation or provision contained in the Franchise Agreement which purports to bind you to waive compliance with any provision of the New York General Business Law (Article 33 Sections 680 through 695) or any rule promulgated thereunder, may be void and unenforceable under the non-waiver provision of such law

New York General Business Law §687 5 prohibits us from requiring a franchisee to assent to a release assignment, novation waiver or estoppel that would relieve a person from any duty or liability imposed by such law To the extent the Franchise Agreement requires you to waive or release any claims you may have against us or to acknowledge facts that would negate or remove from judicial review any statement misrepresentation or action that would serve to relieve any person from liability under the FRDL such release, waiver or acknowledgment shall not apply and shall be void to the extent that they would violate the non-waiver provisions of the New York General Business Law

FOR THE STATE OF NORTH CAROLINA

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity The information contained in this disclosure has not been verified by the State If you have any questions about this investment, see an attorney before you sign a contract or agreement

FOR THE STATE OF NORTH DAKOTA

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09 N D C C)

1 Restrictive Covenants Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06 N D C C without further disclosing that such covenants will be subject to the statue

2 Situs of Arbitration Proceedings Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee s business

3 Restrictions of Forum Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota

4 Liquidated Damages and Termination Penalties Requiring North Dakota franchisees to consent to liquidated damages or termination penalties

5 Applicable Laws Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota

6 Waiver of Trial by Jury Requiring North Dakota Franchises to consent to the waiver of a trial by jury

7 Waiver of Exemplary & Punitive Damages Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage

8 General Release Franchise Agreements that require the franchisee to sign general release upon renewal of the franchise agreement

9 Limitation of Claims Franchise Agreements that require the franchisee to consent to a limitation of claims The statute of limitations under North Dakota law applies

10 Enforcement of Agreement Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney s fees

VIRGINIA

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Virginia

ITEM 17(h) of the Disclosure Document is amended to add the following

- 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 or to use undue influence to induce a franchisee to surrender any right given by any provision contained in the franchise, specifically Section 16 2 1 20 of the Franchise Agreement If any grounds for default or termination stated in the Franchise Agreement do not constitute reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable
- The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owned by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement

FOR THE STATE OF WASHINGTON

The state of Washington has a statute RCW 19 100 180 which may supersede the franchise agreement in your relationship with PortraitEFX® Franchising Corporation including the areas of termination and renewal of your franchise There may also be court decision which may supersede the franchise agreement in your relationship with PortraitEFX® Franchising Corporation including areas of termination and renewal of your franchise

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

In the event of a conflict of laws the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW (the WFIPA' shall prevail

A release of waiver of rights executed by a franchise shall not include rights under the WFIPA except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under WFIPA rights or remedies under the WFIPA such as a right to a jury trial may not be enforceable

Transfer fees are collectable to the extent that they reflect PortraitEFX® Franchising Corporation reasonable estimated or actual costs in effecting transfer

FOR THE STATE OF WISCONSIN

The Wisconsin Fair Dealership Law Ch 135 Sections 135 01-135 07 may affect the termination provisions of the Franchise Agreement

GENERAL

The provisions set forth in this Addendum shall be effective only to the extent that the jurisdictional requirements of state law applicable to the provisions herein are met independent of this Addendum

THIS ADDENDUM executed on this ___day of ____________ 20___

PORTRAITEFX **FRANCHISEE**

________________________ ______________________________

EXHIBIT I

RECEIPTS

(YOUR COPY)

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 PortraitEFX® offers you a franchise we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale

If you are in New York or Rhode Island, PortraitEFX® must provide you with this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship

If you are in Michigan Oregon Washington or Wisconsin PortraitEFX® must provide you with this disclosure document at least 10 business days before the execution of a binding franchise or other agreement or the payment of any consideration whichever occurs first

If PortraitEFX® does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission Washington, DC 20580 and the state agency listed on Exhibit A

The franchisor is PortraitEFX Franchising Corporation located at 10612-D Providence Road Suite 235 Charlotte NC 28277 800-765-7561

Issuance Date April 1 ~~2016~~2017

The franchise seller for this offering is Chris Doyle for PortraitEFX Franchising Corporation at 10612-D Providence Road, Suite 235 Charlotte NC 28277 800-765-7561

PortraitEFX® authorizes the respective state agencies identified on Exhibit E to receive services of process for it in the particular state

I have received a Federal Disclosure Document dated ____________ This Disclosure Document included the following Exhibits

EXHIBIT A	List of Franchisees
EXHIBIT B	Designated Equipment Accessories & Software
EXHIBIT C	Advanced Training Modules Description & Pricing
EXHIBIT D	Table of Contents of Digital Operating Manual
EXHIBIT E	List of State Administrators & Agents for Service of Process
EXHIBIT F	Financial Statements
EXHIBIT G	Franchise Agreement
EXHIBIT H	Multi State Addendum
EXHIBIT I	Receipts

Dated ______________________

____
Signature of Prospective Franchisee

____
Franchisee

____
(Print Name)

____
Telephone Number

Complete Below for a Partnership or Corporation

Name ____

Title ____

Name of Company ______________________________________

Address ____

You may return the signed receipt either by signing, dating and mailing it to PortraitEFX Franchising Corporation at 10612-D Providence Road, Suite 235 Charlotte NC 28277, or by faxing a copy of the signed and dated receipt to PortraitEFX® at FAX (800) 756-7561

RECEIPTS
(OUR COPY)

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 PortraitEFX® offers you a franchise we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale

If you are in New York or Rhode Island PortraitEFX® must provide you with this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship

If you are in Michigan, Oregon Washington or Wisconsin PortraitEFX® must provide you with this disclosure document at least 10 business days before the execution of a binding franchise or other agreement or the payment of any consideration whichever occurs first

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EXHIBIT I	Receipts

Dated ____________________

____
Signature of Prospective Franchisee

____
Franchisee

____
(Print Name)

____
Telephone Number

Complete Below for a Partnership or Corporation

Name ____

Title ____

Name of Company ________________________________

Address ____

You may return the signed receipt either by signing, dating and mailing it to PortraitEFX Franchising Corporation at 10612-D Providence Road Suite 235 Charlotte NC 28277 or by faxing a copy of the signed and dated receipt to PortraitEFX® at -FAX (800) 765-7561