



## FRANCHISE DISCLOSURE DOCUMENT

### COLOR ME MINE LLC

A Louisiana limited liability company

1852 N. Causeway Blvd

Mandeville, LA 70471

Telephone: (818) 291-5900

info@colormemine.com

www.colormemine.com

As a Color Me Mine franchisee, you will operate a contemporary ceramic and craft studio offering customers bisqueware, paint, materials, artistic instruction and glazing services for paint-your-own pottery and other related craft activities.

The total investment necessary to begin operation of a Color Me Mine business ranges from \$180,000 to \$437,700. This includes \$30,000 that must be paid to the franchisor or its affiliate.

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

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contracts carefully. Show your contracts 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](http://www.ftc.gov) for additional information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them. This document is available in multiple formats. To discuss the availability of disclosure in different formats, contact the administrator at Color Me Mine LLC, 1852 N. Causeway Blvd, Mandeville, LA 70471, (818) 291-5900, info@colormemine.com.

Issuance Date: December 23, 2024

## How to Use This Franchise Disclosure Document

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

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

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Louisiana. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Louisiana than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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



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

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 335-7567

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### EXHIBITS:

- A:** List of State Administrators and Agents for Service of Process
- B:** Financial Statements
- C:** Franchise Agreement

Attachments:

- 1: Owners Agreement
- 2: Automatic Bank Draft Agreement
- 3: Compliance Certification
4. Contingent Assignment of Lease
5. Confidentiality Agreement
6. Accepted Location and Protected Territory Map

**D:** Operations Manual Table of Contents

**E:** General Release

**F:** Confidentiality Agreement

**G:** Roster of Franchisees

**H:** State Specific Addenda

**I:** State Effective Dates and Receipts

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

For ease of reference, the franchisor is referred to as “Color Me Mine,” “we,” “us,” or “our,” and the person who is considering the franchise is referred to as “you” or “your.” If you are a corporation, partnership, limited liability company or other business entity (“legal entity”) certain provisions of the franchise agreement and related agreements apply to your shareholders, officers, directors, members, partners or other owners (“principals”). These provisions are noted.

The franchisor is Color Me Mine LLC, a Louisiana limited liability company organized on October 22, 2020. Our principal business address is 1852 N. Causeway Blvd, Mandeville, LA 70471, and our telephone number is (818) 291-5900. We do business as Color Me Mine LLC or Color Me Mine. Our agents for service of process are disclosed in Exhibit A. We have operated Color Me Mine businesses since November 2020 and offered franchises for Color Me Mine businesses since February 2021. We have not offered franchises in any other line of business and are not engaged in any other line of business.

Our parent company is Twist Brands LLC (“Twist Brands”), a Louisiana limited liability company that was formed on October 22, 2020, with a principal business address of 1852 N. Causeway Blvd, Mandeville, Louisiana 70471. Twist Brands has not offered franchises in any line of business.

Our predecessor is Color Me Mine Enterprises, Inc., a California corporation (“CMME”). On November 3, 2020 (“Acquisition Date”), we acquired all the outstanding stock of CMME. We have operated the Color Me Mine franchise system since the Acquisition Date. CMME’s principal business office was located at 630 S. Anderson Street, Los Angeles, CA 90023. CMME offered and sold Color Me Mine franchises from December 2014 to October 2020 and has operated Color Me Mine businesses since 1998. CMME acquired the Color Me Mine franchise system from Color Me Mine, Inc., and its wholly owned subsidiary, Color Me Mine Franchising, Inc. (“CMMF”) on December 16, 2014. CMME’s predecessor, CMMF, offered Color Me Mine franchises from May 1996 through December 2014. None of our predecessors offered franchises in any other line of business.

The following is a list of our affiliates:

1. Painting with a Twist L.L.C. (“Painting with a Twist”) offers franchises for a business that provides a social setting where guests drink wine or other beverages while taking painting classes under the trademark Painting with a Twist. It has offered those franchises since March 2009. In June 2024, Painting with a Twist acquired the franchising rights, trademarks, other intellectual property, and the rights under franchise agreements for the Pinot’s Palette franchise system. Painting with a Twist has offered Pinot’s Palette franchises since October 15, 2024. Pinot’s Palette franchised businesses are similar to Painting with a Twist franchised businesses. Painting with a Twist operated businesses similar to those franchises from October 2018 until December 2021. As of the date of this disclosure document, Painting with a Twist has 288 Painting with a Twist and Pinot’s Palette franchise

locations in the United States. The principal place of business for Painting with a Twist is 1852 N. Causeway Blvd, Mandeville, Louisiana 70471.

2. Chesapeake Supply LLC (“Chesapeake Supply”) is a ceramics supplier that supplies ceramics materials to our franchisees. Chesapeake Supply has not offered franchises in any line of business and has not engaged in any other line of business. The principal place of business for Chesapeake Supply is 1852 N. Causeway Blvd, Mandeville, Louisiana 70471.
3. TD Art Supply, LLC (“TD Art Supply”) is an art supply company that supplies arts and crafts supplies and materials to our franchisees. TD Art Supply has not offered franchises in any line of business and has not engaged in any other line of business. The principal place of business for TD Art Supply is 1852 N. Causeway Blvd, Mandeville, Louisiana 70471.
4. PYOP Studio Stuff LLC (“PYOP Studio Stuff”) is an art supply company that supplies project kits, design tools, supplies and materials to our franchisees that are specifically tailored for use in paint-your-own-pottery studios. PYOP Studio Stuff has not offered franchises in any line of business and has not engaged in any other line of business. The principal place of business for PYOP Studio Stuff is 730 Industrial Drive, Winchester, Tennessee 37398.

### The Franchise Offered

As a Color Me Mine franchisee, you will operate a ceramic and craft studio offering customers instruction and services in ceramics, crafts, and products, including bisqueware, paint, glazing services, materials, and instruction for paint-your-own pottery and other related craft activities as offered from time to time, which may include but not be limited to wet clay, mosaics, glass, tie dye and the like. A Color Me Mine business typically requires 1,200 to 2,000 square feet and seats approximately 40 to 70 customers.

The franchise agreement authorizes a franchisee to operate a single Color Me Mine business using our distinctive business format and method (the “System”), which incorporates mandatory methods, techniques, specifications, policies and procedures (the “Standards”), as well as non-mandatory guidelines and recommendations, that are described in our confidential operations manuals (“Confidential Operations Manuals”) or that are communicated to you electronically, in writing or by other means. A Color Me Mine business operates under the Color Me Mine trademark, trade names, service marks, logos, emblems, trade dress, and other indicia of origin that we designate for use under the System (collectively, the “Trade Name” and “Marks”).

### Market and Competition

The market for the products and services offered by Color Me Mine businesses is the general public. We have found that paint-your-own pottery craft activities appeal to people of all ages. Color Me Mine businesses may also offer events for children, which targets the specific market segment of children. You will compete with other pottery and craft companies, craft and art institutions, retail stores and dealers, individual ceramic and craft makers, other businesses and schools offering ceramic and crafts training, and, to some extent, businesses offering other forms

of family entertainment. You will compete with other national franchises and independent businesses that offer similar products and/or services. The general market for offering paint-your-own pottery events similar to that offered by Color Me Mine businesses is an emerging market. It may be affected by general economic conditions.

### Government Regulation

Local, state, and federal laws and regulations will apply to the operations of your franchised business. You must comply with all local, state, and federal laws that apply to your franchised business including health, sanitation, non-smoking, EEOC, OSHA, discrimination, employment and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and, therefore, may affect your building construction, entrance ramps, doors, seating, bathrooms and parking. You must obtain building permits, other licenses, and operational permits and certifications.

Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are also responsible for complying with all applicable current and future federal, state and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website.

We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

## **ITEM 2. BUSINESS EXPERIENCE**

### Director: Catherine L. Deano, CFE

Catherine Deano has served as one of our directors and a director of Twist Brands since November 2020. From February 2009 to November 2020, she served as Managing Member of Painting with a Twist and from February 2009 to July 2018, she also served as COO of Painting with a Twist.

### Director and CEO: Teresa Johnson

Teresa Johnson has served as one of our directors and our CEO since August 2021. She has also served as a director of Twist Brands since August 2021; Owner of a Painting with a Twist franchise location in Murfreesboro, Tennessee since 2010; and Owner of a Painting with a Twist franchise location in Nashville, Tennessee since 2015. She has also served as Manager of PYOP Studio Stuff in Winchester, Tennessee since 2013; and COO of Phoenix Boats in Winchester, Tennessee since 2007.

Director: David Chmura

David Chmura has served as one of our directors and as a director of Twist Brands since August 2021. He has also served as Managing Member of TD Art Supply in Tampa, Florida since January 2018; and as Market Manager of Walmart Stores in Bentonville, Arkansas since 1989.

Director: Todd Owen

Todd Owen has served as one of our directors, as a director of Twist Brands, and as CEO of Painting with a Twist since August 2021. He also serves as Co-Owner of a Painting with a Twist franchise location in Tampa, Florida since 2010. He served as District Manager of Walmart Stores in Tampa, Florida from 1990 to October 2021.

Vice President of Operations: Sean Goodwin

Sean Goodwin has served as our Vice President of Operations since November 2020. From January 2019 to November 2020, he served as General Manager of CMME in Los Angeles, California. From October 2005 to January 2019, he served as Director of Operations of CMME in Glendale, California.

Director of Information Technology: Gustave “Trey” Manthey, III

Trey Manthey has served as our Director of Information Technology since November 2020. Mr. Manthey has served as Director of Information Technology of Painting with a Twist located in Mandeville, Louisiana since January 2011.

Director of Finance and Controller: Carole Assadi

Carole Assadi has served as our Director of Finance and Controller since November 2020. From March 2015 to November 2020, she served as Director of Finance and Controller of CMME in Los Angeles, California.

Director of Operations: Julie Schroeder

Julie Schroeder has served as our Director of Operations since August 2021. She has also served as Owner of a Color Me Mine franchise location in Eagan, Minnesota since January 2020; was the Owner of a Color Me Mine franchise location in Rochester, Minnesota from February 2014 to May 2020; and was Owner of a Color Me Mine franchise location in Woodbury, Minnesota from October 2019 to September 2022.

Franchise Development Management Consultant: Kelley Rieves-Copelin

Kelley Rieves-Copelin has served as our Franchise Development Management Consultant since November 2022. She also has served as Co-Owner of a Color Me Mine franchise location in Huebner Oaks, Texas since February 2024 and Brand Performance Coach of CGI Franchise, a franchise development consulting firm in San Antonio, Texas since July 2018.



Franchise Development Coordinator: Christina Taylor

Christina Taylor has served as our Franchise Development Coordinator since November 2022. She also serves as Co-Owner of a Color Me Mine franchise location in El Segundo, California since April 2024. From November 2020 to November 2022, she served as our Retail Operations Manager. From December 2018 to November 2020, she served as Retail Operations Manager of CMME.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

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

**ITEM 5. INITIAL FEES**

*Initial Franchise Fee*

When you sign the franchise agreement, you will pay an initial franchise fee of \$30,000. If qualified and eligible, we may grant you the right to purchase an additional franchise or franchises.

The initial franchise fee is nonrefundable and, except if discounted as described below, is uniformly charged.

If you desire to purchase an additional franchise(s), simultaneously or after your first franchise, and you are qualified and eligible, we offer a \$5,000 discount of the then-current initial franchise fee. If you wish to purchase an additional franchise after the purchase of your first franchise or other franchises, you must be in compliance with your existing franchise agreement(s) to be considered eligible. Other qualifications may be required for the grant of an additional franchise.

**ITEM 6. OTHER FEES<sup>1</sup>**

NAME OF FEE	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Royalty	5% of weekly Gross Revenues <sup>3</sup>	Weekly, on or before the day we designate for the previous week	You must pay this fee to us by automatic payment or withdrawal from your bank account.

NAME OF FEE	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Advertising Fund Fee	Currently, 1% of Gross Revenues <sup>3, 4</sup>	Weekly, on or before the day we designate for the previous week	Paid with Royalty
Local Advertising	The greater of \$500 or 2% of Gross Revenues per month	As stated in the Confidential Operations Manuals	Advertising and promotional materials must conform to the frequency and specifications in the Confidential Operations Manuals
Technology Fee	Currently, \$239 per month <sup>5</sup>	Monthly on the day we designate or paid weekly with Royalty	
Continuing Education Programs and Ongoing Training	Varies; nominal fee to defray costs	Prior to attendance	We may charge a nominal fee to defray our costs of hosting or providing continuing education programs and ongoing training for franchisees. Participation in continuing education programs is currently optional.
Transfer Fee	\$7,500	30 days before transfer	Payable only if you transfer your franchised business to a third party. We do not charge a transfer fee if you transfer to a legal entity that you control.
Audit Cost	Cost of audit plus interest on all past due amounts	On demand	Payable only if audit discloses underpayment of 3% or more

NAME OF FEE	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Interest and Late Fee on Past Due Amounts	18% or highest amount allowed by state law, whichever is less; \$100 late fee per month for late payment. <sup>6</sup>	On demand	Payable only if you do not pay us on time, or if your automatic payment or withdrawal is dishonored.

**NOTES:**

1. Except as otherwise noted, all fees are payable to us, are uniformly imposed and non-refundable. We may require you to sign an authorization allowing us to collect any fee by automatic bank draft and ACH (see Attachment 2 of the franchise agreement).
2. The Royalty and all other fees paid to us are to be paid on all Gross Revenues (defined in Note 3 below) deducting only amounts paid to any governmental tax authority as Taxes. “Taxes” means any present or future sales tax, use tax, services tax, excise or other tax of whatever nature (other than taxes generally assessed on the overall net income of the recipient) now or hereafter imposed by any governmental or other authority as well as all levies, imports, duties, charges or fees of whatever nature. You will be responsible for paying any Tax. If you are required by law to deduct or withhold Taxes on any payment to us, you will increase the amount to be paid to us as necessary so that the net amount to be received by us after the deduction or withholding equals the amount we would have received if no deduction or withholding was required.
3. “Gross Revenues” means the total amount of money or other compensation received or earned by you and your Related Parties for all goods sold and services rendered from the Accepted Location or in connection with the Trade Name or Marks, excluding money received for sales tax, returned merchandise, gratuities and gift cards sold within an accounting period. “Related Party” or “Related Parties” means people and entities under common ownership with us or you, as the context indicates, including shareholders, officers, directors, members, partners or other owners (“principals”).
4. Currently, franchisees are required to contribute 1% of Gross Revenues. We may increase the amount of contributions up to 2% during the term of the franchise. We will provide at least 60 days’ advance written notice of any increase.
5. This fee is subject to increase. As of the date of this disclosure document, we are in the process of reviewing certain changes in our specifications for the information technology systems used to operate Color Me Mine businesses and as we implement such changes this fee may be subject to increase. We anticipate this fee may increase in 2025. We will provide at least 60 days’ advance written notice of any increase.

6. In the state of California, the highest interest rate for late payments permitted by law is 10%. You may also be charged a late fee up to \$25 per day for failing to timely submit financial statements that you are periodically required to submit.

## **ITEM 7. ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

### **YOUR ESTIMATED INITIAL INVESTMENT**

<b>EXPENSE</b>	<b>LOW</b>	<b>HIGH</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAID</b>
Initial Franchise Fee <sup>2</sup>	\$30,000	\$30,000	Lump Sum	When you sign the franchise agreement	Us
Business Premises Rent and Rent Deposit	\$6,000	\$24,000	Lump Sum	When you sign the lease	Landlord
Tenant Improvements <sup>3</sup>	\$25,000	\$155,000	As Arranged	As Incurred	Contractor
Architectural, Electrical and Permit Fees	\$500	\$10,000	As Arranged	As Incurred	Suppliers and City
Furniture, Fixtures and Equipment	\$65,000	\$84,000	As Arranged	As Incurred	Suppliers
Computers, Communications and Digital Marketing Systems <sup>4</sup>	\$6,500	\$7,100	As Arranged	As Incurred	Suppliers or Us
Exterior Sign	\$4,500	\$17,000	Lump Sum	As Incurred	Suppliers
Sales Tax, Shipping and Handling <sup>5</sup>	\$6,000	\$20,000	As Arranged	As Incurred	Suppliers
Initial Inventory and Supplies	\$12,000	\$18,000	As Arranged	Before Opening	Suppliers
Grand Opening Marketing and Advertising	\$1,500	\$3,500	As Arranged	Before Opening	Approved Service Provider

EXPENSE	LOW	HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Accounting Setup Fee	\$300	\$1,000	As Arranged	Before Opening	QuickBooks or other
Credit Card and Gift Card Processor	\$700	\$700	As Arranged	Before Opening	Approved Service Provider
Insurance	\$500	\$2,500	Lump Sum	As Incurred	Insurer
Organizational Expenses	\$500	\$2,500	As Arranged	Before Signing Agreement	Professional Advisor, Legal Zoom
Incidental Costs Incurred During Training <sup>6</sup>	\$1,000	\$2,400	As Arranged	As Incurred	Airlines, Hotels and Restaurants
Additional Funds (for first 4 months) <sup>7</sup>	\$20,000	\$60,000	Varies	As Incurred	Varies
<b>TOTAL</b>	<b>\$180,000</b>	<b>\$437,700</b>			

NOTES:

1. Except as noted, or as otherwise negotiated with third-party suppliers, these expenditures are non-refundable. See Item 10 for information on financing.
2. The initial franchise fee payable to us is described in Item 5.
3. Figures for leasehold improvements assume that landlord has provided certain basic amenities, such as level, smooth finished concrete floor; taped and finished walls; heating, venting and air conditioning (1 ton per 350 square feet); 200 Amp, 3 phase, 120/240 electrical service; standard storefront with double doors; restroom in compliance with Americans with Disabilities Act (quantity based on local requirements); drop ceiling; and plumbing. The estimated costs assume a 1,200 to 2,000 square foot space with basic amenities only. The amount may be reduced if landlord contribution money is negotiated in your lease. Rental amounts vary substantially between markets, so research prevailing rates in your local market.
4. Your communications system must include all of our communication services such as email and email marketing, studio website, in-studio music, digital marketing solutions, and social media managers.
5. Many, but not all, states impose sales tax on certain items purchased in-state and an equivalent amount of use tax on items purchased out-of-state. We have estimated tax ranging from 6 – 10% on purchase of personal property. Check with your state and local tax authorities.
6. Amounts include travel and lodging for one person attending our initial training program.

7. Additional funds may be needed to cover operating expenses, such as payroll, marketing expenses, utilities, and debt service (if applicable) to the extent they are not covered by cash flow from operations during the initial period of operations that we estimate to be up to 4 months. We relied on our experience in operating company studios, and information about average operating expenses provided by franchisees in formulating our estimate for additional funds.

## **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

The quality, variety and brand identity of the ceramic and craft products and other products or services used in Color Me Mine businesses are integral to the success of the System. To achieve economies of scale or to maintain quality standards throughout the System, you must purchase all proprietary ceramic and craft products only from our affiliates and approved suppliers and 90% of non-proprietary ceramic and craft products only from our affiliates and approved suppliers. We will enforce this requirement in connection with proprietary products or products with unique characteristics, or when we determine, that designating a single source of supply will result in more favorable terms involving price, licensing, quality, warranty, financial stability, availability, or other considerations. Some of our directors and officers own an interest in our affiliates, Chesapeake Supply, PYOP Studio Stuff and TD Art Supply.

We will provide you, in the Confidential Operations Manuals or otherwise in writing, with a list of names and addresses of approved suppliers of products and services that meet our standards and specifications, which may include us and our affiliates. You must offer all products, services we authorize for Color Me Mine businesses and carry minimum inventory levels of certain products that we require you to purchase from approved suppliers. We may add new products or services or discontinue any products or services or change inventory levels, at any time in the future.

We will use best efforts to ensure that our affiliates, and other approved suppliers will at all times have a full line of ceramic and craft products for sale to you. There will be times when one or more types of ceramic and craft products will be temporarily out-of-stock. If, in our reasonable discretion, the duration or extent of an out-of-stock condition is substantial enough to cause serious inconvenience or economic detriment to our franchisees, we will evaluate and approve the purchase of substitute products meeting reasonable quality standards from other sources during the period of unavailability.

The products you sell or use must be in compliance with all environmental and other applicable laws and meet the specifications set out in the current version of the Confidential Operations Manuals. You must use authorized universal SKU numbers designated or provided by us.

If you would like to use or sell any product we have not previously accepted as meeting our specifications or which is sold by a supplier not previously accepted by us, you must provide a written request to us of the product or supplier and, if we request, provide us with product specifications, sample products, and information about the supplier as applicable. Within 90 days, we will communicate our approval or our reasons for not approving your request. As a condition of approving a supplier of any product that bears the Trade Name or Marks, we may require that the supplier sign a license agreement. We do not assess any fee for evaluating alternate products

or suppliers proposed by franchisees. We may withdraw our approval of a supplier or product if the supplier or product no longer meet our standards or specifications.

We estimate that 60% to 70% of your purchases and leases of goods and services to establish the franchised business will be from us, our affiliates, approved suppliers or in accordance with our specifications. We estimate that 80% to 90% of your purchases and leases of goods and services to operate the franchised business will be from us, our affiliates, approved suppliers or in accordance with our specifications.

We do not provide material benefits, such as the right to renew or to be granted additional franchises, based on your use of approved suppliers. However, purchase of products from non-accepted sources that have not been approved may be a breach of the franchise agreement and may result in termination of your franchise.

We and our affiliates may receive revenue as a result of purchases and leases by franchisees. During our last fiscal year ending September 30, 2024 we did not receive any revenue as a result of purchases or leases by franchisees. During our last fiscal year our affiliates received revenue of \$3,365,122 as a result of purchases by our franchisees. Our affiliates' revenue information was obtained from our affiliates' unaudited financial statements. We receive administrative fees or rebates from some of our approved suppliers up to 7.5% of franchisee purchases of select products. We reserve the right to receive other compensation in the future in the form of payments, rebates or discounts from suppliers for purchases made by franchisees. We have negotiated special purchasing arrangements with suppliers for the benefit of franchisees, including price terms. There are currently no purchasing or distribution cooperatives in existence.

You must purchase credit card equipment meeting our specifications from an approved supplier and engage the approved supplier's services to process credit cards and gift cards.

You must obtain and maintain insurance coverage as specified by us from time to time in the Confidential Operations Manuals or otherwise in writing. You shall also designate us as an additional named insured, with an insurance company approved by us. You are currently required to obtain the following insurance coverages:

(i) comprehensive general liability insurance (including, products liability coverage; sexual harassment coverage; and if you elect to permit alcohol to be consumed on the premises, host liquor liability coverage; and if you elect to conduct off-premises events, off-premises events coverage) with coverage of at least \$1,000,000 per occurrence, and \$2,000,000 aggregate with full replacement value of business contents property coverage (We must be listed as an additional insured);

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

(iii) workers' compensation insurance as required by applicable law;

(iv) All risk coverage insurance on all property insuring the franchised business premises and contents, including, without limitation, the construction of improvements, all supplies, inventory, fixtures, and equipment and personal property, containing a replacement value endorsement in an amount equal to the full replacement value; and

(v) If you use a vehicle for business purposes, automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars (\$1,000,000) combined single limit, and Two Million Dollars (\$2,000,000) general aggregate limit. If you conduct an offsite event, you must obtain separate non-owned auto coverage insurance, sexual abuse and molestation coverage and general liability insurance coverage. You are not permitted to directly or indirectly conduct such offsite event(s) until such insurance is obtained and we are named as an additional insured.

Such insurance policies must contain a provision that the policy cannot be canceled without 10 days' written notice to us. It must be issued by an insurance company of recognized responsibility, designate us as additional named insured, including a waiver of subrogation, and be satisfactory to us in form, substance and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us within 10 days after the policy is issued or renewed.

## **ITEM 9. FRANCHISEE'S OBLIGATIONS**

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

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
a. Site selection and acquisition/lease	2.2, 5.2	11
b. Pre-opening purchases/leases	3.1, 5	5, 7, 8, 11
c. Site development and other pre-opening requirements	3.1, 4.4, 5.2	5, 7, 12
d. Initial and ongoing training	3.2, 4.8	11
e. Opening	5.3.1	11
f. Fees	4	5, 6, 7
g. Compliance with standards/policies/operating manual	3.3, 5.3	8, 11
h. Trademarks and proprietary information	5.1	8, 12, 13, 14
i. Restrictions on products/services offered	3.6, 5.3.3	8, 16
j. Warranty and customer service requirements	5.4	Not applicable
k. Territorial development and sales quotas	2.2	12
l. Ongoing product/service purchases	5.3.3	8
m. Maintenance, appearance, and remodeling requirements	2.4, 2.5, 2.6.2(c)	17
n. Insurance	5.9	8



<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
o. Advertising	3.4, 4.3, 4.4, 5.1.3, 5.5.1	6, 8, 11
p. Indemnification	6.5	13
q. Owner's participation/management/staffing	5.4	11, 15
r. Records and reports	5.6	6, 11
s. Inspections and audits	4.7, 5.7	N/A
t. Transfer	7	6, 17
u. Renewal	2.6.2	17
v. Post-termination obligations	8.3, Attachment 1	17
w. Non-competition covenants	8.3, Attachment 1	17
x. Dispute resolution	Article 9	17
y. Personal guaranty of all obligations of agreement	Attachment 1 to the Franchise Agreement	15

## **ITEM 10. FINANCING**

Neither we nor any affiliate offers direct or indirect financing, or guarantees your notes, leases or obligations.

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

**Except as listed below, we need not provide any assistance to you.**

### **(1) *Our Pre-Opening Obligations.***

Before you open your business, we will provide you with:

*Site Selection.* If you have not selected a site when you sign the franchise agreement, we will agree on a non-exclusive assigned area within which you can locate a site for your franchised business. You will select the site for your franchised business, subject to our written acceptance. We will accept or reject a proposed site after you propose it in writing with appropriate documentation, based on our site selection criteria. We must accept your site before you sign a lease or purchase contract for the site. We do not review your lease, except to ensure that it contains certain provisions for the protection of system standards. You may not sign any lease or purchase contract for a proposed site until you have provided a copy to us and received our written approval to sign the submitted document. Other than providing you with our site selection criteria, and reviewing your proposed site(s), we do not generally assist you in finding a site or own the premises and lease it to you. There is no time limit for finding and obtaining our approval of a site, however, you must locate an approved site, enter into a lease (that we have approved) and open

your franchised business within 12 months of signing the franchise agreement. If you are unable to secure an approved site and open your franchised business within the 12-month period, your franchise agreement may be terminated. We will advise you within 30 days from the date you submit a potential site for the franchised business whether we approve the site. Factors we consider in approving proposed sites, include: general location and neighborhood, parking, traffic patterns, physical characteristics of sites, and lease terms. (Franchise Agreement – Sections 2.2.2 and 2.2.3)

*Conforming the Premises.* You will conform the premises of the franchised business to local ordinances and building codes and obtain any required business licenses and permits.

*Construction.* We or a third party authorized by us will provide the following construction-related assistance in helping you open your franchised business. You will submit your lease letter of intent, lease, all drawings, specifications, contractor bids and orders for goods and services to us or our designee. We or our designee, will review to ensure conformity with our standards and specifications. We will provide you with our specifications for the color scheme and layout. (Franchise Agreement – Section 3.1)

*Hiring and Training Employees.* You will be responsible for all of the personnel management decisions for your franchised business, including hiring and training employees. (Franchise Agreement – Section 3.2)

*Necessary Equipment, Signs, Fixtures, Opening Inventory and Supplies.* We will provide you with our written specifications for equipment, signs, fixtures, opening inventory and supplies and with a list of any approved suppliers we have designated for these items. We do not provide your equipment, signs, fixtures, opening inventory or supplies to you or deliver or install these items. (Franchise Agreement – Section 3.1)

## **(2) *Typical Length of Time to Open the Business***

The typical length of time between signing of the franchise agreement and beginning the franchised business is 8 months. Factors that may affect the time period include your satisfactory completion of training, locating a site, financing, and construction delays.

## **(3) *Our Obligations During the Operation of the Franchise***

We will provide updates to our Confidential Operations Manuals to conform to the changing needs of the network of Color Me Mine businesses. We will use best efforts to ensure that we have designated an approved supplier for ceramic and craft products with capability to fulfill supply with products meeting our specifications. If stock is substantially unavailable, we will evaluate and approve the purchase of substitute products from other sources during the period of unavailability. We will review a request from you to use or sell additional products or products which are supplied by a supplier we have not previously approved. (Franchise Agreement – Sections 3.3, 3.5 and 5.3.3)

We may provide pricing guidelines for maximum and minimum prices to be charged for products and services offered at the franchised business. (Franchise Agreement – Section 5.1.3)

We offer our franchisees guidance but are not obligated to establish or assist with administrative, bookkeeping, accounting or inventory control procedures. We offer our franchisees guidance, but are not obligated to resolve operating problems encountered by franchisees or to develop or improve the franchised business. (Franchise Agreement – Article V)

**(4) *Advertising Program for the Franchise System***

You will advertise your franchised business utilizing, among other things, search engine optimization, search engine marketing, newspaper and/or radio advertisements, establishing a membership with local chambers of commerce, networking, updates to the Color Me Mine website, and more. We expect advertising and media coverage to be local or regional. We prepare our advertising materials in-house, through our own advertising department. We are not required to spend any amount on advertising in your territory or the area or territory where any franchisee is located. We do not have a budget for corporate advertising.

*Grand Opening & Annual Minimum Local Advertising.* You must spend the then-current amount as set forth in the Confidential Operations Manuals that we have established for your grand opening marketing and advertising promotion through mediums required and/or approved by us. The grand opening event is an introduction of your franchised business to the public. If we request in a written request, you must, within 5 business days from such request, promptly submit all receipts, invoices, and other materials we request to verify your compliance with the required expenditure. In addition to your grand opening marketing and advertising spend, and your Advertising Fund Fee, you must spend a minimum of \$500 per month or 2% of Gross Revenues, whichever is greater, per month on local advertising, through mediums approved by us.

We permit you to use your own advertising materials as long as the materials have been submitted to us for prior approval and we have notified you that your materials are approved.

*Advertising Councils.* We do not have an advertising council composed of franchisees that advises us on advertising policies.

*Advertising Cooperatives.* We do not have the power to require advertising cooperatives to be formed, changed, dissolved or merged. If franchisees decide to form a regional advertising cooperative, any promotional or advertising plans or materials proposed to be used by the cooperative or furnished to its members must be approved by us.

*Advertising Fund.* We have developed a system-wide advertising program to which you will make contributions (“Advertising Fund”) of 1% of your gross revenues. We may increase required contributions up to 2% of your gross revenues. We will provide at least 60 days’ advance written notice of any increase. All franchisees contribute the same percentage of their gross revenues. Color Me Mine Studios owned by us and our affiliates are not required to make contributions to the Advertising Fund. We will use the Advertising Fund in our discretion to develop, produce, and distribute national, regional and/or local marketing and to create advertising materials, marketing and public relations programs which promote, in our judgment, the Color Me Mine brand and services offered by franchisees. We have the right to determine contributions and expenditures from the Advertising Fund, or any other advertising program, and the selection of the advertising materials and programs. We may reimburse ourself from the Advertising Fund such

reasonable costs and overhead that we may incur in activities reasonably related to the direction and implementation of the Advertising Fund. We may use the Advertising Fund to maintain, administer, direct, prepare, and produce advertisements and other marketing; conduct market research and surveys; prepare and produce television, radio, magazine, internet and newspaper advertising campaigns; conduct direct mail and outdoor billboard advertising, and public relations activities; and engage advertising agencies; develop and maintain an internet website; and for personnel and other departmental costs for advertising that we internally administer or prepare. Not all franchisees will benefit directly or on a pro rata basis from such expenditures. While we do not anticipate that the Advertising Fund will be used for advertising that is principally a solicitation for franchisees, we reserve the right to use the Advertising Fund contributions for public relations or recognition of the Color Me Mine brand and for the creation and maintenance of a website, a portion of which may be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating the availability of franchises. Sales materials, if developed, may be sold to franchisees at a reasonable cost.

We will prepare an unaudited accounting of Advertising Fund contributions and expenditures annually within 120 days following the end of the fiscal year and 60 days following the period ending June 30. The accounting will be provided to a franchisee on the franchisee's written request. Any unused funds in any fiscal year will be applied to the following year's funds. During our last fiscal year, which ended September 30, 2024, \$315,623 was spent from the Advertising Fund, and expenditures by the Advertising Fund by category included: 63.93% on advertising production; 20.7% on media placement; and 15.37% on administration.

## **(5) Computer Systems**

We provide you with our specifications and approved suppliers for the information technology system components which are necessary for the operation of your franchised business. You will purchase and use in the franchised business the point-of-sale system and all software we require, including, but not limited to software for the point of sale system, social media management, training, communication, financial reporting, in-studio marketing and other software, including all existing or future communication or data storage systems, components and associated services, which we have developed or selected for the System ("Information Technology Systems"). The Information Technology Systems developed for use in Color Me Mine businesses may include a proprietary software program developed for our and your use ("Proprietary Software"). You will need to have internet access with a form of high-speed connection meeting our specifications. You will use an e-mail address or a designated intranet system that we select for communications with us. The approximate cost of purchasing or leasing the required Information Technology Systems components is \$3,500 to \$4,500.

*POS System.* You must purchase and use a point-of-sale ("POS") system that meets our specifications from an approved supplier we designate. You must use the latest upgraded POS system software, and social media management software. You will make your own arrangements for hardware repair and maintenance. We estimate you will incur costs of \$500 to \$1,500 annually for updates, maintenance and repairs of your Information Technology Systems. These fees will be paid to 3<sup>rd</sup> parties who provide you with these services. You will be responsible for obtaining these services. We do not provide these services. You will want to determine whether any 3<sup>rd</sup> party supplier from whom you purchase the components of your Information Technology Systems is

obligated to provide ongoing maintenance, repairs, upgrades, updates or support to any component of your computer system. You must use and pay for all future updates, supplements and modifications to the POS system that we specify. If we change our specifications for the hardware, software or other components of the POS system or Information Technology Systems, you must comply at your own expense. Although there is no contractual limit on our right to change our specifications, we will endeavor to limit the expense. A high-speed Internet connection is required. Your Internet router must be capable of wireless connections. You must purchase from an approved vendor under contract with us, a credit card and gift card terminal and printer described below and engage the vendor's services to process credit cards and gift cards. We will have the capability to poll the POS system.

The POS system currently required includes:

- Retail Management Software Licenses
- Desktop or Tablet Computer(s) with Windows OS
- Cash Drawer
- Receipt Printer
- Label Printer(s)
- Credit/Gift Card Terminal(s)
- High-speed, always-on Internet connection
- Internet Router
- Barcode Scanner

We will have independent access to essential information and data produced by or otherwise located on your POS system, including sales and marketing data. We will have independent access to the information generated and stored in the installed Information Technology Systems.

You will be responsible for protecting your Information Technology Systems from disruptions, internet access failures, internet content failures, and attacks by hackers or other unauthorized intruders.

You will pay us or our designee a technology fee, which is currently \$239 per month, and is paid monthly or pro-rated and paid weekly. The purpose the technology fee is to fund support of software, services, and technological improvements to improve the Systems and support the network of franchisees. We use technology fees to provide, or arrange through a third party to provide, some or all of the following technology services: technology consulting, website hosting, metrics and data analysis programs, party booking services, group event and party invitation services, in-studio music, social media management software, @colormemine.com email accounts, digital marketing, email marketing services and other services from time-to-time. The technology fee is subject to increase based on changes or modifications to required specifications by us, technological advances, market factors, technology improvements and to add additional support services to you. We will provide you with at least 60 days' advance written notice prior to an increase.

We or a third party will provide you with email accounts, website, social media accounts, and other technologies essential to running your franchised business. We will provide you with

suggestions and templates for some of the content for your website. Your website must be stated in all marketing materials. You are not permitted to use any other website address or domain name without our prior written approval.

*Music License.* You will obtain a music license for the services and use the approved vendors we specify. You may not play unlicensed music from any service not intended for commercial use, including from any non-commercial streaming service or from your own digital or other playlist.

**(6) Operations Manual**

We grant you access to an extensive set of manuals, online resources and written materials as they are periodically developed and introduced into the Color Me Mine System. These materials are referred to collectively as the “**Confidential Operations Manuals.**” We will revise the Confidential Operations Manuals periodically to conform to the changing needs of the franchise network and will provide updated information containing these revisions online. The Confidential Operations Manuals have approximately 133 pages and the Table of Contents and number of pages devoted to each chapter is included in Exhibit D.

**(7) Training Program**

The initial training program will cover the following:

**TRAINING PROGRAM**

<b>SUBJECT</b>	<b>APPROXIMATE HOURS OF CLASSROOM TRAINING</b>	<b>APPROXIMATE HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Product Education and Painting Techniques	3		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
Kiln Operations and Maintenance; Glazing Techniques; Product Care	3		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
POS Training; Cash Register; Electronic Ordering; Daily Paperwork	2		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
Orientation; Understanding Your Profit & Loss Statement;	2		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate

<b>SUBJECT</b>	<b>APPROXIMATE HOURS OF CLASSROOM TRAINING</b>	<b>APPROXIMATE HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Maximizing Revenues; Using Your Financial Services Reports			
Ordering; Inventory Controls; Pricing; Suppliers; Product Knowledge; Opening Inventory Order	2		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
Studio Management; Opening and Closing Procedures; Customer Service; Group Sales; Parties; Kiln Room; POS; Personnel; Selecting; Hiring; Training; Motivating; Evaluations; Risk Management	12		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
Marketing; Promotions and Specials; Merchandising and Display; Event Calendars; Workshops and Classes; To-Go Programs; Franchisee Resource Center	5		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
Website and Technology	3		Online, Mandeville, LA, Nashville-Metro, TN or another location we designate
New Store Opening		Approximately 3- 5 days on-site at time of opening new franchised business	Your franchised business location and/or Online.
<b>TOTALS</b>	<b>32</b>	<b>24-40</b>	

Instructional materials used during initial training include: presentations, manuals, handouts, videos, actual products and websites.

Our training managers are Sean Goodwin, Carole Assadi, Christina Taylor, DeBow Padgett, Julie Schroeder, Liz Martinez, Ashley Pruitt, Lane Copelin, and Mark Hegstrom.

<b>Instructor</b>	<b>Subjects Taught</b>	<b>Years of Experience in the Industry</b>	<b>Length of Employment with Us (1)</b>
Sean Goodwin	Kiln room operations and technology	19+	20 years+
Carole Assadi	Business finance and bookkeeping	9+	9 years+
Christina Taylor	Franchised business operations	9+	6 years+
DeBow Padgett	Marketing	9+	4 years+
Julie Schoeder	Franchised business operations	13+	2 years+
Liz Martinez	Ceramic product and glaze painting	22+	2 years+
Ashley Pruitt	Customer service and studio operations	2+	1 year+
Lane Copelin	Franchised business operations	1+	1 year+ (as an independent contractor of ours)
Mark Hegstrom	POS technology	23+	23 years+ (as an independent contractor of ours)
Brian Morgan	On site opening assistance	10+	5 months+

(1) For some of our training managers included in the above table, the heading “Length of Employment with Us” includes years of employment with our predecessor.

Our training managers may utilize other employees to assist them with all aspects of training. We do not have an established minimum amount of industry experience that we require for trainers.



Initial franchise training is usually conducted once per month. You must attend the initial training program after you secure the location for your franchised business. The initial training program or any portion of the initial training program may, at our sole discretion, be conducted virtually.

You must attend and successfully complete the training program to our satisfaction before you may open a new franchised business or take ownership of an existing Color Me Mine business. Additional staff members, if accepted by us may attend the training program at no additional charge. You are an independent operator and are solely responsible for all personnel management in your franchised business, including but not limited to hiring and terminating, training, scheduling, disciplining, establishing wages, and setting working conditions and policies. Your employee applications and other employee forms must include your legal business name as sole employer. Your employees must sign a statement that they are solely employed by your business and not by us. Any support and initial training we provide to you is not in lieu of your responsibility to train and supervise your employees. We do not provide employee management services to our franchisees. You may seek qualified employment and human resource consultants and payroll services of your own choosing. (Franchise Agreement – Section 3.2)

We may offer continuing education programs on matters related to the operation or promotion of the franchised business on an optional or mandatory basis, as we consider appropriate. We will not charge a fee for the initial training program. We may offer continuing education programs and may charge franchisees a nominal fee to defray our costs of conducting the programs. We may also offer continuing education programs conducted by third parties who may charge a fee. For all training we offer, you will pay any costs of travel, lodging, meals and other incidental expenses that you incur for your attendance and the attendance of your staff. We do not compensate you for any work performed during the training program. (Franchise Agreement – Section 4.8)

We will grant you access to proprietary materials for use in operating your franchised business and marketing. These materials are our sole property, are only for use in operating your franchised business, and must be returned to us when you no longer need them or if your franchise agreement is terminated.

After satisfactorily completing the initial training program, you may have the opportunity at your option to continue your training by working in an existing Color Me Mine business. You will pay your own travel and lodging expenses, if any, and will not be compensated for any work performed at another Color Me Mine business.

Training for franchisees who have purchased an existing Color Me Mine business is required.

## **ITEM 12. TERRITORY**

We grant you a franchise to operate a Color Me Mine business at a specific, approved location. We also grant you the right to market the business within a geographical area surrounding your franchised business that will be designated by us (“Protected Territory”).

The Protected Territory will be defined by identifiable boundaries and generally include a business, seasonal and/or residential population count of a minimum of two hundred fifty thousand (250,000) people, based upon then-current available data. The boundaries of the Protected Territory may be shaped at our discretion, to match the population criteria, convenience to the guest, street or walk by traffic patterns and natural geographic features, such as bodies of water, interstate highways, drive-time analysis and other features that normally define guest trip patterns. The Protected Territory may include a business, seasonal and/or residential population count of less than two hundred fifty thousand (250,000) people, based upon the criteria above, if the location is determined to be in a unique trade area, such as rural, seasonal or destination areas. We have not established a minimum population for protected territories in unique trade areas.

You may relocate the premises of the franchised business within the Protected Territory with our prior written consent, which will be granted only if the following conditions are fulfilled: (i) you and your Related Parties are in good standing under the franchise agreement, any other agreement between us or our Related Parties and you, and the Confidential Operations Manuals; (ii) you agree to plan, construct, equip, and furnish your new premises so that the premises meet the then-current standards of appearance and function applicable to the premises of new Color Me Mine businesses at the time of relocation; (iii) you and any Related Parties that are parties to the franchise agreement have signed a general release of claims; (iv) we have given prior written acceptance of the new site and the provisions of the lease for the new premises; and (v) you agree that we may, at its option, revise the boundaries of your Protected Territory to reflect the criteria for territory development related to the new site. Our acceptance of the new site may be withheld, at our sole option, if the new site not meet our then-current site selection guidelines, including the site's proximity to another Color Me Mine existing or planned business. Our failure to communicate our acceptance or rejection shall not be construed as acceptance of your site.

The franchise agreement does not give you a right of first refusal or option to acquire additional Color Me Mine franchises either within or outside your Protected Territory, nor the right to open a "satellite" Color Me Mine business.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Although your Protected Territory is not exclusive, except as to Non-Traditional locations (defined below), we will not authorize any other franchisee to locate a Color Me Mine business within your Protected Territory, locate any Color Me Mine business owned by us or an affiliate that uses the Trade Name or System within the Protected Territory, nor allow any other Color Me Mine business owned by a franchisee, us or an affiliate to relocate to a site within the Protected Territory. "Non-Traditional" locations are typically located within another business or dependent upon one main business or organization as its primary trade generator, normally have limited access to the general public and a limited trade area, usually in relation to its primary trade generator ("Captive Facility").

There are no circumstances under which we would be permitted to modify your Protected Territory during the initial term of your franchise agreement, except upon relocation of your site. You do not have to achieve a certain sales volume, quota, market penetration or other conditions to retain your territorial rights as long as your franchise agreement remains in effect. Prior to each renewal term, we will evaluate your Protected Territory and determine if the demographics and

psychographics have increased to the level of supporting additional Color Me Mine businesses. In that event, new boundaries may be drawn.

We are restricted from soliciting or accepting orders from consumers within the Protected Territory for approved products you offer for sale from or through your franchised business through other channels of distribution as long as you have the products in inventory and are offering and selling the products. We and our affiliates may use alternate channels of distribution, such as the Internet to make sales to consumers within the Protected Territory of other products that you don't offer utilizing the Marks and other marks. We are not required to compensate you for any solicitation or acceptance of orders inside your Protected Territory via alternative channels of distribution.

You may not market or solicit for customers outside your Protected Territory unless we approve in writing. You may not engage in mail order, Internet, catalog sales or other channels of distribution except as we may authorize in writing.

Neither we nor any affiliate competes or has plans to compete with its franchisees under another trade name or mark in the contemporary ceramic and craft studio industry offering customers bisqueware, paint, materials, instruction and glazing services.

As stated in Item 1, our parent, Twist Brands acquired the rights to operate the Painting with a Twist franchise system in a transaction that closed November 3, 2020. Painting with a Twist, L.L.C., the franchisor of the Painting with a Twist franchise system, offers franchises where guests drink wine or other beverages while painting artwork with the help of an artist, using the Painting with a Twist trademark and system throughout the United States. As stated in Item 1, Painting with a Twist acquired the rights to operate the Pinot's Palette franchise system in a transaction that closed June 28, 2024. Pinot's Palette franchises and Painting with a Twist franchises offer similar services. This means that it is possible that you could have a Painting with a Twist or Pinot's Palette franchise location operating in your Protected Territory or a Painting with a Twist or Pinot's Palette franchise territory overlapping your Protected Territory. While Color Me Mine services are distinctly different, not directly competitive and primarily attract different market segments of the population than the services offered by Painting with a Twist and Pinot's Palette, franchisees from these systems may serve the same customers from time to time. We do not and will not own or operate or offer franchises for Painting with a Twist or Pinot's Palette businesses.

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### ITEM 13. TRADEMARKS

The status of our registration of the principal trademarks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) are as follows:

<b>Mark</b>	<b>Registration/ Renewal/ Application Date</b>	<b>Registration/Application No.</b>	<b>Class/Use</b>
Color Me Mine	Reg. 10/24/1995 Ren. 10/15/15	Reg. 1930281	IC 041, US 100, 101, 107
	Reg. 3/10/1998 Ren. 3/20/18	Reg. 2142859	IC 041, US 100, 101, 107
The Art of Having Fun	Reg. 9/17/02 Ren. 2012	Reg. 2622072	IC 041, US 100, 101, 107
Adventures in Art	Reg. 2/10/09 Ren. 3/13/19	Reg. 3572195	IC 041, US 100, 101, 107
Paint Me A Story	Reg. 4/22/08 Ren. 3/25/18	Reg. 3415336	IC 041, US 100, 101, 107
Color Me Yours	Reg. 09/10/13	Reg. 4399931	IC 041, US 100, 101, 107
Create In Color	Reg. 10/31/17	Reg. 5321255	IC 041, US 100, 101, 107

There is no currently effective material determination of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this State or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation involving the Marks.

We do not know of any infringing uses that could materially affect your use of the Marks.

All required affidavits have been filed. No agreements limit our rights to use or license the use of the Marks or Trade Name.

If you are named as a party to a legal proceeding arising from your use of the Trade Name, Marks, and System, or any of them, you must immediately notify us. We have the right to hire counsel to represent you in any such proceeding at our own expense.

We will indemnify and hold you harmless from all expenses and liabilities of any kind arising from or in any way connected to your use of the Trade Name and Marks.

We are not required to take affirmative action to protect the Trade Name, Marks, or System when notified of a claim, as described above.

We may require you to modify or discontinue use of the Trade Name and Marks. If required to modify or discontinue use of the Trade Name or Marks, you must conform to any required changes at your expense.

#### **ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We have no patents or pending patent applications that are material to the franchise.

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Confidential Operations Manuals and all sales, training, management and other materials that we have acquired, created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress), or any court regarding any copyright. There are no material proceedings pending in any court regarding any copyright. There are no agreements that limit our use or sublicensing of the use of our copyrighted materials.

We are not obligated to protect our copyrights or defend you against claims arising from your use of copyrighted items. We are not aware of any copyright infringement that could materially affect you.

We consider much of the information contained in the Confidential Operations Manuals and materials available as downloads from our Intranet website to be confidential and, accordingly, require franchisee's Related Parties and employees to sign confidentiality agreements in regard to its contents as well as in regard to specified trade secrets subject to explicit nondisclosure provisions in the franchise agreement prior to access. If you become aware of an infringement of our registered or common law copyrights or use of our proprietary information, we may, but are not required to, take action against the party identified.

If we require you at any time to discontinue use of any copyrighted or proprietary information, the franchise agreement does not provide you with any particular rights.

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

You (or your general manager (the "Manager")), must devote sufficient time and effort to the management and operation of the Color Me Mine business for a minimum of 40 hours per week. You, the Manager or another employee who has successfully completed our initial training program must oversee the operations of your franchised business. You must keep us informed as to the identity of your Manager. At our option, any successor Manager may be required to successfully complete our initial training program before starting work in the Color Me Mine business unless you obtain a prior written waiver of this condition from us.

There is no requirement that your Manager have an equity interest in the business. You may employ anyone of good character who is capable of satisfactorily completing our initial training program and who signs a non-disclosure and non-competition agreement.

You must actively participate in our marketing programs, display the most current seasonal marketing materials developed by us, maintain a database of customers' addresses and email addresses, participate in our system provided for communication among franchisees, and offer children and adult classes, workshops, programs, and parties.

Unless otherwise approved in writing by us, you must be open and operating during days and hours that conform to the hours set by us in the Confidential Operations Manuals.

If offered, you must participate in online services, digital studio marketing and ecommerce services and prominently display and use point-of-sale promotional materials developed by us for these services. You must post the hours of operation in a form specified by us on the front window of the premises of your franchised business.

You must attend an annual franchisee meeting if offered each year and one of the regional franchisee workshops if offered throughout the year.

You must maintain at all times a staff of trained employees sufficient to operate the Color Me Mine business.

If you are a legal entity, each beneficial owner in the legal entity and their spouses, must personally guarantee your obligations under the franchise agreement, and also must agree to be personally bound by, and personally liable for breach of, every term of the franchise agreement. This Owners Agreement is included as Attachment 1 to the franchise agreement.

#### **ITEM 16. RESTRICTIONS ON WHAT YOU MAY SELL**

The products you sell or use must meet the specifications set out in the current version of the Confidential Operations Manuals. All products and services you sell must be authorized by us.

Knowing that in a retail business it is vital to maintain a fresh, up-to-date atmosphere, we have the right to change our standards and specifications, including those designating which products and services will be offered and when, in our discretion. Such changes may necessitate the purchase of equipment, supplies, furnishings or other goods, completion of additional training by your employees, or other cost to you. You must promptly conform to the modified standards and specifications.

Unless approved otherwise in writing by us, the premises of the franchised business must not be used to conduct any business or sell any products other than goods and services offered within the Color Me Mine System.

You may sell products or services to any customers in your territory or in territories assigned to other Color Me Mine franchisees. You may not market or solicit customers outside of your territory. You may not engage in mail order, Internet, catalog sales or other channels of distribution.

## **ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

### **THE FRANCHISE RELATIONSHIP**

The table below briefly summarizes certain important provisions of the franchise agreement and related agreements. You should read the complete provisions in the documents attached to this disclosure document.

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
a. Term of the franchise	2.6	5 years.
b. Renewal or extension of the term	2.6	If you meet certain conditions, you may renew for 6 additional terms of 5 years each.
c. Requirements for you to renew or extend	2.6	You must: (i) give Franchisor written notice of your election to renew within prescribed time, (ii) be in good standing, not have any uncured defaults under the franchise agreement or any other agreement and not have received 2 or more separate written notices of default from us, (iii) renovate and modernize the franchised business as we may require, (iv) execute our then-current franchise agreement and related agreements, which may contain materially different terms and conditions than your original franchise agreement, (v) demonstrate right to operate franchised business at the location for the duration of the renewal term, and (vi) you or your Manager must satisfy our then-

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		current training requirements for renewing franchisees at your expense. You must sign a general release in the form we prescribe.
d. Termination by you	None	You may terminate the franchise agreement under any grounds permitted by state law.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	8.2	We may terminate your franchise agreement (i) immediately if you default under Section 8.2.1, (ii) ten (10) days after written notice is given for defaults set forth in Section 8.2.2 that have not been cured, and (iii) thirty (30) days after written notice is given for defaults set forth in Section 8.2.3 that have not been cured.
g. "Cause" defined - defaults which can be cured	8.2	You have 30 days to cure other defaults that can be cured set forth in Sections 8.2.2 and 8.2.3.
h. "Cause" defined - defaults which cannot be cured	8.2	Non-curable defaults include conviction of felony, misrepresentation in securing franchise, abandonment, repeated defaults, misuse of Marks, unaccepted transfer, insolvency, operating competing business, and more set forth in Section 8.2.1.



PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i. Your obligations on termination/non-renewal	8.3, Attachment 1	Obligations include, cease operating, complete de-identification of the premises, cease all use of Marks, Confidential Operating Manual and Confidential Information, payment of amounts due, honoring option to purchase or lease, turn over all property belonging to CMM, including customer lists, artwork, internet and social media accounts, assign telephone phone numbers, and more.
j. Assignment of contract by us	7.4	We may transfer and assign all or any part of our interest in the franchise agreements to any person or legal entity without your consent.
k. "Transfer" by you – definition	1.21, 7	"Transfer" means any sale, gift, or other change in a direct or indirect ownership of all or any part of the rights and obligations: a) of the franchise agreement or the franchise or license granted hereunder, b) all or substantially all of the assets of the franchised business, including the lease for the location, c) of an ownership interest in you; or d) operational control of the franchised business.
l. Our approval of your Transfer	7.1,7.2	We have the right to approve all Transfers. We will charge a transfer fee in accordance with

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		Section 4.9 of the franchise agreement.
m. Conditions for our approval of Transfer	7.4	New franchisee meets all then-current criteria for franchisees, payment of transfer fee, if applicable, purchase agreement acceptable, payment of outstanding debts to us by transferor, transferee will renovate and modernize the franchised business, transferee completes initial training program, release signed by you, new franchisee signs then-current franchise agreement
n. Our right of first refusal to buy your business	7.3	We have the option to match any offer to buy your business.
o. Our option to buy your business	8.3	We have the option to buy your business upon termination.
p. Your death or disability	7	Heirs must qualify or have 6 months to sell
q. Non-Competition covenants during term of franchise	6.6, Attachment 1	You and your Related Parties are not permitted without our prior written consent to (a) divert or attempt to divert business or customers of the Color Me Mine business to any competitors, (b) do or perform any other act injurious to or prejudicial to the goodwill associated with the Marks and System, and (c) engage in various activities with a competing business

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
r. Non-Competition covenants after franchise is terminated or expires	6.6, Attachment 1	No involvement in competing business for 2 years. See (a) – (c) in (q) above.
s. Modification of the Agreement	10.3	Modification only by agreement of parties. Confidential Operations Manuals may change
t. Integration / merger clause	10.5	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the franchise disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the franchise disclosure document, its exhibits and attachments.
u. Dispute resolution by arbitration or mediation	Article 9	Except for certain claims, all disputes must be mediated in the city of our principal place of business, currently Mandeville, Louisiana (subject to state law).
v. Choice of forum	Article 9	Subject to applicable state law, the parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in the state and federal courts in

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		the city, county or parish of our principal place of business, currently Mandeville, St. Tammany Parish, Louisiana.
w. Choice of law	Article 9	Subject to applicable state law, Louisiana law applies.

### **ITEM 18. PUBLIC FIGURES**

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

### **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The financial performance representations included in Tables 1-5 of this Item 19 contain historical gross revenue information of the franchise system's franchised outlets that operated and generated gross revenue records for all 12 months during the years 2021, 2022, 2023 and 2024. The years 2021, 2022, 2023 and 2024 refer to our last four fiscal years ending September 30, 2021, 2022, 2023 and 2024. We had 93 franchised outlets in 2021, 98 franchised outlets in 2022, 97 franchised outlets in 2023, and 104 franchised outlets in 2024 that operated and generated gross revenue records for 12 full months of the year.

For the year 2021, the gross revenue data of 4 franchised outlets that closed during 2021 and 1 franchised outlet that was temporarily closed due to relocation during 2021 was excluded. For the year 2022, the data of 2 franchised outlets that closed during 2022 and 1 franchised outlet that was temporarily closed due to relocation during 2022 was excluded. For the year 2023, the data of 4 franchised outlets that closed during 2023 was excluded. For the year 2024, the data of 1 franchised outlet that was temporarily closed due to relocation during 2024 was excluded. None of the excluded outlets closed after being open less than 12 months.

The financial performance representations in Table 6 of this Item 19 contain historical gross revenue information of 7 new franchise outlets that opened in 2024 and completed at least one full month of operations and generated gross revenue records for at least one full month in 2024.

The gross revenue information in Tables 1-6 below is based on sales information reported to us by the franchised outlets through the point-of sale system (“POS”) and have not been audited by us.

“Gross Revenue” means the total revenue derived from the sale of products or services less sales tax, discounts, allowances, and returns.

**Table 1 Gross Revenues of Franchised Outlets for Years 2021 – 2024 (Two Part Table)**

<b>Table 1</b> <b>Part 1 - Years 2021 - 2023</b>					
<b>Years &amp; Variances (“Var”)</b>	<b>2021</b>	<b>2022</b>	<i>Var 21-22</i>	<b>2023</b>	<i>Var 22-23</i>
<b>Lowest Gross Revenue</b>	\$60,879	\$71,987	18%	\$128,007	78%
<b>Highest Gross Revenue</b>	\$666,396	\$1,037,497	56%	\$1,167,073	12%
<b>Average Gross Revenue</b>	\$232,364	\$361,833	56%	\$443,436	23%
<b>Median Gross Revenue</b>	\$219,693	\$333,489	52%	\$409,398	23%
<b>Total Locations</b>	93	98	5%	97	-1%
<b>Number of Locations &gt; Average</b>	37	42	14%	39	-7%
<b>Number of Locations &lt; Average</b>	56	56	0%	58	4%
<b>Average # of Years Locations Open</b>	13.72	14.66	7%	15.61	6%

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<b>Table 1</b> <b>Part 2 - Years 2023 - 2024</b>			
<b>Years &amp; Variances (“Var”)</b>	<b>2023</b>	<b>2024</b>	<b>Var 23-24</b>
<b>Lowest Gross Revenue</b>	\$128,007	\$93,118	-27%
<b>Highest Gross Revenue</b>	\$1,167,073	\$1,447,169	24%
<b>Average Gross Revenue</b>	\$443,436	\$478,776	8%
<b>Median Gross Revenue</b>	\$409,398	\$438,468	7%
<b>Total Locations</b>	97	104	7%
<b>Number of Locations &gt; Average</b>	39	46	18%
<b>Number of Locations &lt; Average</b>	58	58	0%
<b>Average # of Years Locations Open</b>	15.61	15.63	0%

**Table 2 Gross Revenues of Franchised Outlets Within Top 20% for Years 2021 – 2024**  
(Two Part Table)

<b>Table 2</b> <b>Part 1 - Years 2021 - 2023</b>					
<b>Years &amp; Variances (“Var”)</b>	<b>2021</b>	<b>2022</b>	<b>Var 21-22</b>	<b>2023</b>	<b>Var 22-23</b>
<b>Average Gross Revenues</b>	\$393,869	\$607,619	54%	\$736,901	21%
<b>Median Gross Revenues</b>	\$367,695	\$560,653	52%	\$652,697	16%
<b>Total Locations</b>	18	19	6%	19	0%
<b>Average # of Years Locations Open</b>	15.87	14.42	-9%	16.16	12%

<b>Table 2</b> <b>Part 2 - Years 2023 - 2024</b>			
<b>Years &amp; Variances (“Var”)</b>	<b>2023</b>	<b>2024</b>	<i>Var 23-24</i>
<b>Average Gross Revenues</b>	\$736,901	\$805,182	9%
<b>Median Gross Revenues</b>	\$652,697	\$725,650	11%
<b>Total Locations</b>	19	21	11%
<b>Average # of Years Locations Open</b>	16.16	17.97	11%

**Table 3 Gross Revenues of Franchised Outlets Within Mid 60% for Years 2021 – 2024  
(Two Part Table)**

<b>Table 3</b> <b>Part 1 - Years 2021 - 2023</b>					
<b>Years &amp; Variances (“Var”)</b>	<b>2021</b>	<b>2022</b>	<i>Var 21-22</i>	<b>2023</b>	<i>Var 22-23</i>
<b>Average Gross Revenues</b>	\$216,119	\$339,805	57%	\$416,097	22%
<b>Median Gross Revenues</b>	\$219,693	\$333,489	52%	\$409,398	23%
<b>Total Locations</b>	57	60	5%	59	-2%
<b>Average # of Years Locations Open</b>	13.22	15.03	14%	16.03	7%

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<b>Table 3</b> <b>Part 2 - Years 2023 - 2024</b>			
<b>Years &amp; Variances (“Var”)</b>	<b>2023</b>	<b>2024</b>	<i>Var 23-24</i>
<b>Average Gross Revenues</b>	\$416,097	\$449,453	8%
<b>Median Gross Revenues</b>	\$409,398	\$438,468	7%
<b>Total Locations</b>	59	62	5%
<b>Average # of Years Locations Open</b>	16.03	15.44	-4%

**Table 4 Gross Revenues of Franchised Outlets Within Bottom 20% for Years 2021 – 2024  
(Two Part Table)**

<b>Table 4</b> <b>Part 1 - Years 2021 - 2023</b>					
<b>Years &amp; Variances (“Var”)</b>	<b>2021</b>	<b>2022</b>	<i>Var 21-22</i>	<b>2023</b>	<i>Var 22-23</i>
<b>Average Gross Revenues</b>	\$122,301	\$185,606	52%	\$234,863	27%
<b>Median Gross Revenues</b>	\$136,377	\$212,912	56%	\$239,877	13%
<b>Total Locations</b>	18	19	6%	19	0%
<b>Average # of Years Locations Open</b>	13.17	13.71	4%	13.76	0%



<b>Table 4</b> <b>Part 2 - Years 2023 - 2024</b>			
<b>Years &amp; Variances (“Var”)</b>	<b>2023</b>	<b>2024</b>	<i>Var 23-24</i>
<b>Average Gross Revenues</b>	\$234,863	\$238,945	2%
<b>Median Gross Revenues</b>	\$239,877	\$255,898	7%
<b>Total Locations</b>	19	21	11%
<b>Average # of Years Locations Open</b>	13.76	13.88	1%

**Table 5**

**Percentage of Annual Sales Per Month and Per Quarter  
For Years of 2021, 2022, 2023 and 2024**

<b>Month</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>
<b>2021</b>	5.80%	6.69%	6.43%	5.85%	6.79%	8.79%	8.45%	9.03%	10.91%	12.25%	11.18%	8.02%
<b>2022</b>	6.27%	7.99%	9.14%	7.12%	8.71%	8.79%	8.69%	7.54%	8.90%	10.43%	9.55%	6.87%
<b>2023</b>	6.18%	7.55%	9.06%	8.85%	8.53%	9.48%	8.48%	7.33%	9.27%	9.53%	8.86%	6.88%
<b>2024</b>	6.19%	8.21%	9.41%	8.64%	8.89%	9.76%	7.91%	7.60%	8.75%	9.33%	8.92%	6.35%
<b>AVG % Sales/ Mo</b>	<b>6.11%</b>	<b>7.61%</b>	<b>8.51%</b>	<b>7.61%</b>	<b>8.23%</b>	<b>9.21%</b>	<b>8.38%</b>	<b>7.88%</b>	<b>9.46%</b>	<b>10.39%</b>	<b>9.63%</b>	<b>7.04%</b>
<b>MED % Sales/ Mo</b>	<b>6.19%</b>	<b>7.77%</b>	<b>9.10%</b>	<b>7.87%</b>	<b>8.62%</b>	<b>9.14%</b>	<b>8.46%</b>	<b>7.57%</b>	<b>9.08%</b>	<b>9.98%</b>	<b>9.24%</b>	<b>6.87%</b>
<b>AVG % Sales/ Qtr</b>		<b>22.23%</b>			<b>25.05%</b>			<b>25.72%</b>			<b>27.06%</b>	
<b>MED % Sales/ Qtr</b>		<b>23.05%</b>			<b>25.63%</b>			<b>25.12%</b>			<b>26.10%</b>	

*[Remainder of page intentionally blank]*

**Table 6**

**Monthly Gross Revenues of 7 Franchised Outlets  
that Completed First Full Month of Operations in 2024**

<b>Studio</b>	<b>Mo. 1</b>	<b>Mo. 2</b>	<b>Mo. 3</b>	<b>Mo. 4</b>	<b>Mo. 5</b>	<b>Mo. 6</b>	<b>Mo. 7</b>	<b>Mo. 8</b>	<b>Mo. 9</b>	<b>Mo. 10</b>	<b>Mo. 11</b>	<b>Mo. 12</b>	
Studio A	\$15,242	\$23,872	\$32,637	\$32,681	\$35,566	\$46,933	\$27,756	\$30,258	\$43,657	\$46,723	\$38,461	\$37,021	
Studio B	\$14,421	\$32,615	\$20,767	\$26,703	\$32,774	\$49,469	\$37,194	\$37,746					
Studio C	\$30,413	\$27,037	\$40,215	\$41,753	\$48,497	\$35,335							
Studio D	\$13,331	\$21,221	\$32,068	\$24,241	\$23,387	\$20,598							
Studio E	\$23,326	\$25,582	\$19,770	\$24,472	\$22,782								
Studio F	\$25,542	\$32,200	\$34,631	\$29,846	\$24,867								
Studio G	\$29,621	\$24,831	\$20,641	\$19,864									
Highest	\$30,413	\$32,615	\$40,215	\$41,753	\$48,497	\$49,469							
Lowest	\$13,331	\$21,221	\$19,770	\$19,864	\$22,782	\$20,598							
Average	\$21,699	\$26,765	\$28,675	\$28,508	\$31,312	\$38,083	\$32,475	\$34,002	\$43,657	\$46,723	\$38,461	\$37,021	\$407,384
Median	\$23,326	\$25,582	\$32,068	\$26,703	\$28,820	\$41,134	\$32,475	\$34,002	\$43,657	\$46,723	\$38,461	\$37,021	\$409,973
(1) Month 1 represents a studio's first full month in operation; Month 2 represents a studio's second full month in operation, etc., (2) There were 7 franchised studios that completed their first full month of operations during the fiscal year 2024.													

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

Written substantiation for the financial performance representations will be made available to you on reasonable request.

Other than the preceding financial performance representations, we do not make any financial performance representations. We do not authorize our employees or representatives to make any such representations either orally or in writing. We do not make any representations about a franchisee's future financial performance. 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 our management by contacting Sean Goodwin, Vice President of Operations, at 1852 N. Causeway Blvd, Mandeville, Louisiana 70471 or by telephone at (818) 291-5900, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**System Wide Outlet Summary**  
**For Years 2022 to 2024 (1)**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2022	101	101	0
	2023	101	105	+4
	2024	105	112	+7
<b>Company-Owned</b>	2022	6	4	-2
	2023	4	2	-2
	2024	2	1	-1
<b>Total Outlets</b>	<b>2022</b>	<b>107</b>	<b>105</b>	<b>-2</b>
	<b>2023</b>	<b>105</b>	<b>107</b>	<b>+2</b>
	<b>2024</b>	<b>107</b>	<b>113</b>	<b>+6</b>

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2022 to 2024 (1)**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2022	1
	2023	1
	2024	0
Florida	2022	0
	2023	1
	2024	0
Illinois	2022	0
	2023	1
	2024	1
New Jersey	2022	0
	2023	1
	2024	0
Pennsylvania	2022	2
	2023	0
	2024	0
<b>Totals</b>	<b>2022</b>	<b>4</b>
	<b>2023</b>	<b>4</b>
	<b>2024</b>	<b>1</b>

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2022 to 2024 (1)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
Alabama	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Alaska	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arizona	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	1	2
	2024	2	0	0	0	0	0	2
California	2022	31	0	0	0	0	1	30
	2023	30	3	0	0	0	2	31
	2024	31	3	0	0	0	0	34
Colorado	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
Florida	2022	6	0	0	0	0	1	5
	2023	5	2	0	0	0	0	7
	2024	7	1	0	0	0	0	8
Illinois	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	1	0	0	0	0	7
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Kansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Kentucky	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maine	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Massachusetts	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
Minnesota	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Nevada	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	1	2
	2024	2	0	0	0	0	0	2
New Jersey	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9
New York	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
North Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Oklahoma	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Oregon	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
	2024	8	0	0	0	0	0	8
South Dakota	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Tennessee	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Texas	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	2	0	0	0	0	7
Utah	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
<b>Totals</b>	<b>2022</b>	<b>101</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>101</b>
	<b>2023</b>	<b>101</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>105</b>
	<b>2024</b>	<b>105</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112</b>

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024 (1)**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
California	2022	3	0	0	0	0	3
	2023	3	0	0	0	2	1
	2024	1	0	0	1	0	0
Maryland	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Virginia	2022	2	0	0	1	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
<b>Totals</b>	<b>2022</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>4</b>
	<b>2023</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>
	<b>2024</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>

(1) Our fiscal year end is September 30. The years 2022 to 2024 in tables 1 through 4 above refer to our last three fiscal years ending September 30, 2022, September 30, 2023, and September 30, 2024.

**Table No. 5**  
**Projected Openings As Of September 30, 2024**

State	Franchise Agreements Signed But Outlet Not Opened (1)	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	3	4	0
California	3	4	0
Florida	2	3	0
Illinois	2	2	0
Minnesota	1	1	0
Oregon	1	1	0
Tennessee	1	1	0
Texas	4	4	0
Utah	1	1	0
Washington	0	1	0
<b>Totals</b>	<b>18</b>	<b>22</b>	<b>0</b>

(1) As of September 30, 2024

Exhibit G contains the names of our franchisees, and the addresses and telephone numbers of their outlets as of September 30, 2024.

Exhibit G also contains the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number or email address) of each franchisee who had a franchise terminated or not renewed or transferred their franchise during our last fiscal year (1), who had an outlet reacquired by us during our last fiscal year (none), who ceased operations for other reasons during our last fiscal year (none), or who has not communicated with us within 10 weeks of the issuance date of this disclosure document (none).

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 Color Me Mine. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. No current or former franchisees have signed confidentiality clauses with us during our last 3 fiscal years which would restrict them from speaking openly with you about their experience with us.

The following independent franchisee organization has asked to be included in this disclosure document:

Studio Owners Association, LLC  
3347 Cinema Point  
Colorado Springs, CO 80922  
Telephone: (719) 265-1737

## **ITEM 21. FINANCIAL STATEMENTS**

Exhibit B includes our audited financial statements for the years ending September 30, 2024, 2023 and 2022.

Our fiscal year end is September 30.

## **ITEM 22. CONTRACTS**

Exhibit C includes the franchise agreement and attachments, as follows:

Attachment 1 - Owners Agreement  
Attachment 2 - Automatic Bank Draft Agreement  
Attachment 3 - Compliance Certification  
Attachment 4 - Contingent Assignment of Lease  
Attachment 5 - Confidentiality Agreement

Exhibit E includes a form of General Release

Exhibit F includes a Confidentiality Agreement

Exhibit H includes the State Specific Addenda to the disclosure document, franchise agreement and related agreements.

**ITEM 23. RECEIPT**

Exhibit I includes detachable documents acknowledging your receipt of this disclosure document.



**EXHIBIT A**  
**LIST OF STATE ADMINISTRATORS & AGENTS**  
**FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS & AGENTS  
FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677 www.dfpi.ca.gov	California Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 213-576-7505 1-866-275-2677
<b>CONNECTICUT</b>	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
<b>FLORIDA</b>	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
<b>GEORGIA</b>	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
<b>HAWAII</b>	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
<b>ILLINOIS</b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>IOWA</b>	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>KENTUCKY</b>	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
<b>LOUISIANA</b>	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
<b>MAINE</b>	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
<b>MINNESOTA</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>NEW HAMPSHIRE</b>	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
<b>NEW YORK</b>	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> floor New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
<b>NORTH CAROLINA</b>	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, 14 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
<b>OHIO</b>	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
<b>OKLAHOMA</b>	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
<b>OREGON</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
<b>RHODE ISLAND</b>	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>SOUTH CAROLINA</b>	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
<b>SOUTH DAKOTA</b>	South Dakota Department of Labor and Regulation Division of Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-4823	Director of the South Dakota Division of Securities Regulation Same Address
<b>TEXAS</b>	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
<b>UTAH</b>	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
<b>WISCONSIN</b>	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

**EXHIBIT B**  
**FINANCIAL STATEMENTS**



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**Color Me Mine, LLC**

Financial Statements

**Fiscal years ended:**

**September 30, 2024 and September 30, 2023**

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**REAGAN & REAGAN**  
CPAs & Business Advisors

*[www.randrcpa.com](http://www.randrcpa.com)*

# Color Me Mine, LLC

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Fiscal Years Ended September 30, 2024, and September 30, 2023

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# REPORT



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

To the Members  
Color Me Mine, LLC  
Mandeville, LA

### ***Opinion***

We have audited the financial statements of Color Me Mine, LLC, which comprise the balance sheets as of September 30, 2024 and September 30, 2023, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Color Me Mine, LLC as of September 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Color Me Mine, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Color Me Mine, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Reagan & Reagan CPA, LLC  
512 S. Tyler Street   Covington, LA 70433   Office 985-809-6505   fax 985-809-6507  
www.randrcpa.com

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Color Me Mine, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Color Me Mine, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Reagan & Reagan CPA, LLC*

Covington, LA  
November 20, 2024

The cover features a central rectangular area with a green-to-blue gradient and a subtle geometric pattern of triangles. On the left side of this central area, there are four horizontal, rounded rectangular bars in a light blue color. The title 'FINANCIAL STATEMENTS' is positioned on the right side of the central area in a bold, dark blue font. The entire central area is framed by horizontal bands of solid color: a medium blue band at the top, a dark green band below it, a dark blue band below that, and a bottom section divided into three colored segments (medium blue, dark green, and dark blue) by diagonal lines.

# **FINANCIAL STATEMENTS**

# Color Me Mine, LLC

## Balance Sheets

September 30, 2024, and September 30, 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,556,360	\$ 2,587,929
Accounts receivable, net	274,723	280,713
Notes receivable, current	13,496	13,236
Inventory	12,552	22,424
Prepaid commissions - current portion	293,000	-
Prepays and other current assets	94,312	84,149
<b>Total current assets</b>	<u>3,244,443</u>	<u>2,988,451</u>
Property and equipment, less accumulated depreciation of \$239,465 and \$239,465	-	-
Intangible assets, less accumulated amortization of \$708,924 and \$699,323	10,723	20,325
Notes receivable, net of current portion	38,129	46,313
Investment in corporate-owned stores	44,296	30,000
Goodwill	1,500,000	1,500,000
Prepaid commissions - net of current portion	-	-
Deposits and other assets	5,106	5,106
<b>Total assets</b>	<u>\$ 4,842,697</u>	<u>\$ 4,590,195</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 58,155	\$ 91,703
Credit cards payable	44,745	61,346
Accrued expenses and deposits	130,805	66,209
Deferred revenue	562,500	33,000
<b>Total current liabilities</b>	<u>796,205</u>	<u>252,258</u>
Gift cards, unredeemed	535,725	540,658
Earnout liability	1,500,000	1,500,000
<b>Total liabilities</b>	<u>2,831,930</u>	<u>2,292,916</u>
<b>Members' Equity</b>	<u>2,010,767</u>	<u>2,297,279</u>
<b>Total liabilities and members' equity</b>	<u>\$ 4,842,697</u>	<u>\$ 4,590,195</u>

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

# Color Me Mine, LLC

## Statements of Income

Fiscal Years Ended September 30, 2024, and September 30, 2023

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	<u>2024</u>	<u>2023</u>
Revenues:		
Royalties and other related fees	\$ 3,598,907	\$ 3,193,259
Corporate studio sales, net of discounts	428,218	461,233
Vendor commissions	222,364	211,362
Franchise fees	183,000	154,000
Sales of studio items to franchisees	<u>2,200</u>	<u>18,953</u>
Total revenue	4,434,689	4,038,807
Operating expenses:		
Cost of merchandise sales	88,788	123,014
General and administrative	953,177	993,025
Payroll and payroll taxes	1,227,368	1,192,995
Selling and marketing	407,174	309,596
Depreciation and amortization	<u>9,601</u>	<u>9,602</u>
Total costs and expenses	2,686,108	2,628,232
Income from operations	1,748,581	1,410,575
Other income (expense)		
Interest expense	(1)	(13)
Interest income	83,245	42,886
Gain (Loss) on disposal of fixed assets	1,500	(33,910)
Other income	<u>24,790</u>	<u>78,671</u>
	109,534	87,634
Net income	\$ <u><u>1,858,115</u></u>	\$ <u><u>1,498,209</u></u>

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

# Color Me Mine, LLC

## Statements of Cash Flows

Fiscal Years Ended September 30, 2024, and September 30, 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,858,115	\$ 1,498,209
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	9,602	9,601
Loss on corporate owned stores	-	33,910
Changes in assets and liabilities		
Accounts receivable	5,990	4,120
Inventory	9,872	14,126
Prepaid and other current assets	(10,163)	8,401
Prepaid commissions	(292,000)	-
Accounts payable	(33,548)	(3,180)
Accrued expenses and other operating liabilities	47,995	(25,116)
Gift card liability	(4,933)	(46,329)
Deferred franchise fees	529,500	(22,000)
<b>Net cash provided by operating activities</b>	<u>2,120,430</u>	<u>1,471,742</u>
<b>Cash flows from investing activities:</b>		
Investment in corporate owned stores	(14,296)	3,038
Issuance of notes receivable	-	(76,279)
Repayment on notes receivable	7,924	68,793
<b>Net cash (used in) provided by investing activities</b>	<u>(6,372)</u>	<u>(4,448)</u>
<b>Cash flows from financing activities:</b>		
Member distributions	(2,144,627)	(450,000)
Payments on long-term debt	-	(2,155)
<b>Net cash (used in) provided by financing activities</b>	<u>(2,144,627)</u>	<u>(452,155)</u>
<b>Net (decrease) increase in cash</b>	(30,569)	1,015,139
<b>Cash, beginning of period</b>	<u>2,587,929</u>	<u>1,572,790</u>
<b>Cash, end of period</b>	<u>\$ 2,557,360</u>	<u>\$ 2,587,929</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest:	\$ 1	\$ 13

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

# Color Me Mine, LLC

## Statement of Changes in Members' Equity

Fiscal Years Ended September 30, 2024, and September 30, 2023

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	<b>Members'</b>
	<b>Equity</b>
<b>Balance at October 1, 2022</b>	\$ 1,249,070
Net income for the period	1,498,209
Member distributions	<u>(450,000)</u>
<b>Balance at September 30, 2023</b>	2,297,279
Net income for the period	1,858,115
Member distributions	<u>(2,144,627)</u>
<b>Balance at September 30, 2024</b>	<u><u>\$ 2,010,767</u></u>

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



# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Color Me Mine, LLC (the “Company”) is a Louisiana based limited liability company, formed in 2020. (See Note 10). The Company offers and sells Color Me Mine® ceramic studio franchises throughout the United States of America for the operation of ceramic and craft studios for instruction and entertainment designed to assist the novice in learning to paint-your-own pottery and other related craft activities.

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

#### Basis of Accounting

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

The Company’s franchise arrangements provide its franchisee entities the power to direct the activities that most significantly impact their economic performance; therefore, the Company does not consider it to be the primary beneficiary of any such entity that might be a variable interest entity.

#### Fiscal Year

The Company adopted a fiscal year ending on September 30.

#### Accounting Estimates

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

#### Cash and Cash Equivalents

The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits and investments. As of September 30, 2024, and September 30, 2023, the Company maintained balances in various cash accounts in excess of federally insured limits. All highly liquid instruments purchased with an original maturity of three months or less are considered cash equivalents.

#### Concentration of Credit Risk

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

Due to the large number of geographically diverse customers, primarily franchisees throughout the United States, the Company does not believe it is subject to any concentration risk or credit risk. The Company performs credit evaluations of new franchisees but does not require collateral to support accounts.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### Accounts Receivable

Accounts receivable consist primarily of franchise royalties and product sales, which are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts. Accounts receivables are stated as net of an allowance for doubtful accounts of \$19,004 and \$19,004 at September 30, 2024 and September 30, 2023, respectively.

Management determines the allowance for doubtful accounts by identifying overdue accounts and by reserving a percentage of the accounts outstanding balance as uncollectible based on historical experience with collections in general or based on the account's specific circumstance. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

### Inventories

Inventories consist of bisque, paint, and other supplies to corporate-owned stores. Inventories are stated at the lesser of cost or net realizable value.

### Property and Equipment

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

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

### Goodwill

Goodwill represents an excess of purchase price over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization, but instead is tested for impairment at least annually.

Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit. Step one of the impairment test is based upon a comparison of the carrying value of net assets, including goodwill balances, to the fair value of net assets. Fair value is measured using a combination of the income approach and the market approach. The income approach consists of utilizing the discounted cash flow method that incorporates the Company's estimates of future revenues and costs, discounted using a risk-adjusted discount rate. The Company's estimates used in the income approach are consistent with the plans and estimates used to manage operations. The market approach utilizes multiples of profit measures to estimate the fair value of the assets. The Company evaluates all methods to ensure reasonably consistent results. Additionally, the Company evaluates the key input factors in the model used to determine whether a moderate change in any input factor or combination of factors would significantly change the results of the tests. Based on the Company's analysis, no impairment charges were recognized on goodwill for the fiscal years ended September 30, 2024, and September 30, 2023.

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

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### Intangible Assets

Intangible assets consist of trademarks, website and brand development and franchise license agreements. The Company's trademarks are stated at cost and amortized using the straight-line method over a ten-year life. The Company's website and branding development are stated at cost and amortized using the straight-line method over a five to ten-year life. The Company's franchise license agreements are stated at cost and amortized using the straight-line method over a five-year life. The Company tests for impairment of its intangible assets at a minimum, on an annual basis. The Company does not believe that any impairment exists on September 30, 2024, or September 30, 2023.

### Notes Receivables

Notes receivables are stated at unpaid principal balances, less allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Management's periodic evaluation of the adequacy of the allowance is based on adverse situations that may affect the borrower's ability to repay and current economic conditions. Loans are placed on nonaccrual when management believes that the loans are impaired, or collection of interest is doubtful. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest income on impaired loans is recognized only to the extent of interest payments received. At September 30, 2024 and September 30, 2023, the allowance for loan losses was \$45,000.

### Investment in Corporate-Owned Stores

Investment in corporate-owned stores consists of assets that have been bought back from the previous franchisee. Investment in corporate-owned stores is recorded at the Company's cost basis. Investments in corporate-owned stores are considered as held for sale and no depreciation is taken on the underlying furnishings and equipment.

### Shipping and handling costs

The Company classifies shipping and handling costs as part of the selling and delivery expenses in cost of merchandise sales and records the related revenue as sales in other income.

### Fair Value of Financial Instruments

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

### Revenue Recognition

Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation. (See Note 5).

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### *Franchise fees and royalties and other related fees*

The Company sells individual franchises through franchise agreements with an initial 5-year term. These agreements also convey multiple extension terms of five years, depending on contract terms if certain conditions are met. The Company provides its franchisees system training, preopening assistance, and general assistance in exchange for franchise fees, and royalties of 5% of store sales. (See Note 5).

The Company has determined that all the initial franchise services are distinct from the continuing rights and services offered during the term of the franchise agreement and should not be treated as a single performance obligation; therefore, all the fees are recognized upon the opening of the franchise location. (See Note 5).

Franchise fees received in advance, but not earned are recognized as deferred revenue.

Royalties are accrued as earned and are calculated each period based on reported franchisees' sales. In international locations, area development rights are granted and referred to as a master license, which provides the licensee exclusive rights to develop a specific number of Color Me Mine® studios in a designated geographic area. These revenues are earned over time, generally on a monthly basis in accordance with the Franchise Agreement.

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

The Company requires all franchisees to pay a technology fee of \$239 per month and is included in royalties and other related fees in the statement of income.

### *Corporate studio sales*

Revenue from sales of merchandise, workshops, classroom time, store supplies and furnishings is recognized when services or goods are rendered to the customer or the franchisor at a point in time. Revenue from the sale of corporate-owned stores is recognized at a point in time when all terms and conditions of the sale are met, which is generally upon escrow closing. The Company reports this revenue net of sales and use taxes collected from customers and remitted to governmental taxing authorities.

### *Commission and incentive income*

The Company receives incentives and commissions from its major suppliers of bisque based on volume ordered by individual franchises. The Company recognizes revenue at a point in time when the purchase milestone is achieved.

### *Advertising fees*

The Company's franchise agreements typically require the franchisee to pay continuing advertising fees each reporting period based on a percentage of franchisee gross sales, typically 1%.

### **Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the Color Me Mine® brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Color Me Mine® brand. The franchisee is required to operate its location in

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company.

The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company does not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right but not the obligation to acquire the assets of the franchisee at fair value. The Company has financial exposure for the collection of the royalty payments. Franchisees generally remit royalty payments monthly for the prior month's sales, which substantially minimizes the financial exposure. Historically, the Company has experienced insignificant write-offs of franchisee royalties. Franchise fees are paid upon the signing of the related agreements.

### Advertising Costs

Advertising costs are treated as period costs and expensed as incurred. For the fiscal year ended September 30, 2024, and September 30, 2023, advertising costs amounted to \$18,853 and \$22,584, respectively.

### Income Taxes

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

For income tax reporting purposes, the Company files on a calendar year basis.

### Recently Issued Accounting Pronouncements

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

### Recently Adopted Accounting Pronouncements

The Company adopted ASC 842 at the beginning of the fiscal 2022 year. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. There was no impact of adoption as the Company did not have any leases with terms longer than 12 months.

The Company adopted ASC 606 Revenue from Contracts with Customers on November 23, 2020 (date of inception). The primary impact of adoption was the enhancement of the Company's disclosures related to contracts with customers and revenue recognized from those performance obligations, which includes revenue related to initial fees charged to franchisees. See Note 5, Revenue Recognition.

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

### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### NOTE 2 – INVENTORY

Inventory consisted of the following at September 30:

	<u>2024</u>	<u>2023</u>
Corporate owned stores		
Bisque and paint	\$ 12,552	\$ 19,586
Warehouse		
Finished goods and other supplies	<u>-</u>	<u>2,838</u>
Total inventory	<u>\$ 12,552</u>	<u>\$ 22,424</u>

### NOTE 3 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at September 30:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 9,190	\$ 9,190
Computers and equipment	167,370	167,370
Leasehold improvements	<u>62,905</u>	<u>62,905</u>
	239,465	239,465
Less: Accumulated depreciation	<u>(239,465)</u>	<u>(239,465)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

The Company recorded depreciation expense related to these assets of \$0 for the fiscal years ended September 30, 2024, and September 30, 2023.

### NOTE 4 – INTANGIBLE ASSETS

Following is a summary of intangible assets at September 30:

	<u>2024</u>	<u>2023</u>
License Agreements	\$ 328,983	\$ 328,983
Trademark	244,863	244,863
Intangibles - other	<u>145,801</u>	<u>145,801</u>
	719,647	719,647
Less: Accumulated amortization	<u>(708,924)</u>	<u>(699,322)</u>
Net Intangible assets	<u>\$ 10,723</u>	<u>\$ 20,325</u>

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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Amortization expense for the fiscal years ended September 30, 2024, and September 30, 2023 was \$9,601. Estimated future amortization expense as of September 30, 2024 is as follows:

Fiscal year ending September 30:

2025	\$	5,707
2026		2,508
2027		2,508
2028		-
2029		-
Total future amortization expense		<u>\$ 10,723</u>

### NOTE 5 – REVENUE RECOGNITION

On November 3, 2020 (date of inception), the Company adopted ASC 606, Revenue from Contracts with Customers using the modified retrospective method.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does influence the process management uses to evaluate the recognition of the initial franchise fees.

#### Franchise Fees

The adoption of ASC 606 impacted the Company's process used to evaluate the recognition of the initial franchise fees.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, Franchisors—Revenue from Contracts with Customers. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site.
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation.
- Training of the franchisee's personnel or the franchisee.
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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- Information technology, and advisory services, including assisting with setting up the franchisee's accounting records.
- Inspection, testing, and other quality control programs.

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

The Company recognized franchise fee revenue of \$183,000 and \$154,000 for the fiscal years ended September 30, 2024, and September 30, 2023, respectively. At September 30, 2024, and September 30, 2023, the balance of the deferred franchise fees was \$562,500 and \$33,000, and is included in deferred revenue on the Balance Sheet.

The direct and incremental costs associated with the sale of franchise locations, principally consisting of commissions, are included in Prepaids Commissions in the accompanying balance sheets.

### **Royalty and Other Related Fees**

Upon evaluation of the five-step process, the Company has determined that ASC 606 does not impact the recognition of royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur.

Royalties from franchise studios are based on a percentage of studio revenue and are recognized in the period the related franchised studios' sales occur. For the fiscal years ended September 30, 2024, and September 30, 2023, the Company recognized \$3,598,907 and \$3,193,259 in royalty and other related fee revenue, respectively.

For the fiscal years ended September 30, 2024, and September 30, 2023, transfer fees charged and recorded as income were \$0 and \$19,000, respectively, and are included in franchise fees on the Statements of Income.

### **Gift Card Redemptions/Breakage Revenue**

The company and its franchises sell gift cards that are redeemable at any of the franchise or corporate owned studio locations. Each location, and franchise entity carries its own gift card liability. The Company carries the liability of the corporate owned locations, the Company and any closed franchise. The gift card merchant issues the cross-funding reconciliation on a monthly basis and subsequently issues debits and credits to each location monthly to their account on file. A liability for unredeemed gift cards is included in gift card unredeemed on the balance sheet for the gift card liabilities that the Company carries, not including the gift card liabilities that the franchises carry.

There are no expiration dates or service fees charged on the gift cards. While the franchisees continue to honor all gift cards presented for payment, the likelihood of redemption may be determined to be remote for certain cards due to long periods of inactivity. In these circumstances, the Company may recognize revenue from unredeemed gift cards ("breakage revenue") if they are not subject to unclaimed property laws. The Company's gift card breakage is estimated and recognized over time in proportion to actual gift card redemptions, based on historical redemption rates. Significant judgment is required in estimating breakage rates and in determining whether to recognize breakage revenue over time or when the likelihood of redemption becomes remote. The Company recognized gift card breakage income of \$68,294 and \$130,756 for the fiscal years ended September 30, 2024, and September 30, 2023, respectively and is included in other income on the Statements of Income.



# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### NOTE 6 – RELATED PARTY TRANSACTIONS

The Company occasionally pays money to entities under common control or ownership, for the purpose of funding operations of those entities. When the members have determined that these amounts cannot or will not be repaid to the Company, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. At September 30, 2024 and September 30, 2023, there were no amounts due to entities under common control or ownership. Balances owed to or by the Company are usually non-interest-bearing, unsecured and due on demand.

The Company requires its franchisees to purchase certain studio supplies from a related party entity or from a Company approved supplier.

### NOTE 7– INVESTMENT IN CORPORATE-OWNED STORES

As discussed in Note 1, the Company may buy back existing franchises from franchisees who have not conformed or fulfilled their franchise agreement or are unable to continue the operations of the franchise. The assets in these franchises are recorded at cost (generally inventory, including used furnishings, offset by any assumed liabilities), and is actively marketed for sale.

Investment in corporate-owned stores, at cost, at September 30, 2024 and September 30, 2023 was \$44,296 and \$30,000, respectively.

### NOTE 8 – LEASE COMMITMENTS

As of September 30, 2023, the Company had no future minimum rental payments for leased properties in excess of one year.

### NOTE 9 – RETIREMENT PLAN

The Company's 401(k) profit sharing plan (the Plan), was established primarily to provide substantially all employees the opportunity to accumulate funds for their retirement. Under the Plan, contributions by the Company and employees are discretionary. The Company makes matching contributions to the Plan. During the fiscal years ended September 30, 2024, and September 30, 2023, the Company made matching contributions of \$16,735 and \$14,950, respectively.

### NOTE 10 – BUSINESS ACQUISITION AND EARNOUT LIABILITY

On November 3, 2020, the Company entered into a stock purchase agreement with Duncan Enterprises to purchase 100% of the issued and outstanding common stock of Color Me Mine Enterprises, Inc. As part of the purchase agreement, the Company recorded an Earnout Liability on the Balance Sheet pursuant to the earnout clause in the stock purchase agreement. Future earnout payments are based on terms and conditions set forth in the stock purchase agreement with the first earn-out reporting period ending December 31, 2021, and each six month calendar period beginning on the day following the end of the prior applicable calculation period and ending, respectively, on June 30, and December 31 of the applicable calendar year thereafter until the earnout liability has been paid in full.

The payments are based on EBITDA, multiplied by a factor of 20% and shall not exceed the maximum of \$1,500,000.

As of September 30, 2024, and September 30, 2023, there were no earnout payments made by the Company.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2024, and September 30, 2023

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### NOTE 11 – LEGAL PROCEEDINGS AND CONTINGENCIES

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

### NOTE 12 – FAIR VALUE

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

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

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

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

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

At September 30, 2024 and September 30, 2023, the Company did not have any financial assets or liabilities to value.

### NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the

date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 20, 2024, and determined that there were no other items for disclosure.



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**Color Me Mine, LLC**

Financial Statements

**Fiscal years ended September 30, 2023 and September 30, 2022**

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# Color Me Mine, LLC

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

# REPORT



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

To the Members  
Color Me Mine, LLC  
Mandeville, LA

### ***Opinion***

We have audited the financial statements of Color Me Mine, LLC, which comprise the balance sheets as of September 30, 2023 and September 30, 2022, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Color Me Mine, LLC as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Color Me Mine, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Color Me Mine, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Reagan & Reagan CPA, LLC  
512 S. Tyler Street    Covington, LA 70433    Office 985-809-6505    fax 985-809-6507  
www.randrcpa.com

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Color Me Mine, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Color Me Mine, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Reagan & Reagan CPA, LLC*

Covington, LA  
November 17, 2023

The cover features a central teal-to-green gradient area with a subtle geometric pattern of triangles. On the left side of this area, there are four horizontal, rounded rectangular bars in varying shades of blue and teal. The title 'FINANCIAL STATEMENTS' is positioned on the right side of the central area in a bold, dark blue font with a thin white outline. The entire central section is framed by solid color bands: a blue band at the top, a green band below it, a dark blue band below that, and a bottom section divided into blue, green, and dark blue segments.

# **FINANCIAL STATEMENTS**



# Color Me Mine, LLC

## Balance Sheets

September 30, 2023 and September 30, 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,587,929	\$ 1,572,790
Accounts receivable, net	280,713	284,833
Notes receivable, current	13,236	19,167
Inventory	22,424	36,550
Prepays and other current assets	84,149	92,550
<b>Total current assets</b>	<u>2,988,451</u>	<u>2,005,890</u>
Property and equipment, less accumulated depreciation of \$239,465 and \$239,465	-	-
Intangible assets, less accumulated amortization of \$699,322 and \$689,721	20,325	29,926
Notes receivable, net of current portion	46,313	32,896
Investment in corporate-owned stores	30,000	66,948
Goodwill	1,500,000	1,500,000
Deposits and other assets	5,106	5,106
<b>Total assets</b>	<u>\$ 4,590,195</u>	<u>\$ 3,640,766</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 91,703	\$ 94,883
Credit cards payable	61,346	98,783
Accrued expenses and deposits	66,209	53,888
Deferred revenue	33,000	55,000
Current maturities of notes payable	-	2,155
<b>Total current liabilities</b>	<u>252,258</u>	<u>304,709</u>
Gift cards, unredeemed	540,658	586,987
Earnout liability	1,500,000	1,500,000
<b>Total liabilities</b>	<u>2,292,916</u>	<u>2,391,696</u>
<b>Members' Equity</b>	<u>2,297,279</u>	<u>1,249,070</u>
<b>Total liabilities and members' equity</b>	<u>\$ 4,590,195</u>	<u>\$ 3,640,766</u>

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

# Color Me Mine, LLC

## Statements of Income

Fiscal Years Ended September 30, 2023 and September 30, 2022

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	<u>2023</u>	<u>2022</u>
Revenues:		
Royalties and other related fees	\$ 3,193,259	\$ 2,584,436
Corporate studio sales, net of discounts	461,233	1,078,676
Vendor commissions	211,362	98,866
Franchise fees	154,000	129,924
Sales of studio items to franchisees	<u>18,953</u>	<u>80,095</u>
Total revenue	4,038,807	3,971,997
Operating expenses:		
Cost of merchandise sales	123,014	357,150
General and administrative	993,025	1,011,278
Payroll and payroll taxes	1,192,995	1,421,409
Selling and marketing	309,596	298,298
Depreciation and amortization	<u>9,602</u>	<u>77,263</u>
Total costs and expenses	2,628,232	3,165,398
Income from operations	1,410,575	806,599
Other income (expense)		
Interest expense	(13)	(837)
Interest income	42,886	11,615
Loss on disposal of fixed assets	(33,910)	(460,377)
Other income (loss)	<u>78,671</u>	<u>(126,476)</u>
	87,634	(576,075)
Net income	\$ <u><u>1,498,209</u></u>	\$ <u><u>230,524</u></u>

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

# Color Me Mine, LLC

## Statements of Cash Flows

Fiscal Years Ended September 30, 2023 and September 30, 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,498,209	\$ 230,524
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	9,601	77,263
Loss on corporate owned stores	33,910	460,377
Changes in assets and liabilities		
Accounts receivable	4,120	(32,265)
Inventory	14,126	132,415
Prepaid and other current assets	8,401	45,179
Deposits and other assets	-	5,067
Accounts payable	(3,180)	(255,055)
Accrued expenses and other operating liabilities	(25,116)	(116,486)
Gift card liability	(46,329)	59,609
Deferred franchise fees	(22,000)	-
Due from/to affiliates	-	(52,009)
<b>Net cash provided by operating activities</b>	<u>1,471,742</u>	<u>554,619</u>
<b>Cash flows from investing activities:</b>		
Investment in corporate owned stores	3,038	-
Issuance of notes receivable	(76,279)	-
Repayment on notes receivable	68,793	5,027
<b>Net cash (used in) provided by investing activities</b>	<u>(4,448)</u>	<u>5,027</u>
<b>Cash flows from financing activities:</b>		
Member distributions	(450,000)	-
Member contributions	-	282,580
Payments on long-term debt	(2,155)	(47,166)
<b>Net cash (used in) provided by financing activities</b>	<u>(452,155)</u>	<u>235,414</u>
<b>Net increase in cash</b>	1,015,139	795,060
<b>Cash, beginning of period</b>	<u>1,572,790</u>	<u>777,730</u>
<b>Cash, end of period</b>	<u>\$ 2,587,929</u>	<u>\$ 1,572,790</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ 13	\$ 837

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

# Color Me Mine, LLC

## Statement of Changes in Members' Equity

Fiscal Years Ended September 30, 2023 and September 30, 2022

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	Members'
	Equity
<b>Balance at October 1, 2021</b>	\$ 735,966
Net income for the period	230,524
Member contributions	282,580
<b>Balance at September 30, 2022</b>	1,249,070
Net income for the period	1,498,209
Member distributions	(450,000)
<b>Balance at September 30, 2023</b>	<u>\$ 2,297,279</u>

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

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Color Me Mine, LLC (the “Company”) is a Louisiana based limited liability company, formed in 2020. (See Note 12). The Company offers and sells Color Me Mine® ceramic studio franchises throughout the United States of America for the operation of ceramic and craft studios for instruction and entertainment designed to assist the novice in learning to paint-your-own pottery and other related craft activities.

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

#### Basis of Accounting

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

The Company’s franchise arrangements provide its franchisee entities the power to direct the activities that most significantly impact their economic performance; therefore, the Company does not consider it to be the primary beneficiary of any such entity that might be a variable interest entity.

#### Fiscal Year

The Company adopted a fiscal year ending on September 30.

#### Accounting Estimates

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

#### Cash and Cash Equivalents

The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits and investments. As of September 30, 2023 and September 30, 2022, the Company maintained balances in various cash accounts in excess of federally insured limits. All highly liquid instruments purchased with an original maturity of three months or less are considered cash equivalents.

#### Concentration of Credit Risk

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

Due to the large number of geographically diverse customers, primarily franchisees throughout the United States, the Company does not believe it is subject to any concentration risk or credit risk. The Company performs credit evaluations of new franchisees but does not require collateral to support accounts.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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### Accounts Receivable

Accounts receivable consist primarily of franchise royalties and product sales, which are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts. Accounts receivables are stated net of an allowance for doubtful accounts of \$19,004 and \$236,803 at September 30, 2023 and September 30, 2022, respectively.

Management determines the allowance for doubtful accounts by identifying overdue accounts and by reserving a percentage of the accounts outstanding balance as uncollectible based on historical experience with collections in general or based on the account's specific circumstance. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

### Inventories

Inventories consist of bisque, paint, and other supplies to corporate-owned stores. Inventories are stated at the lesser of cost or net realizable value.

### Property and Equipment

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

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

### Goodwill

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

Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit. Step one of the impairment test is based upon a comparison of the carrying value of net assets, including goodwill balances, to the fair value of net assets. Fair value is measured using a combination of the income approach and the market approach. The income approach consists of utilizing the discounted cash flow method that incorporates the Company's estimates of future revenues and costs, discounted using a risk-adjusted discount rate. The Company's estimates used in the income approach are consistent with the plans and estimates used to manage operations. The market approach utilizes multiples of profit measures to estimate the fair value of the assets. The Company evaluates all methods to ensure reasonably consistent results. Additionally, the Company evaluates the key input factors in the model used to determine whether a moderate change in any input factor or combination of factors would significantly change the results of the tests. Based on the Company's analysis, no impairment charges were recognized on goodwill for the fiscal years ended September 30, 2023 and September 30, 2022.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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

### Intangible Assets

Intangible assets consist of trademarks, website and brand development and franchise license agreements. The Company's trademarks are stated at cost and amortized using the straight-line method over a ten-year life. The Company's website and branding development are stated at cost and amortized using the straight-line method over a five to ten-year life. The Company's franchise license agreements are stated at cost and amortized using the straight-line method over a five-year life. The Company tests for impairment of its intangible assets at a minimum, on an annual basis. The Company does not believe that any impairment exists at September 30, 2023 or September 30, 2022.

### Notes Receivables

Notes receivables are stated at unpaid principal balances, less allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Management's periodic evaluation of the adequacy of the allowance is based on adverse situations that may affect the borrower's ability to repay and current economic conditions. Loans are placed on nonaccrual when management believes that the loans are impaired, or collection of interest is doubtful. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest income on impaired loans is recognized only to the extent of interest payments received. At September 30, 2023 and September 30, 2022, the allowance for loan losses was \$45,000.

### Investment in Corporate-Owned Stores

Investment in corporate-owned stores consists of assets that have been bought back from the previous franchisee. Investment in corporate-owned stores is recorded at the Company's cost basis. Investments in corporate-owned stores are considered as held for sale and no depreciation is taken on the underlying furnishings and equipment.

### Shipping and handling costs

The Company classifies shipping and handling costs as part of the selling and delivery expenses in cost of merchandise sales and records the related revenue as sales in other income.

### Fair Value of Financial Instruments

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

### Revenue Recognition

Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation. (See Note 7)

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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### *Franchise fees and royalties and other related fees*

The Company sells individual franchises through franchise agreements with an initial 5-year term. These agreements also convey multiple extension terms of five years, depending on contract terms if certain conditions are met. The Company provides its franchisees system training, preopening assistance, and general assistance in exchange for franchise fees, and royalties of 5% of store sales. (See Note 7)

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

Franchise fees received in advance, but not earned are recognized as deferred revenue.

Royalties are accrued as earned and are calculated each period based on reported franchisees' sales. In international locations, area development rights are granted and referred to as a master license, which provides the licensee exclusive rights to develop a specific number of Color Me Mine® studios in a designated geographic area. These revenues are earned over time, generally on a monthly basis in accordance with the Franchise Agreement.

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

The Company requires all franchisees to pay a technology fee of \$239 per month and is included in royalties and other related fees in the statement of income.

### *Corporate studio sales*

Revenue from sales of merchandise, workshops, classroom time, store supplies and furnishings is recognized when services or goods are rendered to the customer or the franchisor at a point in time. Revenue from the sale of corporate-owned stores is recognized at a point in time when all terms and conditions of the sale are met, which is generally upon escrow closing. The Company reports this revenue net of sales and use taxes collected from customers and remitted to governmental taxing authorities.

### *Commission and incentive income*

The Company receives incentives and commissions from its major suppliers of bisque based on volume ordered by individual franchises. The Company recognizes revenue at a point in time when the purchase milestone is achieved.

### *Advertising fees*

The Company's franchise agreements typically require the franchisee to pay continuing advertising fees each reporting period based on a percentage of franchisee gross sales, typically 1%.

### **Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the Color Me Mine® brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Color Me Mine® brand. The franchisee is required to operate its location in



# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company.

The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company does not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right but not the obligation to acquire the assets of the franchisee at fair value. The Company has financial exposure for the collection of the royalty payments. Franchisees generally remit royalty payments weekly for the prior week's sales, which substantially minimizes the financial exposure. Historically, the Company has experienced insignificant write-offs of franchisee royalties. Franchise fees are paid upon the signing of the related agreements.

### Advertising Costs

Advertising costs are treated as period costs and expensed as incurred. For the fiscal year ended September 30, 2023 and September 30, 2022, advertising costs amounted to \$22,584 and \$61,646, respectively.

### Income Taxes

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

For income tax reporting purposes, the Company files on a calendar year basis.

### Recently Issued Accounting Pronouncements

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

### Recently Adopted Accounting Pronouncements

The Company adopted ASC 842 at the beginning of the fiscal 2022 year. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. There was no impact of adoption as the Company did not have any leases with terms longer than 12 months.

The Company adopted ASC 606 Revenue from Contracts with Customers on November 23, 2020 (date of inception). The primary impact of adoption was the enhancement of the Company's disclosures related to contracts with customers and revenue recognized from those performance obligations, which includes revenue related to initial fees charged to franchisees. See Note 7, Revenue Recognition.

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

### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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### NOTE 2 – INVENTORY

Inventory consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Corporate owned stores		
Bisque and paint	\$ 19,586	\$ 17,781
Glaze/kiln supplies	-	5,767
Warehouse		
Finished goods and other supplies	<u>2,838</u>	<u>13,002</u>
Total inventory	<u>\$ 22,424</u>	<u>\$ 36,550</u>

### NOTE 3 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at September 30:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 9,190	\$ 9,190
Computers and equipment	167,370	167,370
Leasehold improvements	<u>62,905</u>	<u>62,905</u>
	239,465	239,465
Less: Accumulated depreciation	<u>(239,465)</u>	<u>(239,465)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

The Company recorded depreciation expense related to these assets of \$0 and \$38,803 for the fiscal years ended September 30, 2023 and September 30, 2022, respectively.

### NOTE 4 – INTANGIBLE ASSETS

Following is a summary of intangible assets at September 30:

	<u>2023</u>	<u>2022</u>
License Agreements	\$ 328,983	\$ 328,983
Trademark	244,863	244,863
Intangibles - other	<u>145,801</u>	<u>145,801</u>
	719,647	719,647
Less: Accumulated amortization	<u>(699,322)</u>	<u>(689,721)</u>
Net Intangible assets	<u>\$ 20,325</u>	<u>\$ 29,926</u>

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

Amortization expense for the fiscal years ended September 30, 2023 and September 30, 2022 was \$9,601 and \$38,460, respectively. Estimated future amortization expense as of September 30, 2023 is as follows:

Fiscal year ending September 30:

2024	\$ 9,602
2025	8,215
2026	2,508
2027	-
2028	-
Total future amortization expense	<u>\$ 20,325</u>

### NOTE 5 – PAYCHECK PROTECTION PROGRAM PROCEEDS

On March 18, 2021, the Company received loan proceeds from Hancock Whitney Bank in the amount of \$378,625 under the Second Draw Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a specified period of time as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

Based on the Company’s use of the PPP funding, the Company has determined that it does qualify for the PPP loan and that it met all conditions of forgiveness. As such, by analogy, the Company has accounted for the PPP proceeds in accordance with FASB ASC 958-605. Under this method, the Company has treated the PPP loan as a conditional contribution and recognized the proceeds as a refundable advance until the conditions of forgiveness are met or explicitly waived.

On January 10, 2022, the Company received a Notice of Second Draw Paycheck Protection Program Forgiveness Payment (“Notice”) from the Small Business Administration (“SBA”), in the amount of \$378,625. As authorized by Section 1106 of the CARES Act, the SBA remitted this Notice to Hancock Whitney Bank for full forgiveness of the Company’s PPP Loan.

### NOTE 6 – LONG-TERM DEBT

The following is a summary of the Company’s long-term debt as of September 30:

	<u>2023</u>	<u>2022</u>
Franchisee - two notes with original amounts of \$100,000 each, monthly payments of \$1,250 each at 3% beginning June 2017, maturing October 2022, subject to collateral agreement.	\$ -	\$ 2,155
	<u>\$ -</u>	<u>\$ 2,155</u>
Less: Current portion of long-term debt	<u>-</u>	<u>(2,155)</u>
Long-term debt, net of current maturities	<u>\$ -</u>	<u>\$ -</u>

The Company has no future annual principal maturities of long-term debt as of September 30, 2023.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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### NOTE 7 – REVENUE RECOGNITION

On November 3, 2020 (date of inception), the Company adopted ASC 606, Revenue from Contracts with Customers using the modified retrospective method.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise fees.

#### Franchise Fees

The adoption of ASC 606 impacted the Company's process used to evaluate the recognition of the initial franchise fees.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, Franchisors—Revenue from Contracts with Customers. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

The Company recognized franchise fee revenue of \$135,000 and \$115,000 for the fiscal years ended September 30, 2023 and September 30, 2022, respectively. At September 30, 2023 and September 30, 2022, the balance of the deferred franchise fees was \$33,000 and \$55,000, and is included in deferred revenue on the Balance Sheet.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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### Royalty and Other Related Fees

Upon evaluation of the five-step process, the Company has determined that ASC 606 does not impact the recognition of royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur.

Royalties from franchise studios are based on a percentage of studio revenue and are recognized in the period the related franchised studios' sales occur. For the fiscal years ended September 30, 2023 and September 30, 2022, the Company recognized \$3,193,259 and \$2,584,436 in royalty and other related fee revenue, respectively.

For the fiscal years ended September 30, 2023 and September 30, 2022, transfer fees charged and recorded as income were \$19,000 and \$14,925, respectively, and are included in franchise fees on the Statements of Income.

### Gift Card Redemptions/Breakage Revenue

The company and its franchises sell gift cards that are redeemable at any of the franchise or corporate owned studio locations. Each location, and franchise entity carries its own gift card liability. The Company carries the liability of the corporate owned locations, the Company and any closed franchise. The gift card merchant issues the cross-funding reconciliation on a monthly basis and subsequently issues debits and credits to each location monthly to their account on file. A liability for unredeemed gift cards is included in gift card unredeemed on the balance sheet for the gift card liabilities that the Company carries, not including the gift card liabilities that the franchises carry.

There are no expiration dates or service fees charged on the gift cards. While the franchisees continue to honor all gift cards presented for payment, the likelihood of redemption may be determined to be remote for certain cards due to long periods of inactivity. In these circumstances, the Company may recognize revenue from unredeemed gift cards ("breakage revenue") if they are not subject to unclaimed property laws. The Company's gift card breakage is estimated and recognized over time in proportion to actual gift card redemptions, based on historical redemption rates. Significant judgment is required in estimating breakage rates and in determining whether to recognize breakage revenue over time or when the likelihood of redemption becomes remote. The Company recognized gift card breakage income of \$130,756 and \$0 for the fiscal years ended September 30, 2023 and September 30, 2022, respectively and is included in other income on the Statements of Income.

### NOTE 8 – RELATED PARTY TRANSACTIONS

The Company occasionally pays money to entities under common control or ownership, for the purpose of funding operations of those entities. When the members have determined that these amounts cannot or will not be repaid to the Company, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. At September 30, 2023 and September 30, 2022, there were no amounts due to entities under common control or ownership. Balances owed to or by the Company are usually non-interest-bearing, unsecured and due on demand.

The Company requires its franchisees to purchase studio supplies from a related party entity or from a Company approved supplier.

### NOTE 9 – INVESTMENT IN CORPORATE-OWNED STORES

As discussed in Note 1, the Company may buy back existing franchises from franchisees who have not conformed or fulfilled their franchise agreement or are unable to continue the operations of the franchise. The assets in these franchises are recorded at cost (generally inventory, including used furnishings, offset by any assumed liabilities), and is actively marketed for sale.

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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Investment in corporate-owned stores, at cost, at September 30, 2023 and September 30, 2022 was \$33,039 and \$66,948, respectively.

### NOTE 10 – LEASE COMMITMENTS

As of September 30, 2023, the Company had no future minimum rental payments for leased properties in excess of one year.

### NOTE 11 – RETIREMENT PLAN

The Company's 401(k) profit sharing plan (the Plan), was established primarily to provide substantially all employees the opportunity to accumulate funds for their retirement. Under the Plan, contributions by the Company and employees are discretionary. The Company makes matching contributions to the Plan. During the fiscal years ended September 30, 2023 and September 30, 2022, the Company made matching contributions of \$14,950 and \$10,362, respectively.

### NOTE 12 – BUSINESS ACQUISITION AND EARNOUT LIABILITY

On November 3, 2020, the Company entered into a stock purchase agreement with Duncan Enterprises to purchase 100% of the issued and outstanding common stock of Color Me Mine Enterprises, Inc. As part of the purchase agreement, the Company recorded an Earnout Liability on the Balance Sheet pursuant to the earnout clause in the stock purchase agreement. Future earnout payments are based on terms and conditions set forth in the stock purchase agreement with the first earn-out reporting period ending December 31, 2021 and each six month calendar period beginning on the day following the end of the prior applicable calculation period and ending, respectively, on June 30, and December 31 of the applicable calendar year thereafter until the earnout liability has been paid in full.

The payments are based on EBITDA, multiplied by a factor of 20% and shall not exceed the maximum of \$1,500,000.

As of September 30, 2023 and September 30, 2022, there were no earnout payments made by the Company.

### NOTE 13 – LEGAL PROCEEDINGS AND CONTINGENCIES

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

### NOTE 14 – FAIR VALUE

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

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation

# Color Me Mine, LLC

## Notes to Financial Statements

Fiscal Years Ended September 30, 2023 and September 30, 2022

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techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels:

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

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

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

At September 30, 2023 and September 30, 2022, the Company did not have any financial assets or liabilities to value.

### NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the

date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 17, 2023 and determined that there were no other items for disclosure.

**EXHIBIT C**

**FRANCHISE AGREEMENT AND ATTACHMENTS**





**COLOR ME MINE LLC**  
**FRANCHISE AGREEMENT**

# FRANCHISE AGREEMENT AND ATTACHMENTS

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## COLOR ME MINE® FRANCHISE AGREEMENT

This Color Me Mine Franchise Agreement (“**Agreement**”) is made effective on \_\_\_\_\_ (“**Effective Date**”) by and between Color Me Mine LLC, a Louisiana limited liability company, whose principal place of business is 1852 N. Causeway Blvd., Mandeville, Louisiana 70471 (“**Franchisor**”, “**CMM**”, “**we**” or “**us**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ limited liability company, whose address is \_\_\_\_\_ (“**you**” or “**Franchisee**”).

### RECITALS

Franchisor and its affiliates/principals, as a result of the expenditure of time, skill, effort, and money, have developed and continue to develop a system for operating distinctive businesses offering customers bisqueware, paint, glazing services, materials and instruction for paint-your-own pottery and other art and craft activities as offered from time to time through an approved studio location utilizing the System and Marks.

Franchisor is the owner of certain marks and other intellectual property, including the mark “**Color Me Mine**” which have been filed or registered with the United States Patent and Trademark Office, and may, in the future become the owner, licensee or authorized distributor for other trademarks, including logos and designs;

Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including the Marks, distinctive interior design, trade dress décor and color scheme; uniform standards, specifications, and procedures for operations; procedures for quality control; training and ongoing operational assistance; advertising and promotional programs; and other related benefits for the use of Franchisee, all of which may be changed, improved, and further developed by Franchisor from time to time.

Franchisor is in the business of granting qualified parties a franchise for the right to independently own and operate a single Franchised Business utilizing the Marks and System at an Accepted Location (“**Premises**”);

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

Therefore, in consideration of mutual agreements and promises contained in this Agreement, and for other good and valuable consideration, acknowledged to be satisfactory and adequate, the parties agree as follows:

### ARTICLE I DEFINITIONS

For purposes of this Franchise Agreement, when any of the following words and phrases begins with a small letter its meaning should be taken in the generic; and when it starts with a

capital letter in its singular or plural, separated in quotes its meaning is defined in this Article I or as otherwise set forth in this Franchise Agreement:

1.1 “**Agreement**” means this Franchise Agreement.

1.2 “**Accepted Location**” means the location that CMM has accepted in writing as a site at which you may own and operate a Studio.

1.3 “**Ceramic and Craft Product**” means a ceramic and craft product that has been manufactured or distributed by CMM or its Related Party or under license from CMM or its Related Party or bearing the Marks or Trade Name.

1.4 “**Color Me Mine Studio(s)**” or “**Studio(s)**” means an enterprise that CMM has authorized you or another to conduct under the Marks, Trade Name and System at an Accepted Location under this Agreement or another franchise agreement.

1.5 “**Confidential Information**” means all information relating to the establishment and operation of Color Me Mine Studios and the Franchised Business, including, without limitation: (1) equipment, product, and supplier standards and specifications; (2) marketing plans; (3) research, development and test programs for products, services and operations; (4) contents of the Confidential Operations Manuals; (5) knowledge of the operating and financial results of the franchises; (6) computer programs and systems, (7) customer and vendor lists, including contact information and payments and other information; and (8) the System and any improvements to the System.

1.6 “**Confidential Operations Manuals**” means a set of written materials, printed and/or online, including sections entitled and included therein: CMM Countdown to Opening, CMM Construction Specifications, CMM Confidential Operations, CMM Marketing, CMM To Go, CMM Accounting, point of sale, Bisqueware Catalog, and other such resources as they are periodically developed and introduced into the Color Me Mine System, containing both mandatory and suggested standards for the operation of Color Me Mine Studios, and as they may be amended from time to time.

1.7 “**Force Majeure**” means whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party will be liable nor responsible for any delays in performance due to strikes, lockouts, casualties, acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe), war, terrorist acts, riot, or other civil disturbance, epidemics, pandemics, governmental regulation or control or other interference through legal proceedings, or other event that is beyond the reasonable control of the parties (each a “**Force Majeure Event**”), provided however, that the party delayed provides prompt written notice and full particulars following the occurrence of such event. If performance of either party is delayed because of a Force Majeure Event, the applicable deadline for performance will be extended for a period commensurate with the Force Majeure Event, but not to exceed twelve (12) months. This clause will not, however, result in an extension of the term of this Agreement.

1.8 **“Franchise Network”** means the interdependent network composed of CMM, all CMM franchisees and any other people or business entities that CMM has licensed to use the Trade Name, Marks, System or any of them.

1.9 **“Franchise Owner”** or **“Franchisee”** means the person or business entity that has signed a Franchise Agreement and operates a Color Me Mine Studio.

1.10 **“Franchised Business”** means the Color Me Mine Studio business franchised to and operated by you under this Agreement.

1.11 **“Good Standing”** means compliance by you and your Related Parties with all provisions of this Agreement and the Confidential Operations Manuals, specifically including provisions for timely payment of amounts you owe to CMM or its Related Party.

1.12 **“Gross Revenues”** means the total amount of money or other compensation received or earned by you and your Related Parties for all goods sold and services rendered from the Accepted Location or in connection with the Trade Name or Marks, excluding money received for sales tax, returned merchandise, gratuities and gift cards sold within an accounting period.

1.13 **“Marks”** means selected trademarks, service marks, trade dress, logotypes, copyrights, slogans and other commercial symbols licensed by CMM to you under this Agreement, including the words “Color Me Mine.”

1.14 **“Protected Territory”** means the area surrounding an Accepted Location within which CMM agrees to refrain from certain specified activities.

1.15 **“Related Party”** or **“Related Parties”** means people and entities under common ownership with CMM or you, as the context indicates, including, but not limited to, owners, members, shareholders, partners (**“Owners”**), owning an interest in CMM or in you.

1.16 **“Studio Manager”** means a person whom you have appointed as general manager of your Color Me Mine Studio.

1.17 **“System”** means various proprietary and, in some cases, distinguishing elements, including the Marks, distinctive interior design, trade dress décor and color scheme; uniform standards, specifications, and procedures for operations; procedures for quality control; training and ongoing operational assistance; advertising and promotional programs; and other related benefits for Franchisee’s use, all of which may be changed, improved, and further developed by Franchisor from time to time.

1.18 **“Taxes”** means any present or future sales tax, use tax, services tax, excise or other tax of whatever nature (other than taxes generally assessed on the overall gross income of the recipient) now or hereafter imposed by any governmental or other authority as well as all levies, imports, duties, charges or fees of whatever nature.

1.19 **“Termination”** means to cease to be a Franchise Owner due to expiration of this Agreement; non-renewal of this Agreement; or termination, under any of the circumstances

described in this Agreement, of the then-current term of this Agreement before it's normal expiration date.

1.20 “**Trade Name**” means the commercial name “COLOR ME MINE®.”

1.21 “**Transfer**” means any sale, gift, or other change in a direct or indirect ownership of all or any part of the rights and obligations: a) of this Agreement or the franchise or license granted hereunder, b) all or substantially all of the assets Color Me Mine Franchised Business, including the lease for the Accepted Location, c) of an ownership interest in you; or d) operational control of the Franchised Business.

## **ARTICLE II GRANT OF FRANCHISE**

### **2.1     Granting Clause**

Beginning on the Effective Date of this Agreement and subject to the terms and conditions of this Agreement, CMM hereby grants to you and you accept from CMM a franchise license to operate one (1) Color Me Mine Studio under the Trade Name, Marks and System in accordance with the terms of this Agreement. If Franchisee is a business entity, each individual holding in excess of fifteen percent (15%) of the total voting power of Franchisee's ownership interest (including each individual holding in excess of twenty percent (20%) of the total voting power of any business entity having a controlling interest in Franchisee) must execute the Owners Agreement attached as Attachment 1.

### **2.2     Territory**

#### **2.2.1     Location of Your Color Me Mine Studio**

Your Color Me Mine Studio must be located at an Accepted Location. You may not establish your business premises at any other site, engage in related business activities at any other site except under another franchise agreement with CMM. You may not engage in mail order, internet, catalog sales or other channels of distribution except as authorized by CMM in writing.

#### **2.2.2     Site Selection Area**

With Franchisor's acceptance, you will locate, lease and open your Franchised Business within twelve (12) months from the Effective Date of this Agreement, within the following geographical area designated by CMM to search for sites: \_\_\_\_\_

\_\_\_\_\_ (“**Site Selection Area**”). The Site Selection Area is described solely for the purpose of limiting the area within which you may seek a site location for the Franchised Business. If you are unable to secure an accepted site and open a Franchised Business in the Site Selection Area within a twelve (12) month period, CMM may, at its option grant you an extension of time, or terminate this Agreement pursuant to Article 8 of this Agreement. You acknowledge and agree that (i) you do not have any territorial rights within the Site Selection Area, (ii) CMM may permit other new franchisees to search for the location of their Franchised Business within the same Site Selection Area that is assigned to you under this Agreement if CMM determines in its discretion that the Site Selection Area is large enough to

contain additional franchises, and (iii) potential locations for the Franchised Business, and resulting Protected Territories (as defined below), within the Site Selection Area will be reviewed and accepted/rejected on CMM's then-current guidelines within thirty (30) days of Franchisor receiving all required documentation including the proposed lease, site information required by Franchisor and other information available for each proposed site.

### 2.2.3 Territorial Rights

After executing a lease for the Studio, CMM will designate in writing a geographical area surrounding your Franchised Business ("**Protected Territory**"). The Protected Territory will be defined by identifiable boundaries and generally include a business, seasonal and/or residential population count of approximately two hundred fifty thousand (250,000) people, based upon then-current CMM site selection data. The boundaries of the Protected Territory may be shaped at CMM's sole discretion, to match the population criteria, street or walk by traffic patterns and natural geographic features, such as bodies of water, interstate highways and other features that normally define guest trip patterns. The Protected Territory may include a business, seasonal and/or residential population count of less than two hundred fifty thousand (250,000) people, based upon the criteria above, if the location is determined, in CMM's sole discretion, to be in a unique trade area, such as rural, seasonal or destination areas. Except as set forth in this Agreement, during the initial term of this Agreement, CMM agrees not to authorize any other franchisee to locate a Color Me Mine Studio within the Protected Territory, locate any CMM company-owned Studio that uses the Trade Name or System within the Protected Territory, nor allow any other CMM franchisee or company-owned Studio using the Trade Name or System to relocate to a site within the Protected Territory.

### 2.3 Reservation of Rights

Notwithstanding anything to the contrary in Section 2.2.3, CMM (for itself and its affiliates) may: (a) establish, operate or grant a franchise or license to others to operate Color Me Mine Studios that use the Trade Name, System and Marks at any "Non-Traditional" location. "**Non-Traditional**" Studios are typically located within another business or dependent upon one main business or organization as its primary trade generator, normally have limited access to the general public and a limited trade area, usually in relation to its primary trade generator ("**Captive Facility**"). Examples of Non-Traditional locations include, but are not limited to, airports, military bases, convention centers, hospitals and similar environments; (b) own and operate, or to franchise or license others the right to own and operate, Color Me Mine Studios at any location(s) outside your Protected Territory under the same or different marks; (c) use the Trade Name and Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail or wholesale stores, and via the Internet and mail order catalogs, within the Protected Territory without regard to location, provided however, CMM may not solicit or make sales via alternate channels of distribution within the Protected Territory of any authorized product which Franchisee is carrying in its inventory and is offering and selling from or through its Color Me Mine Studio; (d) acquire or be acquired by other business systems or entities; (e) engage and license others to engage in any other activities not expressly prohibited in this Agreement. CMM and any of its Related Parties reserve all rights in the Trade Name, Marks and System not expressly granted in this Agreement, including the right to sell Ceramic and Craft Products to anyone within or outside

the Protected Territory, except that CMM shall not sell Ceramic and Craft Products to anyone within the Protected Territory if Franchisee is carrying such products in its inventory and is offering and selling such products. This Agreement gives Franchisee no rights to conduct any of the above activities or share in any revenue generated from these activities.

Prior to each renewal term, CMM will evaluate your Protected Territory and determine if the demographics and psychographics have increased to the level of supporting additional Studio(s). In that event, new boundaries of your Protected Territory may be drawn.

## 2.4 Customer List

You acknowledge and agree that CMM has complete right, title and interest, and is the sole owner of, any customer list generated by you by your conduct of owning the Franchised Business. You agree upon Termination of this Agreement you will not use, disseminate or in any other way utilize the CMM customer list generated by you during the term of this Agreement. CMM retains the right to place additional Studios adjacent to your Protected Territory and in determining adjacent territories, may exclude from your Color Me Mine Studio's customer database those customers you have marketed to outside your Protected Territory.

## 2.5 Relocation

You may relocate the Color Me Mine Studio within the Protected Territory only with CMM's prior written consent, which will be granted only if the following conditions are fulfilled:

2.5.1 You and your Related Parties are in Good Standing under the Franchise Agreement, any other agreement between CMM or CMM's Related Party and you, and the Confidential Operations Manuals;

2.5.2 You agree to plan, construct, equip, and furnish your new Color Me Mine Studio so that the premises meet the standards of appearance and function applicable to the premises of new Color Me Mine Studios at the time of relocation;

2.5.3 You and any Related Parties that are parties to the Franchise Agreement have signed a general release of claims in a form satisfactory to CMM and its Related Parties; and

2.5.4 CMM has given its prior written acceptance to the new site and the provisions of the lease for the new premises. CMM's acceptance of the new site may be withheld, at its sole option, because it does not meet CMM's then-current site selection guidelines, including the site's proximity to another Color Me Mine existing or planned Studio(s). Our failure to communicate our acceptance or rejection shall not be construed as acceptance of your site; and

2.5.5 You agree that CMM may, at its option, revise the boundaries of your Protected Territory to reflect the criteria for territory development related to the new site.



## 2.6 Term and Renewal

### 2.6.1 Initial Term

The term of this Agreement shall commence on the Effective Date and shall expire five (5) years from the Effective Date, unless sooner terminated under the terms hereof (“**Term**”).

### 2.6.2 Renewal

Franchisee may renew the rights granted by this Agreement for six (6) additional terms of five (5) years each (“**Renewal Terms**”), subject to the following conditions:

- (a) Franchisee gives Franchisor written notice of Franchisee’s election to renew not less than nine (9) and not more than fifteen (15) months before the end of the then-current term;
- (b) Franchisee must be in Good Standing and specifically must not have: (i) any uncured defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and CMM, and CMM’s Related Parties, or the landlord of the Studio, either at the time of Franchisee’s renewal request or at the time of renewal; and (ii) received two (2) or more separate written notices of default from CMM with respect to this Agreement in the twenty-four (24) month period preceding the renewal request date or renewal date;
- (c) Franchisee makes, in a manner satisfactory to CMM, such renovation and modernization of the Studio as CMM may require, including but not limited to, signs, equipment, technological advances, furnishings and décor, to reflect the then-current standards and image of the System, before Franchisee is granted its renewal franchise;
- (d) Franchisee shall execute CMM’s then-current franchise agreement and related agreements (“**Successor Franchise Agreement**”), which may contain materially different terms and conditions from those contained in this Agreement, including, but not limited to, fees and the size of Franchisee’s Protected Territory, within thirty (30) days of the date Franchisee is provided with CMM’s then-current form of franchise agreement;
- (e) Franchisee has demonstrated, to CMM’s satisfaction, that Franchisee has the right to operate the Franchised Business at the Studio location for the duration of the renewal term;
- (f) Franchisee and/or the Studio Manager (as applicable) satisfies CMM’s then-current training requirements for renewing franchisees at Franchisee’s expense, including paying CMM’s then-current refresher training fee if applicable, as of the date of such renewal, if any;
- (g) Franchisee signs a general release, in the form Franchisor prescribes, of any and all claims it may have against CMM and its officers, directors, shareholders, and

employees in their corporate and individual capacities, including without limitation, all claims arising out of or related to this Agreement or any federal, state, or local law or ordinance, with the release being consistent with any applicable state statute regulating franchises.

### 2.6.3 Interim Period

If you do not sign the Successor Franchise Agreement prior to the expiration of the applicable Term, and you continue to operate the Studio after this Agreement expires (“**Interim Period**”), then, at our option, we may treat this Agreement as either: (1) expired as of the date of expiration with you then operating without a license to do so in violation of our rights; or (2) continued for the Interim Period until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice. In the latter case, all of your and our obligations will remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

## ARTICLE III SERVICES TO FRANCHISEE

CMM agrees to perform the following services for you at locations selected by CMM provided that you are, at the time when service is to be rendered, in Good Standing under this Agreement, any other agreement with CMM or CMM’s Related Party, and the Confidential Operations Manuals.

### 3.1 Construction

CMM or a third party authorized by us will render the following construction-related assistance in helping you develop your Color Me Mine Studio. You must submit your lease letter of intent, lease, all drawings, specifications, contractor bids and orders for goods and services to CMM, or our designee, for our final review in determining adherence to all CMM standards and specifications.

Upon delivery from your landlord of your Premises and your acceptance of delivery, you must begin remodeling/construction in accordance with our specifications within thirty (30) days. You are also responsible for the following:

- (a) Obtaining all the required building, utility, sign, health and business permits and licenses and any other required permits and licenses necessary to commence remodeling/construction and operate your Franchised Business; and,
- (b) Purchasing, as we specify in our Confidential Operations Manuals, the required equipment, furniture and fixtures, signs, supplies, opening inventory, and all other items that we may require you to have to commence your Franchised Business; and,
- (c) Construct or cause to be constructed; install or cause to be installed all required furniture, fixtures, signs, equipment, and the like necessary for the total completion

of your Color Me Mine Studio; and all leasehold required improvements to your Premises, and decorating the Franchised Business Premises all in compliance with designs, layouts and specifications approved by us.

### 3.2 Initial Training

Before the opening of your Color Me Mine Studio, CMM will conduct an initial orientation and training program in the operation of the Color Me Mine Studio under the CMM System for you. You must attend and successfully complete the training program to the satisfaction of CMM before you may open a new Color Me Mine Studio or take ownership of an existing Color Me Mine Studio. This initial orientation and training course will be provided at our corporate headquarters, virtually, over the internet (“**Online**”) or at other training locations as we may designate.

During and after your Franchised Business commencement, an additional training segment will be provided to you either in person at your location and/or Online.

There is no charge for the initial orientation and training courses. You will be responsible for any travel, room and board and other expenses which you incur in connection with this training and for any salary and other expenses paid or incurred by or on behalf of you in connection with this training.

If you fail the initial training and orientation course, then at our option we may: (1) retrain you at your expense until you successfully complete the course; or (2) terminate this Agreement.

You are an independent operator and are solely responsible for all personnel management in your Studio, including but not limited to hiring and terminating, training, scheduling, disciplining, establishing wages, and setting working conditions and rules. Your employee applications and other employee forms must include your legal business name as sole employer. Your employees must sign a statement that they are solely employed by you at your Franchised Business and not employed by CMM. Any support and initial training provided to you by CMM is not in lieu of your responsibility to train and supervise your employees. No employee management services are provided by CMM. You should seek qualified employment and human resource consultants of your own choosing. CMM may offer continuing education programs on matters related to the operation or promotion of the Color Me Mine® Studio on an optional or mandatory basis, as it considers appropriate. In the event that you request additional assistance after your Franchised Business begins operation, and we deem it appropriate in our sole discretion, we will provide a representative at times and places as we deem necessary and convenient. You must pay our then-current training costs, as well as per diem and all reasonable travel and living expenses in connection with such assistance. Our training will be provided to you and, in some cases, your Studio Manager. It is your responsibility to train your employees and contract labor.

### 3.3 Confidential Operations Manuals

CMM will grant you access to an extensive set of Confidential Operations Manuals, manuals, documents, and other resources Online or as otherwise set forth in writing as they are periodically developed and introduced into the CMM System. These materials are referred to collectively as the Confidential Operations Manuals. CMM will revise the Confidential Operations

Manuals periodically to conform to the changing needs of the Franchise Network and will provide updated information containing these revisions Online. The updated Online version of the Confidential Operations Manuals shall be considered the current master version. You are responsible for being in compliance with the current version at all times. In the event of any dispute as to the contents of the Confidential Operations Manuals, the terms of the Online Confidential Operations Manuals maintained by CMM at its headquarters shall be controlling. Certain Confidential Information will be disclosed to or learned by Franchise Owner in connection with its ownership and operation of the Franchised Business. The Confidential Information is made available to Franchise Owner by us solely on the condition that Franchise Owner agrees, and Franchise Owner does hereby agree, that Franchise Owner (and each of its owners): (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term; (3) will not make unauthorized disclosure of any portion of the Confidential Information disclosed in our Confidential Operations Manuals or in other written, digital or electronic form; and (4) will adopt and implement all procedures prescribed from time to time by us to prevent unauthorized use or disclosure of the Confidential Information.

### 3.4 Advertising

#### 3.4.1 Advertising Fund

CMM has developed a System-wide advertising program to which you will make contributions (“**Advertising Fund**”). CMM will use the Advertising Fund in CMM’s sole discretion to develop, produce, and distribute national, regional and/or local marketing and to create advertising materials, marketing and public relations programs which promote, in CMM’s sole judgment, the Color Me Mine brand and services offered by franchisees. CMM has the sole right to determine contributions and expenditures from the Advertising Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs. Franchisor has the right to reimburse itself from the Advertising Fund such reasonable costs and overhead that Franchisor may incur in activities reasonably related to the direction and implementation of the Advertising Fund. CMM may use the Advertising Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertisements and other marketing, including the cost of market research, surveys, preparing and producing television, radio, magazine, internet and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an internet website; and personnel and other departmental costs for advertising that CMM internally administers or prepares. Franchisee acknowledges that not all franchisees will benefit directly or on a pro rata basis from such expenditures. While CMM does not anticipate that the Advertising Fund will be used for advertising that is principally a solicitation for franchisees, CMM reserves the right to use the Advertising Fund contributions for public relations or recognition of the Color Me Mine brand and for the creation and maintenance of a website, a portion of which may be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating the availability of franchises. Sales materials, if developed, may be sold to franchisees at a reasonable cost. CMM will prepare and make available for Franchisee within one hundred twenty (120) days following the end of the fiscal year and sixty (60) days following the period ending June 30 during the Term, an unaudited statement of contributions and

expenditures for the Advertising Fund. The statement will be presented to Franchisee upon Franchisee's written request.

### 3.5 Ceramic and Craft Products Availability

CMM will use its best efforts to ensure that CMM, its Related Party, or a designated supplier will at all times have a full line of Ceramic and Craft Products for sale to you. You recognize, however, that there may be times when one or more types of Ceramic and Craft Products may be temporarily out-of-stock. If, in CMM's reasonable discretion, the duration or extent of an out-of-stock condition is substantial enough to cause serious inconvenience or economic detriment to members of the Franchise Network, CMM will evaluate and approve purchase of substitute products meeting reasonable quality standards from other sources during the period of unavailability.

### 3.6 Suppliers

CMM will give you, in the Confidential Operations Manuals or otherwise in writing, a list of names and addresses of suppliers of goods and services that then-currently meet CMM's standards and specifications. The procedure for soliciting CMM's approval of a supplier is described in Section 5.3.3. In advising you of suppliers that meet its standards and specifications, CMM expressly disclaims any warranties or representations as to the condition of the goods or services sold by such suppliers, including, without limitations, expressed or implied warranties as to merchantability or fitness for any intended purpose. You agree to look solely to the manufacturer of goods or the supplier of services for the remedy for any defect in the goods or services.

### 3.7 Information Technology Systems

You will purchase and use in the Franchised Business the point of sale system and all software required by CMM, including, but not limited to software for the point of sale system, social media management, training, communication, financial reporting, in-Studio marketing and other software, including all existing or future communication or data storage systems, components thereof and associated service, which CMM has developed or selected for the System ("**Information Systems**"). You agree to install and use all software updates or upgrades required by CMM within sixty (60) days of receipt of written notice by CMM. The Information Systems developed for use in CMM Studios may include a proprietary software program developed for CMM ("**Proprietary Software**"). Franchisee must lease any Proprietary Software from CMM or a designated third-party supplier, which software will remain the confidential property of CMM or its third-party supplier. Franchisee agrees to sign all computer software access or license agreements and related documents required by CMM in connection with Franchisee's use of any Proprietary Software. Franchisor reserves the right to assign its rights, title and interest in any Proprietary Software or related software license agreement to a third party designated by CMM. In such event, Franchisee may be required to enter into a separate computer software license agreement specified by the third party supplier of the Proprietary Software. CMM may access Franchisee's essential information and data produced by or otherwise located on Franchisee's point of sale system (collectively, "**Sales and Marketing Data**"). CMM will own the Sales and Marketing Data that is stored on the point of sale system, and Franchisor periodically will establish policies respecting the use of the Sales and Marketing Data. Franchisee will have a license to use

the Sales and Marketing Data during the Term and subject to the restrictions of this Agreement. Franchisee will have at the Franchised Business internet access with a form of high-speed connection as Franchisor requires, and Franchisee will use an e-mail address or the designated intranet system that Franchisor selects for communication with Franchisor. The computer hardware component of the point of sale system must comply with specifications CMM has developed or develops and CMM may require Franchisee to purchase or lease a particular brand and model of hardware for use with the point of sale system. Franchisor may designate a single source from whom Franchisee must purchase the point of sale system, any software or hardware components thereof or associated service, and CMM or its affiliates may be that single source. Franchisee must use and, at CMM's discretion, pay for all future updates, supplements and major modifications to the point of sale system.

Franchisee is solely responsible for protecting itself from disruptions, internet access failures, internet content failures, and attacks by hackers or other unauthorized intruders, and Franchisee waives any and all claims Franchisee may have against CMM as the direct or indirect result of such disruptions, failures, or attacks. Such waiver is in addition to Franchisee's indemnification obligations under this Agreement.

### 3.8 Privacy Laws

In the operation of the Franchised Business, Franchisee will receive "**Customer Data.**" "**Customer Data**" is information, records, lists or data that contains "**Personal Information.**" "**Personal Information**" includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act.

Franchisee agrees, at its sole cost and expense, to at all times:

- (a) comply with the data protection, collection, maintenance and use requirements for Customer Data set out in the Confidential Operations Manuals and this Franchise Agreement, including all policies, procedures and controls that Franchisor implements now or in the future;
- (b) comply with all applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act, relating to the data protection, collection, maintenance and use of Customer Data (collectively, "**Privacy Laws**");
- (c) assist and otherwise cooperate with Franchisor to ensure Franchisor's and Franchisee's compliance with applicable Privacy Laws;
- (d) promptly notify Franchisor in writing of any Security Incident (defined below) that Franchisee becomes aware of or discovers. Franchisee will assist and otherwise cooperate with Franchisor to investigate any such Security Incident and will take all required steps, as determined by Franchisor or as required by law, to mitigate any Security Incident or remedy Franchisee's noncompliance with applicable

Privacy Laws, this Agreement or the Confidential Operations Manuals. For purposes of this section, “**Security Incident**” means any actual or suspected accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to Customer Data in violation of applicable Privacy Laws, this Agreement or the Confidential Operations Manuals.

- (e) promptly provide Franchisor with the ability to delete, access or copy Customer Data in Franchisee’s possession or control;
- (f) promptly notify Franchisor of any request regarding Customer Data received by the Franchisee from a “consumer” as defined by applicable Privacy Laws;
- (g) adopt policies, procedures, and controls, including those set out in the Confidential Operations Manuals, if any, that enable Franchisee to respond, and to cause its agents and employees to respond, promptly to any request made pursuant to applicable Privacy Laws, including any disclosure request, deletion request, or opt-out request;
- (h) adopt policies, procedures, and controls, including those set out in the Confidential Operations Manuals, if any, that limit access to Customer Data to only those employees that have a need-to-know based on specific job function or role. Franchisee will provide data privacy and security training to employees who have access to Customer Data or who operate or have access to system controls and will require employees to adhere to data confidentiality terms providing for the protection of Customer Data in accordance with this Agreement and the Confidential Operations Manuals; and
- (i) maintain Customer Data in confidence in accordance with this Franchise Agreement.

## **ARTICLE IV PAYMENTS BY FRANCHISEE**

### **4.1     Initial Franchise Fee**

When you sign this Agreement, you will pay an initial franchise fee (“**Initial Franchise Fee**”) to CMM. The Initial Fee shall be Thirty Thousand and 00/100 Dollars (\$30,000) and is nonrefundable.

### **4.2     Royalty**

On or before the day or date designated by CMM during the term of this Agreement, you will pay CMM a weekly Royalty of five percent (5%) of Gross Revenues, as that term is defined in this Agreement, received or earned by your Color Me Mine Studio during the immediately preceding week. CMM reserves the right to change the frequency, time period, manner and method in which Royalties must be paid and the day or date of payment at any time.

### **4.3     Advertising Fund Fee**

On or before the day or date designated by CMM during the term of this Agreement, you must pay to us a weekly fee (“Advertising Fund Fee”) of one percent (1%) of the Gross Revenues of your Color Me Mine Studio during the previous week . CMM reserves the right to increase the Advertising Fund Fee at any time up to two percent (2%) during the term of the Agreement. CMM will provide Franchisee with at least sixty (60) days’ advance written notice of any increase. CMM reserves the right to change the frequency, time period, manner and method in which Advertising Fund Fees must be paid and the day or date of payment at any time.

#### 4.4 Grand Opening & Annual Minimum Local Advertising

You must spend the then-current amount as set forth in the Confidential Operations Manuals that CMM has established for your grand opening marketing and advertising promotion through mediums required and/or approved by CMM. The grand opening event is required to introduce your Franchised Business to the public. Upon CMM’s written request, you shall, within five (5) business days from such request, promptly submit all receipts, invoices, and other materials requested to CMM as verification of compliance with the required expenditure. In addition to your grand opening marketing and advertising spend and your Advertising Fund Fee, you agree to spend a minimum of and Five Hundred and 00/100 Dollars (\$500) per month or two percent (2%) of Gross Revenues, whichever is greater, per month on local advertising, through mediums approved by CMM (“**Local Advertising**”).

#### 4.5 Technology Fee

On or before the day or date designated by CMM during the term of this Agreement, you will pay to CMM or its designee the then-current Technology Fee. The purpose of the Technology Fee is to fund support and technological improvements to improve the Systems and support the Franchise Network. Franchisee acknowledges that it is vital for the CMM System and Network to feature digital, e-commerce and other modern ordering capabilities, platforms, “apps” and other now or hereafter developed infrastructure, tools, systems and analytics, and that these capabilities are constantly evolving and require continued investment and innovation in a competitive environment. The Technology Fee is subject to change in Franchisor’s sole discretion to meet these evolving needs. CMM will provide Franchisee with at least sixty (60) days’ written notice prior to any increase in the Technology Fee.

#### 4.6 Payments Due CMM or Related Parties

Your obligation to pay ongoing Royalty fees, the Advertising Fund Fee, and the Technology Fee begins on the Effective Date of this Agreement. Payment by you will be made to CMM either by the transfer of funds to CMM’s designated bank account by the payment platform approved by CMM, no later than the date when payment must be made; or by automatic withdrawal from your bank account that you designate in advance, in CMM’s sole option.

In the event your operations are suspended and a business interruption insurance claim is made, Royalties and Advertising Fund Fees will be calculated as an average of your previous twelve (12) months, and will be included as a fixed expense in your business interruption insurance claim.



#### 4.7 Audit

Upon written request, you shall provide copies of your books and records and any other related information to CMM for review within fifteen (15) days of such request. In addition, CMM shall have the right during normal working hours to audit your books and records, including your tax returns, and any other related records with respect to the Color Me Mine Studio. If an audit discloses an underpayment of Royalty or Advertising Fund Fees payable under this Agreement, you will immediately pay these amounts to CMM together with accrued interest on the amount underpaid in accordance with Section 4.11 of this Agreement. In addition, if the underpayment exceeds three percent (3%) of the total Royalty or Advertising Fund Fee payable for any period covered under the audit, you must reimburse CMM for all expenses actually incurred by CMM in connection with the audit and CMM, in its sole discretion, may terminate this Agreement, without any recourse by you.

#### 4.8 Ongoing Training Fees and Costs

For any continuing educational programs, or for any ongoing training offered by CMM or its agents, you must pay any costs of travel, lodging, meals and other incidental expenses that you or your Studio Manager incur, including any costs associated with the delivery of the educational or training programs. If a representative of CMM comes to your Color Me Mine Studio, you must also reimburse CMM for costs of travel, per diem and lodging incurred while providing ongoing training on-site.

#### 4.9 Transfer Fee

As a condition of Transfer, thirty (30) days prior to the completion of Franchisee's sales transaction, Franchisee shall pay to CMM a transfer fee ("**Transfer Fee**") of Seven Thousand Five Hundred Dollars (\$7,500) to compensate Franchisor in connection with each proposed transfer. This Transfer Fee will not be due with respect to any transfer that (together with all other related previous, simultaneous, or proposed transfers) does not result in the transfer of control of Franchisee; provided, however, that Franchisor may charge a reasonable administrative fee for such non-controlling transfers.

#### 4.10 Interest, Late Fee and Lien on Late Payments

Payments not received by CMM or its Related Party when due will incur a late fee of One Hundred and 00/100 Dollars (\$100) per month and will bear interest at eighteen percent (18%) per year or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. Interest charges and late fees on late payments are intended to partially compensate CMM for loss of use of the funds and for internal administrative costs resulting from late payment. The fact that such charges are imposed should not be construed as a waiver of CMM's right to timely payment or other remedies under this Agreement. CMM will have the right to file a UCC-1 lien on the assets of your business for any amounts past due.

#### 4.11 Payments Free of Taxes

You will make all payments described in this Article 4 free and clear of, and without any deduction or withholding on account of, any Taxes. You will be responsible for paying the Taxes,

if any. If you are required by law to deduct or withhold Taxes on any payment in this Article 4, you will increase the amount to be paid to CMM as necessary so that the net amount to be received by CMM after the deduction or withholding equals the amount CMM would have received if no deduction or withholding was required.

## **ARTICLE V YOUR OBLIGATIONS**

### **5.1     Use of Trade Name and Marks**

#### **5.1.1     Context**

You may use the Trade Name, Marks and System only in the operation of a Color Me Mine Studio at an Accepted Location and only in your Protected Territory as approved by CMM unless you have obtained CMM's written approval in advance. You may not register the Trade Name or Marks in your state. You may not use any other trade name or marks in connection with a Color Me Mine Studio unless you have obtained CMM's written approval in advance. Unless approved otherwise in writing by CMM, the Color Me Mine Studio must not be used to conduct any business or sell any products other than goods and services offered within the CMM System. You agree that all ceramic work, artwork, graphics, layouts, instruction materials, slogans, names, titles, text, or similar materials incorporating or being used in connection with the Marks which may be created by you, your employees, agents or subcontractors and any other party with whom you may contract to have such materials produced, shall become the sole property of CMM or its Related Party, including copyright and trademark rights. At CMM's request, you must provide such materials to CMM in a form suitable for distribution. All of our Trade Name, Marks or System must be used in accordance with our standards and specifications outlined in our Confidential Operations Manuals which specifically prohibits any use not completely related to the operation of your business. Use of Marks includes trade dress, and requires that you must maintain the trade dress as outlined in the Confidential Operations Manuals as amended from time to time, including but not limited to trade dress colors, furniture and fixtures, tables set up per the Confidential Operations Manuals, department signs on shelves, and such other requirements as developed by CMM from time to time.

#### **5.1.2     Changes in Trade Name and Marks**

CMM and its Related Party have invested substantial time, energy, and money in the promotion and protection of the Trade Name and other Marks as they exist on the Effective Date. However, CMM recognizes that rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend and that changes in the cultural and economic environment within which the System operates or third-party challenges to CMM's rights in the Marks may make changes in the Trade Name and Marks desirable or necessary. CMM and its Related Party therefore reserve the right to change the Trade Name and Marks and the specifications for each when CMM believes that such changes will benefit the Franchise Network. You agree that you will promptly conform to any such changes at your expense.

#### 5.1.3 Advertising and Marketing Programs and Materials

You agree to actively participate in all national marketing and promotional programs provided to you, including but not limited to Adventures in Art®, Paint Me A Story®, children and adult workshops, gift card programs, email programs, and all cross-promotional programs CMM is successful in negotiating such as Disney, Warner Bros., Parents Magazine or similar marketing partners, movies or DVDs, nonprofit organizations, and the like. You are restricted from using any movies, books, or other trademarks in your marketing or promotions unless specifically authorized by CMM. You agree to prominently display the most current seasonal marketing materials developed by and available through CMM. You agree to use Facebook, Instagram, Twitter, or other specified social media to market your Studio under CMM's guidelines and policies in the Confidential Operations Manuals. You agree to submit to CMM copies of all marketing materials that you propose to use before the first time they are broadcast, posted on the Internet, or social media, or published. CMM will review the materials within a reasonable time and will notify you whether it approves or rejects them. You must prominently include on all advertising and all social media posts such as Facebook, Instagram, Twitter and other similar posts, the identifying name of your Studio by city and/or location. You must include CMM's website address in all marketing and promotional materials. Even if CMM has accepted specified materials, it may later withdraw its approval. You agree that all advertising or marketing materials of any nature conceived, developed, prepared, paid for or produced, in whole or in part, by you, your employees, agents or subcontractors are the sole property of CMM. CMM has the right to provide pricing guidelines for the maximum and/or minimum prices to be charged by you for the products and services offered at the Franchised Business. Subject to applicable laws, you must honor and offer all coupons, discounts, campaigns, gift cards or gift certificates, or similar promotions CMM requires and cannot offer coupons, discounts, gift cards or gift certificates, or similar promotions that are not part of a Franchise Network-wide promotion or program without CMM's prior written approval.

#### 5.1.4 Trademark Infringement

You agree to notify CMM immediately in writing if you become aware of any unauthorized use of the Trade Name, Marks, or System. You will promptly notify CMM in writing of any claim, demand, or suit against you or against your principals in connection with your use of the Trade Name or Marks. CMM is under no obligation to defend a possible infringement to its Marks if, in CMM's sole opinion, the possible infringement is inconsequential or too costly to defend. In any action or proceeding arising from or in connection with any such claim, demand, or suit, you agree that CMM or its Related Party may select legal counsel and has the right to control the proceedings. CMM has the right to hire counsel to represent you at its own expense.

#### 5.1.5 Acts of Derogation

You agree that as between CMM and you, CMM is the exclusive owner of the Marks. You now assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership of the Marks by virtue of your use thereof in the Franchised Business or otherwise. It is expressly understood and agreed that ownership and goodwill are and, as between you and CMM, shall remain vested solely in CMM or its Related Party, and the use of the Marks is only coextensive with the term of this Agreement. You acknowledge that the material and information provided or

revealed to you pursuant to this Agreement (including in particular, but without limitation, the Confidential Operations Manuals) are trade secrets of CMM or its Related Party and are revealed in confidence, and you expressly agree to keep and respect the confidence so reposed, both during the term of this Agreement and thereafter. CMM or its Related Party, as the owner of the Marks, respectively, expressly reserve all rights with respect to the Marks, trade secrets, method of operation and other proprietary information, except as may be expressly granted to you hereby or in the Confidential Operations Manuals. CMM shall disclose its trade secrets to you by loaning you for the term of this Agreement the Confidential Operations Manuals and other written materials containing the trade secrets, through training and assistance provided to you, and by and through the performance of CMM's other obligations under this Agreement. You acknowledge that CMM or its Related Party is the sole owner of all proprietary information and trade secrets; that such information is being imparted to you only by reason of your special status as a franchisee of the System; and that the trade secrets are not generally known to the ceramic and craft industry, the paint-your-own ceramic industry, or to the public at large and are not known to you except by reason of such disclosure. You further acknowledge that you shall acquire no interest in the trade secrets, other than the right to utilize them in the development and operation of the Color Me Mine Studio during the term of this Agreement. In addition, you acknowledge that the use or duplication of the trade secrets except as expressly permitted by this Agreement shall constitute an unfair method of competition and that CMM or its Related Party shall suffer irreparable injury thereby. You agree that you will not do or permit any act or thing to be done in derogation of any of the rights of CMM or its Related Party in connection with the Marks, either during the term of this Agreement or thereafter, and that you will use same only for the uses and in the manner franchised and licensed hereunder and provided in this Agreement. Furthermore, you and your employees and agents will not engage in any acts or conduct that materially impairs the goodwill associated with the Marks.

## 5.2 Site Selection

You must, on your own initiative and at your own expense, locate, obtain and occupy the site for the Color Me Mine Studio. CMM's prior acceptance of the proposed site must be obtained. CMM's acceptance may depend on the site assessment based on CMM's proprietary real estate criteria and then-current guidelines set forth in the Confidential Operations Manuals. To seek CMM's acceptance, you must advise CMM of the street address of the proposed site and provide a copy of the proposed lease. The lease must contain language and terms that, among other things, provide that CMM is granted an option, without cost or expense to CMM, to assume or authorize its assignee to assume the lease if the Franchise Agreement is Terminated for any reason, including the expiration of the term or non-renewal, or if you should be in default under the lease.

## 5.3 Compliance with CMM Standards and Specifications

### 5.3.1 Opening

You shall not open your Color Me Mine Studio to the public, or take ownership and/or reopen an existing Color Me Mine Studio, or move your Studio to a new location, without CMM's written approval.

### 5.3.2 Compliance with Confidential Operations Manuals and Forms

You must operate the Color Me Mine Studio in compliance with the standards and specifications set out in the Confidential Operations Manuals. CMM may make changes in these standards and specifications at any time. Such changes may necessitate the purchase of equipment, supplies, furnishings or other goods, completion of additional training by your employees, or other cost to you. You must promptly conform to the modified standards and specifications.

### 5.3.3 Products and Services Offered

The quality, variety and brand identity of the Ceramic and Craft Products and other products or services used in the Color Me Mine Studio are integral to the success of the System. All products and services you offer and sell must be authorized by CMM. You must carry minimum inventory levels of the Ceramic and Craft Products that CMM has authorized and requires you to obtain only from approved suppliers. CMM may add new products or services, or discontinue any products or services or change inventory levels, at any time in the future.

In order to achieve economies of scale or to maintain consistent quality standards throughout the System, CMM will require you to buy certain Ceramic and Craft Products only from CMM, its affiliates, or a designated supplier. CMM will enforce this requirement for a proprietary product or for a product with unique characteristics, or when enforcement will result in the same or a lower price, the same or higher quality, warranty, financial stability, quantities available, or other considerations in CMM's sole discretion.

The products you sell or use and your use of the same must be in compliance with all environmental and other applicable laws and meet the specifications set out in the current version of the Confidential Operations Manuals. You must use authorized universal SKU numbers as provided by CMM.

If you would like to use or sell any product not previously accepted by CMM or which is sold by a supplier not previously accepted by CMM, you must provide a written request to CMM for CMM's acceptance of the product and/or supplier and, upon CMM's request, give CMM product specifications, sample products, and/or information about the supplier. Within ninety (90) days, CMM will communicate to you either its approval or its reasons for withholding its approval. CMM may withhold its approval for any reason in its sole discretion. As a condition of approving a supplier of any product that bears the Trade Name or Marks, CMM may require that the supplier sign CMM's license agreement. CMM may withdraw its approval of a supplier or product if either or both no longer meet CMM's or any of our Related Party's standards or specifications.

### 5.3.4 Inspections

CMM may conduct inspections of your Color Me Mine Studio during normal business hours. Inspections may be unannounced. You must promptly correct any deficiencies in your operation of which you are advised by CMM.

#### 5.3.5 Notification of Complaints

You must notify CMM promptly if you are served with a complaint in any legal proceeding that is in any way related to the Franchised Business or if you become aware that you are the subject of any complaint to or investigation by a governmental licensing authority or consumer protection agency.

#### 5.4 Owner's Participation, Management and Staffing

##### 5.4.1 Management

You or your Color Me Mine Studio Manager, as defined in Article 1 of this Agreement, must devote all your time and effort to the management and operation of the Color Me Mine Studio for a minimum of forty (40) hours per week. The hours of operation for your Studio must conform to the hours set by CMM in the Confidential Operations Manuals unless you have CMM's prior written approval, or unless your lease mandates hours of operations that differ from the hours of operation specified in the Confidential Operations Manuals. You, your Studio Manager or another employee who has successfully completed CMM's initial training program must oversee operations of your Color Me Mine Studio. You must keep CMM informed as to the identity of your Color Me Mine Studio Manager.

##### 5.4.2 Employees

You must maintain at all times a staff of trained employees sufficient to operate the Color Me Mine Studio.

##### 5.4.3 Annual and Regional Meetings

At your sole cost and expense, you must attend the annual franchisee meeting if offered, and one of the regional franchisee meetings, if offered, each year.

##### 5.4.4 Participation in Communication System

You must actively and regularly participate in any system provided by CMM for communication among the Franchise Network.

#### 5.5 Advertising

##### 5.5.1 Local Advertising

You must spend annually the minimum amount set forth in this Agreement on local advertising and promotion that conform to the frequency and specifications in the Confidential Operations Manuals. Upon request from CMM, you must submit copies of receipts for advertising materials, media, or promotional activities showing compliance with the provisions of this paragraph during the immediately preceding quarter.

### 5.5.2 Signs

You must permanently display, at your own expense, on your business premises of your Color Me Mine Studio, Color Me Mine signs of any nature, form, color, number, location and size, and containing any legends that CMM has designated in writing. You must post your hours of operation in a form specified by CMM on the front window of your Studio.

### 5.5.3 Franchise Sales Materials

You must prominently display signs and other promotional sales materials supplied by CMM at its own expense with which members of the public may inquire about CMM franchises.

### 5.5.4 Point-of-Purchase Materials

You must prominently display all current point-of-purchase promotional materials developed by CMM.

## 5.6 Financial Information

### 5.6.1 Records

You must use CMM's point of sale system in accordance with the Confidential Operations Manuals. You must retain daily sales reporting forms and accompanying data for at least three years after the year of sale. If your point of sale system must be repaired, a replacement point of sale system must be used in its absence.

### 5.6.2 Reporting

Franchisee shall submit to Franchisor an accurate monthly profit and loss statement within thirty (30) calendar days after the end of each calendar month, using the chart of accounts, format and method prescribed by Franchisor, signed and certified as accurate by Franchisee if Franchisor requests, and shall provide Franchisee's other financial information as Franchisor requires with respect to the Franchised Business. In addition, Franchisee shall submit to Franchisor annual financial statements, including a profit and loss statement and balance sheet prepared by a Certified Public Accountant, in accordance with generally accepted accounting principles, by the 15th day of February following the end of each previous calendar year. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms upon written request of Franchisor. Franchisor reserves the right to require such further information concerning Franchisee's Franchised Business within the timeframes as Franchisor may from time to time reasonably request. Furthermore, Franchisee shall provide Franchisor with any reports as Franchisor may from time to time require, in the form, method and at the time Franchisor prescribes. Franchisee's fiscal year end will be December 31, unless another date is mutually agreed upon by Franchisor and Franchisee. In addition to any other remedy under this Agreement, Franchisee shall pay to Franchisor a late fee of up to \$25.00 per day for each day following Franchisor notice, that Franchisee is delinquent in submitting its monthly or annual financial statements or other required financial reports hereunder. If a late fee is assessed against Franchisee, Franchisee shall pay all amounts due to Franchisor within ten (10) days after written notice to Franchisee by Franchisor.

### 5.6.3 Reporting Support Technology

You must purchase or lease computer and communications equipment and software that meet specifications set out in the Confidential Operations Manuals to facilitate the creation of standardized financial records and their conveyance to CMM. You must install and maintain DSL, cable or Fios (“always on, high-speed”) Internet connection for electronic communications; your Internet router must be capable of wireless connections. You must permit CMM to poll your point of sale system on a daily basis; and you must use approved point of sale system software to record daily payroll entries and monthly inventory counts.

### 5.7 Entry And Inspection

We have the right at any time to inspect The Color Me Mine Studio and your business records and files, bookkeeping records, sales receipts, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, and any other records and documents including any electronic version, without notice.

In order to preserve the validity and integrity of the Marks and to assure that you are properly employing them in the operation of your Franchised Business, and to assure that you are properly using our System in your Franchised Business, we will at all times have the right to observe the manner in which you are rendering services and selling products to the public, and to confer with your employees and customers.

### 5.8 Electronic Access, Gift Card and Credit Card Processing, Website, and Radio

You must use an email address using the @colormemine.com domain name and its user name and password, as assigned to you by CMM. You are not permitted to use any other email address in association with the operation or marketing of your Studio for any reason without CMM’s prior written approval. You must keep CMM advised in writing of your current personal email address and must permit its publication in an intra-Franchise Network directory.

You must use a website address and its user name and password that will be assigned to you by CMM and must be used in all marketing materials. You are not permitted to use any other website address, URL or domain name in association with the operation or marketing of your Studio for any reason, including but not limited to sales, parties, gift cards, promotions and the like without CMM’s prior written approval. At any time during the term of this Agreement, CMM, at its sole cost and discretion, may access your website and may make any and all changes CMM deems appropriate.

You must purchase from a CMM approved vendor a credit card and gift card terminal and printer described in Section 5.8 and engage said vendor’s services to process credit cards and gift cards.

You are restricted from playing unlicensed music from any service not intended for commercial use, including from any non-commercial streaming service or from your own digital or other play list. You must install and use the music only from vendors and services we require.



## 5.9 Insurance

You must purchase and maintain a policy or policies of insurance with coverage amounts as specified by CMM from time to time in the Confidential Operations Manuals or otherwise in writing. These coverages may include, but are not limited to, comprehensive general liability insurance, automobile liability insurance, cyber/data breach liability insurance, property insurance, public liability insurance to include products liability and personal injury, business interruption, worker's compensation and occupational disease insurance, employee benefit insurance, employer's liability insurance, employment practices liability insurance, unemployment compensation, disability, social security, umbrella liability insurance (covering commercial general liability, automobile liability, worker's compensation, host liquor liability, off-premises events coverage and employer's liability), and other insurance coverages as required from time to time by any applicable law. Such insurance policies must contain a provision that the policy cannot be canceled without ten (10) days' written notice to CMM. It must be issued by an insurance company of recognized responsibility, designate CMM as additional named insured, including a waiver of subrogation, and be satisfactory to CMM in form, substance and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to CMM within ten (10) days after the policy is issued or renewed. In the event operations are suspended due to a Force Majeure Event, Royalties and other fees paid to CMM will be calculated as an average of your previous twelve (12) months, or months from opening if less, and will be included as a fixed expense in your business interruption insurance claim.

## 5.10 Financial and Legal Responsibility

### 5.10.1 Compliance with Law

You must comply with all federal, state, and local laws and regulations pertaining, directly or indirectly, to the Color Me Mine Studio. You must keep current all licenses, permits, bonds, and deposits made to or required by any government agency in connection with the operation of the Color Me Mine Studio.

### 5.10.2 Payment of Indebtedness

You must pay promptly when due all taxes, leases and debts that you incur in the conduct of your business.

## **ARTICLE VI RELATIONSHIP OF PARTIES**

### 6.1 Interest in Marks and System

You may not at any time do or cause to be done anything contesting or impairing CMM's or its Related Party's interest in the Trade Name, Marks or System. You acquire no rights in any of these things except for your right to use them in accordance with the express terms of this Agreement. CMM retains the right to grant other franchises or licenses to use the Trade Name, Marks and System upon any terms that CMM wishes, subject only to your limited territorial rights described in Article 4 of this Agreement. You expressly agree that any goodwill associated with the Marks or System, including and goodwill, products or services which might be deemed to have

arisen through your activities, inures directly and exclusively to CMM's or its Related Party's benefit and ownership.

## 6.2 Independent Status

You are an independent legal entity and must make this fact clear in your dealings with suppliers, lessors, government agencies, employees, customers and others. You will rely on your own knowledge and judgment in making business decisions, subject only to the requirements of this Agreement and the Confidential Operations Manuals. You may not expressly or implicitly hold yourself out as an employee, partner, shareholder, joint venturer or representative of CMM, nor may you expressly or implicitly state or suggest that you have the right or power to bind CMM or to incur any liability on CMM's behalf. **OTHER THAN AS A DBA, YOU MAY NOT USE THE TRADE NAME "COLOR ME MINE®" OR ANY DERIVATIVE THEREOF AS PART OF YOUR CORPORATE, LIMITED LIABILITY COMPANY, PARTNERSHIP OR ANY LEGAL ENTITY NAME.** Your DBA must include the name of the city in which the Studio is located, or another identifier such as the name of a mall, as approved by CMM. You must provide any Federal, State or Local individual and/or legal entity ID information to CMM.

## 6.3 Display of Disclaimer

You must conspicuously display a sign that states that "THIS COLOR ME MINE® STUDIO IS INDEPENDENTLY OWNED AND OPERATED", or such other statement required by CMM, at the Accepted Location. Business cards, stationery, purchase order forms, employee applications and forms, invoices, leases, tax returns and other documents you use in your business dealings with suppliers, lessors, government agencies, employees and customers must clearly identify you as an independent legal entity.

## 6.4 Confidentiality

You acknowledge and agree that the information, ideas, forms, marketing plans and other materials disclosed to you under this Agreement, whether or not included in the Confidential Operations Manuals, are confidential and proprietary information and trade secrets of CMM. You agree to maintain the confidentiality of all such material. You may not disclose any such information to any third party, except to your employees and agents as necessary in the regular conduct of the Color Me Mine Studio and except as authorized in writing by CMM. You will be responsible for requiring compliance of your Related Parties, employees and agents with the provisions of this section. You must obtain written non-disclosure and non-competition agreements from your Related Parties, employees and agents meeting CMM's requirements and must send CMM a copy of each such agreement within ten (10) days after each Related Party, employee or agent begins his or her relationship with you.

## 6.5 Indemnification

If you are made a party to a legal proceeding arising from your use of the Trade Name and Marks, or any of them, you must immediately notify CMM. CMM has the right to hire counsel to represent you in any such proceeding at its own expense.

Franchisee shall, at all times, indemnify and hold harmless, to the fullest extent permitted by law, Franchisor and its Related Parties, successors and assigns and their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees from all losses, expenses, liability, taxes, damages (actual or consequential) and costs (including reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) (collectively, "**Losses**") which any of them may suffer, sustain or incur by reason of, arising from or in connection with any of the following:

- (a) Franchisee's ownership, operation, or transfer of the Franchised Business, unless the Losses are finally determined to have been caused solely by Franchisor's gross negligence or willful misconduct;
- (b) Any infringement or alleged infringement of, or violation of the right to use, any Mark by Franchisee or Franchise Owner;
- (c) Any libel, slander or any other form of defamation of CMM, the System, or any other franchisee operating under the System, by Franchisee or any Franchise Owner;
- (d) Any breach by Franchisee (or any of its Related Parties) of any warranty, representation, agreement or obligation in this Agreement or any other agreement with Franchisee (or any of its Related Parties);
- (e) Any loss of data or security breach, including but not limited to customer information, resulting from or due in whole or in part to Franchisee's acts or negligence;
- (f) Franchisee's employment or other contractual relationship with its employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee's employees;
- (g) Any fees, costs, or liabilities incurred by Franchisor on Franchisee's behalf, including fees and costs incurred by Franchisor to recover amounts due on Franchisee's behalf; or
- (h) Franchisee's violation or any federal, state, or law, statute, rule or regulation, including but not limited to, violation of Privacy Laws.

Upon the occurrence of any event giving rise to a claim for indemnification, Franchisee shall give Franchisor prompt written notice of such event. Upon receipt of such notice, Franchisor may elect to assume (but under no circumstances is obligated to undertake) the defense and/or settlement of any action, suit, proceeding, claim, demand, inquiry or investigation. Any such undertaking by Franchisor shall not diminish the obligation of Franchisee to indemnify Franchisor. All Losses incurred under this section shall be chargeable to and paid by Franchisee regardless of any actions, activity or defense undertaken by Franchisor or the subsequent defense or failure of these actions, activity or defense.

Franchisor shall not be required to seek recovery from third parties or otherwise mitigate their losses in order to pursue a claim against Franchisee for indemnification, and Franchisor's failure to pursue recovery or mitigate Losses shall in no way reduce the amounts recoverable from Franchisee. The terms of this section shall survive the termination, expiration or transfer of this Agreement or any interest herein.

Franchisor shall indemnify and hold harmless Franchisee against any Losses which Franchisee may suffer, sustain or incur solely by reason of, arising from or in connection with the negligence of Franchisor (or any of its Related Parties) which is the direct cause of such Losses.

#### 6.6 Covenant Not to Compete

Franchisee recognizes that CMM has developed and owns the goodwill in the Marks and the System and has a right to be protected against unfair competition from Franchisee and its Related Parties through misuse of CMM's training, assistance and Confidential Information. Franchisee and its Related Parties each acknowledge and agree that access to and use of Confidential Information authorized by this Agreement are among the consideration for the restrictive covenants set forth herein, and Franchisee and its Related Parties each further acknowledge and agree that these restrictive covenants are necessary to prevent CMM from suffering irreparable harm. The foregoing acknowledgements and agreements are a material inducement for CMM to provide Franchisee and its Related Parties access to and use of the Confidential Information.

Franchisee and its Related Parties covenant and agree that during the Term, and for a continuous uninterrupted period of two (2) years following its Termination, or a Transfer and with respect to a Related Party, following the date the Related Party ceases to be a Related Party under this Agreement, Franchisee and each of its Related Parties, as applicable, shall not, without CMM's prior written consent, either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person or entity:

- (a) Divert or attempt to divert any actual or prospective business or customer of the Studio to any competitor, by direct or indirect inducement or otherwise.
- (b) Do or perform, directly or indirectly, any other act injurious to or prejudicial to the goodwill associated with the Marks and the System.
- (c) Own, maintain, operate, be employed by, engage in, franchise, lease property to, advise, help, make loans to, or have any interest in, either directly or indirectly, any business that distributes, markets or sells, at wholesale or retail, any ceramic products or any other related business that is competitive with or similar to a CMM Studio ("Competitive Business"). During the Term, this restriction applies to any Competitive Business located within the United States. Following Termination of this Agreement, or the date on which Franchisee ceases to conduct the Franchised Business under this Agreement, whichever is later, and with respect to a Principal, following the date the Principal Owner ceases to be a Principal Owner under this Agreement, this restriction will apply to any Competitive Business located: (i) within a radius of fifty (50) miles of the Studio; or (ii) within fifty (50) miles of any

CMM Studio then operating or under construction in the United States or outside the United States.

At CMM's request, Franchisee shall obtain and deliver executed covenants similar to those set forth in this Section 6.6 from any or all persons who have or may have an ownership interest in Franchisee or in the Franchised Business or who receive or have access to training and other information under the System. Such covenants shall be in a form satisfactory to CMM, including, without limitation, specific identification of CMM as a third party beneficiary of such covenants with the independent right to enforce them.

## **ARTICLE VII TRANSFER OF FRANCHISE**

### **7.1     Purpose of Conditions for Approval of Transfer**

CMM's grant of this franchise is made in reliance upon your integrity, ability, experience and financial resources. Neither the franchise nor the Color Me Mine Studio operated under it may be Transferred or sold unless you have first obtained CMM's prior written consent. In order to ensure that no Transfer jeopardizes the Trade Name, the Marks, or CMM's interest in the successful operation of the Color Me Mine Studio, CMM will consent to a Transfer only if you comply with the provisions of Sections 7.2 and if the conditions described in Section 7.4 are fulfilled, provided however that CMM does not elect to exercise its right of first refusal set forth in Section 7.3.

### **7.2     Notice of Proposed Transfer**

If you would like to Transfer this franchise, you must submit to CMM:

- (a) the form of franchise application and confidentiality agreement currently in use by CMM, completed and signed by the prospective transferee;
- (b) a written notice, describing all the terms and conditions of the proposed Transfer; and
- (c) the Transfer fee described in Article 4 of this Agreement.

If the Transfer is not accepted by CMM, or if the proposed Transfer is not finalized for any other reason, CMM will return the Transfer Fee to you after deducting its reasonable costs incurred in connection with the proposed Transfer.

### **7.3     Right of First Refusal**

After CMM has received your notice of Transfer, CMM shall have the right to purchase the Color Me Mine Studio from you itself upon the same terms and conditions as those offered by the third party. Silence by CMM may not be construed as consent. If CMM consents to the Transfer, then you may Transfer the interest described in the notice only to the named transferee and only upon the terms and conditions stated in the notice. Consent by CMM to a particular Transfer will not constitute consent to any other or subsequent Transfer. If CMM decides to

exercise its right of first refusal, it may substitute cash or a cash equivalent for any non-cash consideration offered by your proposed transferee.

#### 7.4 Conditions for Consent to Transfer

The consent of CMM is subject to certain conditions, including but not limited to:

- (a) Your Studio must be open and operating;
- (b) Satisfaction of CMM that the proposed transferee meets all of the criteria of character, business experience, financial responsibility, net worth and other standards that CMM customarily applies to new franchisees at the time of Transfer; CMM may require a personal meeting with the proposed transferee at its principal office;
- (c) The purchase price and terms of the proposed Transfer, in CMM's sole judgment, are not so burdensome to the proposed transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
- (d) Payment of all your outstanding debts to CMM and its Related Party prior to training of the transferee;
- (e) You are in Good Standing under the terms of your Franchise Agreement, any other agreement(s) between CMM or its Related Party and you;
- (f) To the extent required by the terms of any leases or other agreements, the lessor or other parties must have consented to the proposed Transfer;
- (g) If CMM requests, the transferee shall renovate and modernize the Studio Premises as CMM may require, at its sole option, to reflect the then-current standards and image of the System;
- (h) Signing by the transferee of the then-current form of franchise agreement;
- (i) Payment of the Transfer Fee described in Article 4 of this Agreement;
- (j) Prior approval by CMM of the purchase agreement and bill of sale and receipt of an executed copy;
- (k) Completion by the transferee of the CMM initial training program to CMM's satisfaction;
- (l) Your signing of a general release of claims in favor of CMM;
- (m) Return of all Confidential Operations Manuals and other confidential or proprietary information to CMM;

- (n) Compliance by you of all of your obligations to CMM, whether under this Agreement or any other agreement, arrangement or understanding with CMM;
- (o) If the seller holds any debt from the buyer as a consequence of the sale, the debt must be approved by CMM and subordinated to any and all interest CMM may hold through the operation of this Agreement.

CMM shall have the right to disclose to any prospective transferee such revenue reports, profit and loss statements and other financial information concerning Franchisee's Franchised Business as Franchisee has supplied Franchisor hereunder.

Subject to all other conditions and requirements of this Article 7 and Agreement, if Franchisee is an individual or partnership, Franchisee shall be entitled to transfer the franchise and Franchisee's interest in this Agreement to a corporation, limited liability company or limited partnership ("**Legal Entity**") formed for convenience of ownership. Franchisor will not charge a transfer fee for the first such transfer, but may charge a reasonable administrative fee for any such transfer subsequent to the first; however, Franchisor's consent to any such transfer shall be subject Franchisee continuing to be the owner of at least a majority of the total voting power of the Legal Entity.

Subject to all other conditions and requirements of this Article 7 and Agreement, if Franchisee, or the principal managing owner ("**Principal Owner**") of Franchisee, dies within the term of this Agreement, you or your Principal Owner's heirs or beneficiaries will have: (a) thirty (30) days to appoint a manager of the Franchised Business approved by CMM and continuously operate the Franchised Business in accordance with the standards in the Confidential Operations Manuals; and (b) an additional one-hundred and fifty (150) days to either decide to accept a Transfer of the Franchised Business or Transfer the Franchised Business to a third party. For clarification purposes, the heirs or beneficiaries will have a total of one hundred eighty (180) days to Transfer the Franchise Agreement and Franchised Business from the date of your or your Principle Owner's death. If the heirs or beneficiaries do not meet any of the dates established in this paragraph, CMM may terminate this Agreement immediately upon written notice to the heirs or beneficiaries, or the administrator or executor, of your or your Principal Owner's estate.

CMM may withhold or condition its consent to any transfer as CMM deems appropriate based on the circumstances of the transfer or otherwise.

#### 7.5 Assignment by CMM

This Agreement shall inure to the benefit of CMM, its successors, and assigns, and CMM shall have the right to transfer and assign all or any part of its interest in this Agreement to any person or legal entity without your consent.

### **ARTICLE VIII DEFAULT AND TERMINATION OF FRANCHISE**

#### 8.1 Termination by Consent of the Parties

This Agreement may be Terminated upon the mutual written consent of the parties.

## 8.2 Termination by CMM

Upon the occurrence of any of the defaults described under the conditions below, CMM at its option, may Terminate this Agreement:

### 8.2.1 Termination Upon Immediate Notice

Termination shall be effective immediately upon written notice to you if any of the defaults described below occur:

- (a) If you or your Related Parties engage in conduct which reflects materially and unfavorably upon the goodwill associated with the Marks;
- (b) Unfavorable or offensive conduct by you, your Related Parties, or employees, agents or others acting by you or on your behalf, that reflects materially or negatively upon the goodwill associated with the Marks, System and on Franchisor, if you or your Related Parties violate CMM's policies relating to ethical or professional conduct or engage in conduct which is deemed unprofessional or unethical by CMM, in its sole discretion, including but not limited to unprofessional or harassing communications, toward CMM employees, vendors, customers or the general public, and you have been given written notice of unprofessional conduct by CMM on two previous occasions;
- (c) If you or any of your Related Parties has any direct or indirect interest in the ownership or operation of any business that is a Competitive Business or is confusingly similar to a Color Me Mine<sup>®</sup> Studio or uses the System or the Marks;
- (d) If you attempt to assign your rights under this Agreement in any manner not authorized by this Agreement;
- (e) If you or your Related Party has made any material misrepresentation in connection with the acquisition of a Color Me Mine Studio or to induce CMM to enter into this Agreement; including but not limited to any misrepresentation on the CMM franchise application and your financial statements.
- (f) If you close the Studio: (i) with the express intent to permanently close the Studio; or (ii) cease to actively operate the Studio for three (3) consecutive days, unless the Studio has been closed for a purpose CMM has approved in writing or because of a Force Majeure Event;
- (g) If you have been in default two or more times during any thirty-six (36) month period for failure to comply with any of the requirements imposed under this Agreement, whether or not cured after notice;
- (h) If CMM makes a reasonable determination that the operation of your Color Me Mine Studio poses a threat to public health or safety;



- (i) Except as otherwise required by the United States Bankruptcy Code, if you become insolvent, are adjudicated a bankrupt, or file or have filed against you a petition in bankruptcy, reorganization or similar proceeding;
- (j) If you are convicted of any criminal misconduct which is materially relevant to the operation of the Color Me Mine Studio or to the public's perception of its management or if you are convicted of a felony;
- (k) If you fail to renew this Agreement;
- (l) If an audit discloses an underpayment of Royalty or Advertising Fund Fees for any period exceeding three percent (3%).

#### 8.2.2 Termination Upon Ten (10) Days' Notice

Termination shall be effective ten (10) days after written notice is given to you if the defaults described below have not been cured:

- (a) If you fail to make any payment when due under this Agreement or any other agreement between you and CMM or a Related Party of CMM; or
- (b) If you misuse the Marks or the System or if you identify your Color Me Mine Studio with any trade names, marks, systems, logotypes or symbols that CMM has not authorized you to use, or if you use the Marks in any way that is not in full compliance with the Confidential Operations Manuals.

#### 8.2.3 Termination Upon Thirty (30) Days' Notice

Termination shall be effective thirty (30) days after written notice of default is given to you if any of the defaults described below have not been cured:

- (a) Failure to submit to CMM in a timely manner any information you are required to submit by the date due under this Agreement;
- (b) Failure to begin operation of a Color Me Mine Studio within twelve (12) months of the Effective Date of this Agreement;
- (c) Failure to operate your Color Me Mine Studio in accordance with this Agreement, including the Confidential Operations Manuals;
- (d) If you default in the performance of any obligation under this Agreement or any other agreement with CMM or its Related Party, or are in default under your lease agreement for the Studio Premises.

#### 8.3 Rights and Obligations After Termination

Upon Termination of this Agreement for any reason, including expiration of this Agreement, the parties will have the following rights and obligations:

- (a) CMM will have no further obligations under this Agreement;
- (b) You must immediately cease operating the Franchised Business at the Premises and strictly comply with the post-term covenant not to compete set forth in Section 6.6.
- (c) You must give CMM a final accounting for the Color Me Mine Studio, including a Profit & Loss Statement and Balance Sheet, pay CMM and any Related Party all payments due directly out of the proceeds of any sale or dissolution of the assets, return the Confidential Operations Manuals, and return or turn over any other property belonging to CMM, including but not limited to, customer lists generated through the operation of the Color Me Mine Studio, materials that contain Confidential Information, materials that incorporate the Marks and/or display the Marks, ceramic work, artwork, graphics, layouts, instruction materials, and similar materials and any digital copies or representations of the same, whether created by you, your employees or any other party in the conduct of the operation of the Color Me Mine Studio;
- (d) You must immediately and permanently stop using the Marks or any confusingly similar marks, the System, or any advertising, signs, stationery, or forms that bear identifying marks or colors that might give others the impression that you are operating a Color Me Mine Studio;
- (e) The physical assets of the Studio, including but not limited to the furniture, fixtures, equipment, inventory, supplies and marketing materials, cannot be transferred to a third party outside the Franchise System;
- (f) The Studio Premises must not be rented, leased, subleased, or assigned to any person or legal entity offering paint-your-own ceramic services outside the Franchise System;
- (g) You must promptly sign any documents and take any steps that in the judgment of CMM are necessary to (i) delete your listings from classified or online telephone or business directories and disconnect or, at CMM's option, assign to CMM all telephone numbers and listings that have been used in your Color Me Mine Studio; (ii) transfer to CMM all rights, exclusive access, usernames, credentials and passwords to any and all email addresses, websites, listings, online and social media pages or accounts that have been used in connection with the operation or promotion of your Color Me Mine Studio, that incorporate the Marks or have been used in connection with the Marks; (iii) terminate all other references that indicate you are or ever were affiliated with CMM;
- (h) You irrevocably appoint CMM your attorney-in-fact to take the actions described in this section if you do not do so yourself within seven (7) days after Termination of this Agreement;
- (i) You must maintain all records required by CMM under this Agreement for a period of not less than three (3) years after final payment of any amounts you owe to CMM when this Agreement is Terminated; and

- (j) CMM has an option to purchase any or all of the physical assets of your Color Me Mine Studio, including equipment, supplies and inventory, during a period of sixty (60) days following the effective date of Termination, valued as follows:
- The lower of cost or fair market value of the supplies and inventory; and
  - Depreciated value of other tangible personal property calculated on the straight line method over a five (5) year life, less any liens or encumbrances; CMM must send written notice to you within thirty (30) days after Termination of this Agreement of its election to exercise the option to purchase. If the parties do not agree on a price within the option period, the option period may be extended for up to fifteen (15) business days to permit appraisal by an independent appraiser who is mutually satisfactory to the parties. If the parties fail to agree upon an appraiser within the specified period, each must appoint an appraiser and the two appraisers thus appointed must agree on a third appraiser within ninety (90) days after Termination who must determine the price for the physical assets of the Color Me Mine Studio in accordance with the standards specified above. This determination will be final and binding upon both CMM and you.

You must sign a bill of sale and any other documents necessary to complete the sale on the terms set out above.

- (k) CMM has an option to replace you as lessee under any lease for equipment that is used in connection with the Color Me Mine Studio. Upon request by CMM, you must give CMM copies of the leases for all equipment used in the Color Me Mine Studio immediately upon Termination. Upon request by CMM you must allow CMM the opportunity, at a mutually satisfactory time, to inspect the leased equipment. CMM must request the information and access described in this paragraph within fifteen (15) days after Termination; it must advise you of its intention to exercise the option within fifteen (15) days after it has received the information and inspected the equipment. CMM may assume any equipment lease in consideration of its assumption of future obligations under the lease. Upon exercise of this option by CMM you will be fully released and discharged from future rents and other future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.
- (l) If you rent the premises of the Color Me Mine Studio, CMM may assume the lease in return for its assumption of future obligations under the lease.
- (m) If you own the premises of the Color Me Mine Studio, you have the right to decide, at your option, in your sole discretion, to offer to sell the premises to CMM or any of its Related Parties, as the case may be, within thirty (30) days of the Termination or expiration of this Agreement by written notice. In the event of such an offer, within thirty (30) days of your written notice and at its option, CMM will have the

right to purchase the premises from you in consideration of the fair market value of the property to be mutually determined by the parties.

If the franchise granted in this Agreement is Terminated because of your default, the rights of CMM described above may not necessarily be CMM's exclusive remedies, but will instead supplement any other equitable or legal remedies available to CMM. If this Agreement is Terminated because of your default, CMM may recover its full present and future damages. Termination of this Agreement will not end any obligation of either party that has come into existence before Termination. All obligations of the parties that by their terms or by reasonable implication are to be performed in whole or in part after Termination will survive Termination.

## **ARTICLE IX DISPUTE RESOLUTION**

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

Franchisee must first bring any claim or dispute between Franchisee and CMM to CMM's management, after providing notice as set forth in accordance with this Article 9 and the Agreement. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

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

The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Article 9 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating)

any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

Nothing contained in this Agreement will prevent CMM from applying to and obtaining from any court of competent jurisdiction a preliminary injunction and/or other emergency relief available to safeguard and protect CMM's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in and the state or federal courts in the city, county or parish of CMM's principal place of business. Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts set forth above.

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

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

Franchisee is prohibited from withholding all or any part of any payment to CMM or any of its Related Parties on the grounds of CMM's alleged nonperformance or as an offset against any amount CMM or any of CMM's Related Parties allegedly may owe Franchisee under this Agreement or any related agreements.

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

Each party agrees that no cause of action arising out of or under this Agreement may be maintained by one party against the other unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the non-breaching party becomes aware of facts or circumstances reasonably indicating that the nonbreaching party may have a claim against the breaching party hereunder, whichever occurs later, and that any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off.

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

The parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Franchisee's purchase from CMM of the franchise and/or any goods or services. The parties agree that all proceedings arising out of or related to this Agreement, or the sale of the Franchised Business, will be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee, Franchisee's guarantors and CMM or its affiliates/officers/employees may not be consolidated with any other proceeding between Franchisor and any other third party.

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

## **ARTICLE X MISCELLANEOUS PROVISIONS**

### **10.1    Construction of Contract**

Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained in any section of this Agreement. Each word in this Agreement may be considered to include any number or gender that the context requires, including words with the first letter capitalized.

### **10.2    Notices**

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

### **10.3    Amendments**

This Agreement may be amended only by a document signed by all of the parties to this Agreement or by their authorized agents.

### **10.4    Waiver**

Waiver of any breach of this Agreement may not be interpreted as a waiver of any subsequent breach.

#### 10.5 Integration

This Agreement and any exhibits or attachments to it are the entire agreement between the parties. All prior agreements and representations are superseded by it. Notwithstanding the foregoing, nothing in this Agreement or any exhibits or attachments to it are intended to disclaim the express representations made in the Franchise Disclosure Document.

#### 10.6 Severability

Each provision of this Agreement will be considered severable. If any provision of it is determined to be invalid or in conflict with any existing or future law or regulation, that provision will not impair the operation of the remaining provisions of this Agreement. The invalid provisions will be considered not to be a part of this Agreement. However, if CMM determines that the finding of illegality adversely affects the basic consideration for its performance under this Agreement, CMM may, at its option, Terminate this Agreement.

#### 10.7 Approval and Guaranties

If you are a legal entity, all owners, members, officers, and shareholders or partners must agree to the restrictions placed on them, including restrictions on the Transfer of their interests in the franchise and Color Me Mine® Studio and limitations on their rights to compete, and sign separately written guaranties of your payments and performance in the form of Attachment 1 to this Agreement. If you are an individual, individuals or husband and wife, you must sign separately written guaranties of your payments and performance in the form of Attachment 1 to this Agreement.

#### 10.8 Acceptance by CMM

This Agreement shall not be binding on CMM unless and until an authorized officer of CMM has signed it.

#### 10.9 DISCLAIMER OF REPRESENTATIONS

NO REPRESENTATIONS OR PROMISES OF ANY KIND ARE MADE BY CMM TO INDUCE YOU TO SIGN THIS AGREEMENT EXCEPT THOSE SPECIFICALLY STATED IN THE FRANCHISE DISCLOSURE DOCUMENTS THAT HAVE BEEN DELIVERED TO YOU. NEITHER CMM NOR ANY OTHER PERSON HAS MADE ANY GUARANTEE, EXPRESS OR IMPLIED, THAT YOU WILL SUCCEED IN THE OPERATION OF THE COLOR ME MINE® STUDIO OR HAS PROVIDED ANY SALES OR INCOME PROJECTIONS OF ANY KIND TO YOU THAT ARE NOT INCLUDED IN CMM'S FRANCHISE DISCLOSURE DOCUMENT. YOU HAVE MADE AN INDEPENDENT INVESTIGATION OF ALL IMPORTANT ASPECTS OF THE COLOR ME MINE® STUDIO.

#### 10.10 Independent Investigation

You agree that the success of the business venture to be undertaken by you by virtue of this Agreement depends, to a large extent, upon your ability as an independent businessperson, and your active participation in the daily affairs of the business as well as other factors. We do not

make any representation or warranty, express or implied, as to the potential success of your business venture.

You acknowledge that you have entered into this Agreement after making an independent investigation of our operations; you also acknowledge that we have not made any other representations, including any representation of sales or profits to be realized by you in connection with the Franchised Business which are not expressly set forth here or in our Franchise Disclosure Document.

#### 10.11 Electronic Signatures

Each party to this Agreement agrees to use electronic signatures; and be subject to the provisions of the U.S. E-SIGN Act (i.e., the Electronic Signatures in Global and National Commerce Act).

*[signature page follows]*



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

**FRANCHISEE:**

\_\_\_\_\_  
INDIVIDUALLY

By: \_\_\_\_\_  
Address: \_\_\_\_\_  
Email Address: \_\_\_\_\_

OR:  
(if a corporation, limited liability company or  
partnership)

\_\_\_\_\_  
COMPANY NAME

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Email Address: \_\_\_\_\_

**FRANCHISOR:**

COLOR ME MINE LLC

By: \_\_\_\_\_  
Print Name: Teresa Johnson  
Title: CEO  
Address: 1852 N. Causeway Blvd  
Mandeville, LA 70471  
Email address: info@colormemine.com

**ATTACHMENT 1**  
**TO THE FRANCHISE AGREEMENT**  
**OWNERS AGREEMENT**

As a condition to the granting by Color Me Mine LLC (“we” or “us”), of a Franchise Agreement with \_\_\_\_\_ (“**Franchisee**”), each of the undersigned individuals (“**Owners**”), who constitute all of the owners of a beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“**Owners Agreement**”).

**1. Acknowledgments.**

1.1. Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_ (“**Franchise Agreement**”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2. Owners’ Role. Owners are the beneficial owners of all of the equity interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

**2. Non-Disclosure and Protection of Confidential Information.**

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of the Franchised Business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

**3. Covenant Not To Compete.**

3.1. Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and Confidential Information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee’s restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners.

Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2. Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree 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 Section 3.

3.3. Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

#### **4. Guarantee.**

4.1. Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2. Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3. Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4. No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5. Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6. Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

## **5. Transfers.**

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners Agreement and the Franchise Agreement.

## **6. Notices.**

6.1. Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2. Notice Addresses. Our current address for all communications under this Owners Agreement is:

Color Me Mine LLC  
1852 N. Causeway Blvd  
Mandeville, Louisiana 70471

The current address, telephone and email address of each Owner for all communications under this Owners Agreement is designated on this Attachment 1 to the Franchise Agreement. Any party may designate a new address, telephone and/or email address for notices by giving written notice to the other parties of the same according to the method set forth in the Franchise Agreement.

## **7. Enforcement of This Owners Agreement.**

7.1. Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2. Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3. Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is

no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1. No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its amendments and exhibits. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2. Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3. No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4. Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5. Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding

on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6. Successors. References to “**Franchisor**” or “**the undersigned**,” or “**you**” include the respective parties’ heirs, successors, assigns or transferees.

8.7. Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8. No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9. Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNERS:**

By: \_\_\_\_\_  
[Insert Name of Owner]

By: \_\_\_\_\_  
[Insert Name of Spouse]

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

By: \_\_\_\_\_  
[Insert Name of Owner]

By: \_\_\_\_\_  
[Insert Name of Spouse]

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**ATTACHMENT 2**  
**TO THE FRANCHISE AGREEMENT**  
**AUTOMATIC BANK DRAFT AGREEMENT**

This Color Me Mine® Automatic Bank Draft Agreement (“**Agreement**”) is entered into and made effective as of the date set forth below (the “**Approval Date**”) by and between Color Me Mine LLC, a Louisiana limited liability company, whose mailing address is 1852 N. Causeway Blvd, Mandeville, Louisiana 70471 (“**Franchisor**”) and \_\_\_\_\_, \_\_\_\_\_ whose mailing address is \_\_\_\_\_ (“**Franchisee**”).

**AGREEMENT**

Franchisee agrees to comply with all reasonable requests and implement automatic bank draft of any continuing fees, including, but not limited to: (1) all Royalties, (2) Marketing Materials Development Fees, (3) MIS Support and Tech bundle Fees, and (4) applicable digital marketing fees (Enplug or equivalent) owed to the Franchisor under the Franchise Agreement with the execution of the ACH Payment Authorization Form attached to this Agreement as Exhibit A. Franchisor is also authorized to deposit funds into the above referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Franchisor. Franchisee will provide Franchisor, in conjunction with this authorization, a voided check from the Exhibit A referenced account.

**FRANCHISEE NAME:** \_\_\_\_\_

**FRANCHISEE ENTITY LOCATION & TYPE:** \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**  
**COLOR ME MINE®**  
**ACH PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street, city, State, Zip)	
Franchisee E-mail Address	Franchisee Phone No.

**Bank Account Information:**

Bank Name	Bank Mailing Address (Street, City, State, ZIP)
Bank Account No.	Bank Routing No. (9 digits)
Bank Phone No.	

**Authorization:**

Franchisee hereby authorizes Color Me Mine LLC (“**Franchisor**”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

ENTITY NAME: \_\_\_\_\_ Federal Tax ID Number: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**ATTACHMENT 3  
TO THE FRANCHISE AGREEMENT  
COMPLIANCE CERTIFICATION**

**California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin franchisees should not complete this Compliance Certification. If a franchisee in one of these states does so, we will disregard and not rely on the Compliance Certification.**

You and we are preparing to enter into a Franchise Agreement for the establishment and operation of a Color Me Mine Studio.

**Important Instructions:** Read this document carefully and do not sign it if it contains anything you think might be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, we will take actions in reliance on the truth of what it says.

The following franchisee — \_\_\_\_\_  
(the “**Franchisee**”) — is interested in acquiring a franchise for a Color Me Mine Studio to be operated in a specific territory identified, or to be identified, in the Franchise Agreement (the “**Franchised Business**”). Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted its, his, or her own independent investigation of Color Me Mine LLC, the System, and the risks, burdens, and nature of the business Franchisee will conduct under the Franchise Agreement.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

2. Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risks and that success or failure will be substantially influenced by the Franchisee’s abilities and efforts.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

3. The Franchisee has (through one or more of the undersigned) received and reviewed the Franchise Agreement and each attachment, rider and exhibit attached to it.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

4. Each of the undersigned understands all of the information contained in the Franchise Agreement and each attachment, rider and exhibit attached to it.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

5. The Franchisee has received copies of the Franchise Agreement and all other related agreements and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning those documents. The Franchisee has had copies of those documents in-hand for at least seven (7) calendar days before signing them.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

6. The Franchisee has received a franchise disclosure document (“FDD”) as required by law at least 14 calendar days before signing the Franchise Agreement or any other binding agreement, and at least 14 calendar days before paying any consideration to us or our affiliate in connection with this franchise, and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning the FDD.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

**[If Franchisee is based or will operate in Michigan, Franchisee also has received the FDD at least 10 business days before either signing the Franchise Agreement or paying any consideration to us or an affiliate in connection with this franchise opportunity.]**

7. Except as provided in our FDD, we and our representatives have made no representation, warranty, promise, guaranty, prediction, projection, or other statement, and given no information, as to the future, past, likely or possible income, sales volume, or profitability, expected or otherwise, of the Franchised Business or any other Color Me Mine Studio, except: (None, unless something is filled-in here)\_\_\_\_\_.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

8. Each of the undersigned understands that:

a. Except as provided within the FDD, we do not authorize our officers, directors or employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection, or other statement of information concerning actual or potential income, sales volume, or profitability, either generally or of any Color Me Mine Studio.

b. Actual results vary from unit to unit and from time period to time period, and we cannot estimate, project, or predict the results of any particular Color Me Mine Studio.

c. We have specifically instructed our officers, directors, and employees that, except as provided in our FDD, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection, or other statement or give information as to income, sales volume, or profitability, either generally or with respect to any particular Color Me Mine Studio.

d. If any unauthorized representation, warranty, promise, guaranty, prediction, projection, or other statement or information is made or given, the undersigned should not (and will not) rely on it and should report it to our management.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

9. Before signing the Franchise Agreement and any related agreements, each of the undersigned has had ample opportunity: (A) to discuss the Franchise Agreement or any related agreement, and the business that the Franchisee will conduct with its, his or her own attorneys, accountants, and real estate and other advisors; (B) to investigate all statements and information made or given by us and our officers, directors, employees, and agents relating to the System, the Franchised Business, and other subject; and (C) to consult with any other franchisees we periodically have.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

10. Each of the undersigned understands that, except for our representations in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement can be relied upon by the undersigned or the Franchisee.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

11. The only state(s) in which each of the undersigned is a resident is (are):

\_\_\_\_\_.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

12. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or the Franchisee. Each of them has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature that enable each of them to derive income that is satisfactory to them from other endeavors.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

13. The Franchisee has been advised to consult with its own advisors on the legal, financial, and other aspects of the Franchise Agreement and all other documents signed concurrently with the Franchise Agreement; this document; and the Franchised Business. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

14. Neither we nor any employee has provided the undersigned or the Franchisee with services or advice that are of a legal, accounting, or other professional nature.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

15. The statements made in this document supplement and are cumulative to statements, warranties, and representations made in other documents, such as the Franchise Agreement. The statements made in this document or the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

16. The President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations, and the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisee is required to make certain certifications that the parties with whom they deal are not directly or indirectly involved in terrorism. For that reason, the undersigned and the Franchisee hereby certify that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with the Franchisee, is: (a) a person or entity listed in the Annex to the Executive Order; (b) a person or entity otherwise determined by the Executive Order to have committed acts of

terrorism or to pose a significant risk of committing acts of terrorism; (c) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (d) owned or controlled by terrorists or sponsors of terrorism. The undersigned and the Franchisee further covenant that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with them, will during the Franchisee Agreement term become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_**

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

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete to the best of my knowledge.

\_\_\_\_\_  
Signature

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**\*\*This Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**

**ATTACHMENT 4**  
**TO THE FRANCHISE AGREEMENT**  
**CONTINGENT ASSIGNMENT OF LEASE**

This Contingent Assignment of Lease (“**Agreement**”) is made and entered into as of the date set forth below by and among the following parties for a lease at the following street address:

**LESSOR:**

**LESSEE:**

---

---

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---

---

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**FRANCHISOR:**

Color Me Mine LLC (“**CMM**”)  
1852 N. Causeway Blvd.  
Mandeville, LA 70471

**PREMISES STREET ADDRESS:** \_\_\_\_\_

In consideration of the lease agreement entered into between Lessor and Lessee (“**Lease**”) and mutual covenants herein contained and other good and valuable consideration, including the acceptance by CMM of the Premises as a location for a CMM Franchised Business, the parties agree as follows:

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

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

- (a) CMM shall notify Lessee and Lessor in writing (“**Election Notice**”) within fifteen (15) days after termination or expiration of the Franchise Agreement, or CMM’s receipt of any notice of default by Lessee under the Lease, if CMM elects to accept assignment of the Lease. Upon receipt of an Election Notice by Lessee and Lessor, CMM shall have the right as between Lessee and CMM to the Premises. Upon receipt of an Election Notice by Lessee from CMM, Lessee hereby grants, assigns, transfers and sets over to CMM all rights, title and interest in and to the Lease and the Premises leased thereunder and abandons

any existing leasehold improvements. CMM's failure to accept assignment of the Lease upon any default of Lessee under the Lease which has been subsequently cured by Lessee shall not be deemed a waiver of CMM's future right to accept such assignment in the event of any future default of Lessee;

- (b) If CMM elects to accept assignment of the Lease, CMM shall (i) cure any monetary defaults and take possession of the Premises as soon as reasonably possible, but no later than thirty (30) days after receipt of the Election Notice by Lessor, and (ii) promptly commence the cure of all non-monetary defaults and diligently pursue such cure until completion. CMM shall thereafter commence payment of rent and other customary and reasonable charges and comply with all other obligations under the Lease;
- (c) Nothing herein shall affect Lessor's right to require Lessee to remain liable as a guarantor for the remaining term of the Lease, to recover from Lessee any and all amounts due under the Lease or to exercise any rights of Lessor against Lessee as provided under the Lease; provided, that CMM's leasehold interest shall not be subject to any claims that may exist between Lessor and Lessee; and
- (d) Lessee agrees to take any and all actions under the Lease to effectuate assignment of the Lease to CMM. Lessor agrees to the assignment of the Lease from Lessee to CMM upon Lessor's receipt of an Election Notice and agrees to take any and all present and/or future action reasonably necessary to assist CMM, when and as requested, in effecting the assignment of the Lease to CMM; provided, however, that Lessor shall not be required to bear any expense thereof.

3. Assignment to Third Party. At any time after receipt of the Election Notice by Lessor, CMM may request to assign its Lease, pursuant to provisions of the Lease concerning lease assignment, or sublease of the Premises, to a third party franchisee of CMM for the purpose of continuing to operate the CMM Franchised Business at the Premises. Lessor agrees not to unreasonably withhold its consent to any such assignment or sublease.

4. De-Identification. Lessee acknowledges that in the event the Lease or the Franchise Agreement expires or is terminated; Lessee is obligated under the Franchise Agreement to take certain steps to de-identify the Premises as a CMM Franchised Business operated by Lessee. Lessor agrees to cooperate with CMM in allowing CMM to de-identify the Premises, including allowing CMM and its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of CMM; provided, however, that CMM shall immediately repair all damage caused by such de-identification and Lessor shall not be required to bear any expense thereof. CMM shall indemnify, defend, and hold Lessor harmless from and against any and all loss, damage, claim, demand, liability, or expense (including reasonable attorneys' fees) resulting from claims by third parties and based on any actor or omissions of CMM and its employees and agents arising out of CMM's entry and de-identification of the Premises. Lessee agrees that if Lessee fails to de-identify the Premises promptly upon termination or

expiration as required under the Franchise Agreement, CMM may cause all required de-identification to be completed at Lessee's expense.

5. General Provisions.

- (a) This Agreement is directed to a specific Lease set forth herein but the Lessee, Lessor and CMM agree that this Agreement is applicable to any extensions, renewals or other options of Lessee with respect to the Lease and the Premises, as well as being applicable to any subsequent lease agreements between Lessee and Lessor concerning the CMM Franchised Business with respect to the Premises;
- (b) Nothing contained in this Agreement shall affect any term or condition in the Franchise Agreement between Lessee and CMM. Nothing herein shall be deemed to constitute a guaranty or endorsement by CMM of the terms and conditions of the Lease between Lessor and Lessee. In the event that CMM, in its sole discretion, determines not to accept assignment of the Lease as permitted hereunder, neither Lessor nor Lessee shall have any claims against CMM. No terms or conditions contained in the Lease shall be binding on CMM unless and until it elects to accept assignment of the Lease hereunder;
- (c) This Agreement shall be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The prevailing party in any action shall be entitled to recover its legal fees together with court costs and expenses of litigation; and
- (d) In the event of any conflict or inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement shall prevail.

*[Signatures appear on the following page]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this \_\_\_\_ of \_\_\_\_\_, 20\_\_\_\_.

**WITNESSES:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**LANDLORD:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**TENANT:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISOR:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_



**ATTACHMENT 5**  
**TO THE FRANCHISE AGREEMENT**  
**CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement (this “**Agreement**”) is entered into by the undersigned (“**you**”) in favor of Color Me Mine LLC, a Louisiana limited liability company, and its successors and assigns (“**us**”, “**we**”, or “**our**”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“**Copyrights**” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Color Me Mine franchisees to use, sell, or display in connection with the marketing and/or operation of a Color Me Mine Business, whether now in existence or created in the future.

“**Franchisee**” means the Color Me Mine franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“**Intellectual Property**” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“**Know-how**” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Color Me Mine Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“**Manual**” means our confidential operations manual for the operation of a Color Me Mine Business.

“**Marks**” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Color Me Mine Business, including “COLOR ME MINE” and any other trademarks, service marks, or trade names that we designate for use by a Color Me Mine Business. The term “Marks” also includes any distinctive trade dress used to identify a Color Me Mine Business, whether now in existence or hereafter created.

“**Color Me Mine Business**” means a distinctive business specializing primarily in providing a fun and engaging social setting where guests create art or crafts using Color Me Mine branded products and other services and products that we approve from time to time through an approved studio location utilizing the System and Marks.

“**System**” means our system for the establishment, development, operation, and management of a Color Me Mine Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting our Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree that: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Color Me Mine Business operated by Franchisee or in any way detrimental to us or to Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Color Me Mine LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Color Me Mine franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee,

regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

a. Although this Agreement is entered into in favor of Color Me Mine LLC, you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of Louisiana, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

**ATTACHMENT 6**  
**TO THE FRANCHISE AGREEMENT**  
**ACCEPTED LOCATION AND PROTECTED TERRITORY MAP**

The address of the Accepted Location is: \_\_\_\_\_  
\_\_\_\_\_

The Protected Territory includes the zip codes listed below and includes the area depicted in the map: \_\_\_\_\_  
\_\_\_\_\_

Map of Protected Territory  
  
\_\_\_\_\_

**FRANCHISOR:**

**COLOR ME MINE LLC**

By: \_\_\_\_\_  
Printed Name: Teresa Johnson  
Its: CEO  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D**

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# Color Me Mine®

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**EXHIBIT E**  
**GENERAL RELEASE**



## **SAMPLE GENERAL RELEASE AGREEMENT**

### **WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“**Release**”) is made as of \_\_\_\_\_, 20\_\_\_\_ (“**Effective Date**”) by \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Franchisee**”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “**Releasor**”) in favor of Color Me Mine LLC, a Louisiana limited liability company (“**Franchisor**,” and together with Releasor, the “**Parties**”).

**WHEREAS**, Franchisor and Franchisee are Parties to that certain Franchise Agreement (“**Agreement**”) dated \_\_\_\_\_ pursuant to which Franchisee was granted the right to own and operate a Color Me Mine business;

**WHEREAS**, [Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement] or [the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release], and Franchisor has consented to such [transfer/successor franchise agreement/amendment/termination/other reason]; and

**WHEREAS**, as a condition to Franchisor’s consent to [such transfer of the Agreement/entering into a successor franchise agreement/amending the Agreement/terminating the Agreement/other reason], Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release represents and warrants that he/she is duly authorized to enter into and execute this Release. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. As of the Effective Date, Releasor on behalf of itself and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, partnerships and predecessors, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “**Released Parties**”), from any and all claims, debts, liabilities, damages, expenses, actions, causes of action, or suits of any kind whatsoever, at common law,

statutory or otherwise, which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, against the Released Parties including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto or any other contractual relations between the Releasor and the Released Parties that have occurred prior to the date of this Release. The Releasor further covenants and agrees to never institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of the Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury either to person or property, cost, expense, attorneys' fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any event, act, or omission that has occurred prior to the date of this Release.

*California Releasor: Releasor expressly waives and relinquishes all rights and benefits which Releasor may now have or in the future have under and by virtue of California Civil Code Section 1542. Releasor does so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 2, above, Releasor expressly acknowledges that this Release is intended to include in its effect, without limitation, all claims described in Section 2, above which Releasor do not know or suspect to exist in Releasor's favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claims.*

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

*California Releasors: Notwithstanding the foregoing representations and acknowledgments within this Section 5.a., all representations and acknowledgments within this Section 5.a. are inapplicable to Releasor, and are disregarded and unenforceable by Franchisor and/or the Released Parties if you are a California Releasor.*

b. This Release shall be governed by, construed, and enforced under the laws of the State of Louisiana, and the state or federal courts of general jurisdiction in the county, parish or city of the Franchisor's headquarters shall have jurisdiction over any legal proceedings arising out of this Release.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce any of the terms and conditions or provisions of this Release, or due to the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

i. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2).

*[signature page follows]*

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

**EXHIBIT F**  
**CONFIDENTIALITY AGREEMENT**

## CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is made as of the date shown below between Color Me Mine LLC, who, for ease of reference, we will refer to as “we” throughout the Agreement, and \_\_\_\_\_, who we will refer to as “you”.

Because you desire to have certain information disclosed to you about our system for operating a Color Me Mine Studio, and we desire to disclose such information, subject to the terms and conditions listed below, it is mutually agreed:

- 1) We will disclose to you information about our system for operating a Color Me Mine Studio.
- 2) You agree that the methods and techniques of doing business and other elements comprising our system are unique and distinctive and have been developed by us at great effort, time and expense. Accordingly, with regard to any information disclosed to you about our system, you agree that you will not, without our prior written consent, either directly or indirectly, for a 2 year period after disclosure:
  - a) Disseminate or disclose any confidential information, including but not limited to our trade secrets, customer names, other customer data and business methods, to any person or organization.
  - b) Use such information yourself, or use information through, on behalf of, or in conjunction with any other person, partnership or corporation, to operate a business offering products or services that are the same as or substantially similar to products or services offered by our franchisees.
- 3) The covenants you have agreed to in Paragraph 2 shall be construed as independent of each other and as conditions precedent to disclosures. The existence of any claim or cause of action against us, whether based on this Agreement or not, shall not constitute a defense by you to the enforcement by us of the covenants.
- 4) If any portion of a covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency having jurisdiction, you expressly agree to be bound by any lesser covenant that imposes the maximum duty permitted by law, as if that covenant were separately stated in and made a part of this Agreement. If an entire covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency having jurisdiction, any remaining covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency having jurisdiction, any remaining covenant in this Agreement shall nevertheless continue in full force and effect without being impaired or invalidated in any way.
- 5) In addition to our other legal and equitable rights and remedies, we shall be entitled to injunctive relief restraining any actual, or threatened violation by you of any covenant in this Agreement.
- 6) In the event of a legal action for damages, injunctive relief, or any other legal or equitable remedy, you agree to pay our reasonable attorney’s fees, court costs and reasonable out-of-pocket expenses related to such action if we substantially prevail. You waive all

homestead rights and exceptions that you may have under any law as against any obligations owing under this Agreement, and assign them to us.

- 7) This Agreement shall be governed for all purposes by the laws of the State of Louisiana.
- 8) This Agreement shall be binding upon both of us and our respective legal representatives, successors and assigns.
- 9) This Agreement contains the entire agreement between us both. It may be modified only by an agreement in writing of at least equal formality signed by the party against whom enforcement is sought.

By: \_\_\_\_\_  
Prospective Franchisee

Date: \_\_\_\_\_

## **EXHIBIT G**

### **ROSTER OF FRANCHISEES**

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

#### **Current Franchisees as of September 30, 2024**

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>ZIP</b>	<b>Phone</b>
Angela McGhee	1024 Mid City Drive	Huntsville	AL	35806	(256) 964-8923
Windy Rheume	8130 Old Seward Hwy. #106	Anchorage	AK	99518	(907) 349-6463
Nir Katararu	1743 E. Camelback Rd.	Phoenix	AZ	85016	(480) 737-0253
Lisa Higgins	5870 E. Broadway Blvd. #268	Tucson	AZ	85711	(520) 790-1100
Michael Berkowitz / Joey Cardenas / Tom Yip	2205 S. Shore Center	Alameda	CA	94501	(510) 521-8893
Kathy Hunt	9000 Ming Ave. #H3	Bakersfield	CA	93311	(661) 664-7366
Fred Anderson	233 A S. Beverly Dr.	Beverly Hills	CA	90212	(310) 247-1226
Fay Navid	260 W. Birch St. #8	Brea	CA	92821	(714) 671-2808
Greg Trachuk / Lara Goldberg	23641 Calabastas Rd.	Calabastas	CA	91302	(818) 222-4922
Tiffany Weng / Vicky Huang	13865 City Center Dr., Suite 3065	Chino Hills	CA	91709	(909) 628-7744
Gerrette Bittetti	949 S. Coast Drive #103	Costa Mesa	CA	92626	(714) 241-8072
Brian Clodt / Akiko Clodt	483 N. Citrus Ave.	Covina	CA	91723	(626) 699-2053
Michael Berkowitz	445 Westlake Shopping Center	Daly City	CA	94015	(650) 756-2706
Kris Chalas	7440 Laguna Blvd., Suite 100	Elk Grove	CA	95758	(916) 714-4943
Christina Taylor / Jason Taylor	730 S. Allied Way, Ste F	El Segundo	CA	90245	(310) 616-3008
Greg Trachuk / Lara Goldberg	16350 Ventura Blvd. #B	Encino	CA	91436	(818) 784-0400
Kris Chalas	250 Palladio Pkwy. #1315	Folsom	CA	95630	(916) 351-9008
Hawk Duncan / Essence McMurry	230 Paseo Del Centro	Fresno	CA	93720	(559) 550-2750
Gayane Garibyan	2280 Honolulu Ave.	Glendale	CA	91020	(818) 542-6644
Sarah Kim	5255 East 2nd St.	Long Beach	CA	90803	(562) 433-4177
Darlene Moghaddam / Mehdi Moghaddam	27741 Crown Valley Parkway #323	Mission Viejo	CA	92691	(949) 367-9757
Greg Trachuk / Lara Goldberg	2710 Portico Way	Oxnard	CA	93036	(805) 981-8631
Shawn Dellis	81 S. Fair Oaks Ave.	Pasadena	CA	91105	(626) 298-6765
Tony Boudames / Heather Boudames	310 Main St. #B	Pleasanton	CA	94566	(925) 251-0202
Aldo Gonzalez / Heidi Levine-Gonzalez	19300 Rinaldi St., #F-1	Porter Ranch	CA	91326	(818) 363-8855



Franchisee	Address	City	State	ZIP	Phone
Raquel Arroyo / John Arroyo	9900 Alabama St., #A	Redlands	CA	92374	(909) 792-2622
Kelly Reynolds	1299 Tyler St., #F126	Riverside	CA	92503	(951) 687-1630
Manishaben Patel / Karishma Rohan Gadiya	6700 Lonetree Blvd., #200	Rocklin	CA	95765	(916) 773-0297
Ben Faist / Jen Loglia	3581 Truxel Rd., Ste 3	Sacramento	CA	95384	(916) 800-9715
Sally Lee / Alex Lo	925 Blossom Hill Road	San Jose	CA	95123	(408) 281-8203
Rose Moore	2525 Main Street #104	Santa Monica	CA	90405	(310) 393-0069
Dru Atkins	11959 Ventura Blvd.	Studio City	CA	91604	(818) 762-4434
Sally Lee / Alex Lo	641 S. Bernardo Avenue	Sunnyvale	CA	94087	(408) 685-2021
Nancy Lim	2627 Pacific Coast Highway	Torrance	CA	90505	(310) 325-9968
Fay Navid	2875 El Camino Real	Tustin	CA	92782	(714) 505-3975
Stacey Michrowski / Heather Imo	24300 Town Center Dr. #106	Valencia	CA	91355	(661) 799-9266
John Bunn / Juzen Ruelos	1950 Mt Diablo Blvd.	Walnut Creek	CA	94596	(925) 937-1559
Monique Mauk / Donald Mauk	6711 Greenleaf Ave., Suite A	Whittier	CA	90601	(562) 789-5600
Kelly Meyer	6155 S. Main St. Unit 105	Aurora	CO	80016	(303) 792-0672
Lisa Fairlee / Sandy Hahn	1938 Pearl St. #100	Boulder	CO	80302	(303) 443-3469
Tracy DuCharme	3347 Cinema Point	Colorado Springs	CO	80922	(719) 265-1737
Samantha Peterson / Quinn Peterson	185 E. Foothills Parkway, Suite 130	Fort Collins	CO	80525	(970) 226-0508
Kelly Meyer	5746 S. Wadsworth Blvd., Suite 3200	Littleton	CO	80123	(720) 512-4577
Kelly Meyer	14647 Delaware St. #1100	Westminster	CO	80023	(303) 469-9337
Mary Angulo / Daniel Garcia	13740 W. State Rd. 84	Davie	FL	33325	(954) 475-1010
Jeff Sherman / Thelma Sherman	The Village at Gulfstream Park – Building 9, 800 Silks Run #1353	Hallandale Beach	FL	33009	(305) 931-4470
Vaishali Vibhute /	10300 South Side Blvd.	Jacksonville	FL	32256	(904) 338-9333
Chris Day / Suzanne Day	4771 Bayou Blvd. #C15	Pensacola	FL	32503	(850) 741-3190
Jeff Sherman / Thelma Sherman	5701 Sunset Dr.	South Miami	FL	33143	(305) 665-0646
Marina Moon	730 S. Village Circle	Tampa	FL	33606	(813) 258-8368
Marina Moon	8351 FL 54, Suite 107	Trinity	FL	34655	(727) 645-5214
Nedy Trent	15502 Stoneybrook W Pkwy, #128	Winter Garden	FL	34787	(407) 840-3701
Bruce Westenfelder	470 Village Center Dr.	Burr Ridge	IL	60527	(630) 655-8882
Neenu Gupta	3849 N. Lincoln Avenue	Chicago	IL	60613	(312) 975-6556
Sandra Southwell	40 N. Williams St., Suite J	Crystal Lake	IL	60014	(815) 444-6780
Jason Stucky / Kevin Scott	1306 Commons Drive	Geneva	IL	60134	(630) 262-9000
Jason Stucky / Kevin Scott	1855 Tower Dr.	Glenview	IL	60026	(847) 729-7602

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>ZIP</b>	<b>Phone</b>
Katherine Ashby / Todd Ashby	2835 Showplace Dr., Suite 107	Naperville	IL	60564	(630) 778-1000
Ali Musleh	601 N Martingale Rd. #145	Schaumburg	IL	60173	(847) 252-9300
Shilpa Patel-Paul / Noel Paul	14300 Clay Terrace Blvd., Suite 110	Carmel	IN	46032	(315) 575-0077
Gerie Byrum	2441 N. Maize Rd. #215	Wichita	KS	67205	(316) 425-5614
Cindy Mazzaro	2874 Town Center Blvd.	Crestview Hills	KY	41017	(859) 344-6463
Jami Perry	2 North St.	Mashpee	MA	02649	(508) 539-8500
Jennifer Wanda	4 Thompson's Point Rd.	Portland	ME	04102	(207) 536-4848
Julie Schroeder	3324 Promenade Ave., Suite 100	Eagan	MN	55121	(651) 454-4099
Christina Hankins	12155 Elm Creek Blvd.	Maple Grove	MN	55369	(763) 420-0005
Christina Hankins	9140 Hudson Rd. E511	Woodbury	MN	55125	(651) 717-5663
Bruce Westenfelder	316 Colonades Way, Suite 215	Cary	NC	27518	(919) 307-4351
Tara Nagabhyru	400 Commons Way #1350	Bridgewater	NJ	08807	(908) 437-8070
Antonio Benas / Sofia Benas	3130 State Rte. 10	Denville	NJ	07834	(973) 989-0004
Vishal Shah	55 Parsonage Rd., 2 <sup>nd</sup> Fl	Edison	NJ	08837	(732) 881-6110
Courtney Cicconi-Moriau	3710 Route 9	Freehold	NJ	07728	(732) 780-7811
Krystal Bechtel	301 N Harrison St	Princeton	NJ	08540	(609) 581-9500
Rati Shivashankar	210 E. Ridgewood Ave.	Ridgewood	NJ	07450	(201) 445-4898
Shelby Kirsch	438 Springfield Ave.	Summit	NJ	07901	(908) 598-0248
Samantha Terefenko	1877 Hooper Ave.	Toms River	NJ	08753	(732) 864-9300
Andrea Leighton	910 Haddonfield-Berlin Road	Voorhees	NJ	08043	(856) 782-6567
Carla Arriola / James Arriola	2255 Village Walk Dr. #133	Henderson	NV	89052	(702) 522-1338
Carla Arriola / James Arriola	9350 W. Sahara Ave., Suite 120	Las Vegas	NV	89117	(702) 522-7119
Stefanie Lambe	3349 Monroe Ave.	Pittsford	NY	14526	(585) 383-8420
Julene Finley	169 South Main St.	New City	NY	10956	(845) 358-5050
Yanping Chen	123 Baxter St.	New York	NY	10013	(646) 684-4864
Claudia Martinez	177 Amsterdam Avenue	New York	NY	10023	(212) 877-0007
Stefanie Lambe	980 Ridge Rd.	Webster	NY	14580	(585) 872-5720
Mona Shah	3265 W. Market Street, Suite 238	Akron	OH	44333	330-849-5199
Diane Heidt	6375 Perimeter Dr.	Dublin	OH	43016	(614) 761-1153
Mona Shah	300 Park Avenue #170	Orange Village	OH	44122	(216) 862-6309
Jamie Cote	1632 24th Avenue NW	Norman	OK	73069	(405) 364-1223
David Anderson / Susan Anderson	2221 NW Allie Ave.	Hillsboro	OR	97124	(503) 648-7877
Krishnaprasad Repaka / Sunanda Kambham	3508 Capital City Mall Drive	Camp Hill	PA	17011	(717) 731-8500
Rita Azimzadeh	100 Evergreen Dr. #105	Glen Mills	PA	19342	(610) 558-2300

Franchisee	Address	City	State	ZIP	Phone
Andrew Baker / Jennifer Baker	5106 Jonestown Rd.	Harrisburg	PA	17112	(717) 909-8170
Krishnaprasad Repaka / Sunanda Kambham	142 Park City Center	Lancaster	PA	17601	(717) 947-3918
Tara Nagabhyru	25 E. 3 <sup>rd</sup> St.	Bethlehem	PA	18015	(610) 791-2228
Hemali Satpute	801 Bethlehem Pike	Montgomeryville	PA	19454	(215) 412-4565
Hiren Makwana	2300 E. Lincoln Highway	Langhorne	PA	19047	(215) 757-5300
Ryan Brenan / Stephanie Brenan	109 W. Lancaster Ave.	Wayne	PA	19087	(610) 687-9777
Karen Masloski / Jim Masloski	3709 W. 41st St.	Sioux Falls	SD	57106	(605) 362-6055
Caitlin Davidson	2615 Medical Ctr. Pkwy	Murfreesboro	TN	97129	(615) 893-5556
Rachel Harris / Clayton Harris	24140 Hwy 290, Suite 300	Cypress	TX	77429	(281) 758-4139
Christine Stidham	2570 Justin Rd. #150	Highland Village	TX	75077	(972) 539-9911
Abbas Shakourifar	600 N. Shepherd Dr, Suite 184	Houston	TX	77007	(713) 497-5005
Monireh Abedinnezhad / Abbas Shakourifar	22764 Westheimer Pkwy., Suite 620	Katy	TX	77450	(281) 665-3490
Jason Winter / Kerri Winter	1713 Preston Rd., Suite B	Plano	TX	75093	(214) 258-5525
Kelley Rieves-Copelin / Lane Copelin	11255 Huebner Rd., #108	San Antonio	TX	78230	(210) 396-6569
Clayton Harris / Rachel Harris	17937 I-45 South, #109	Shenandoah	TX	77385	(346) 372-8430
Brook Bateson / Mieka Bateson	1300 N. Main Street	Logan	UT	84341	(435) 890-8505
Kerri Ulibarri	188 Historic 25th St.	Ogden	UT	84401	(801) 621-1085
Kourtney Sorensen / Brett Sorensen	5033 N. Edgewood Dr. #40	Provo	UT	84604	(801) 434-4848
Linda O'Neill	2725 East Parleys Way #100	Salt Lake City	UT	84108	(801) 581-1515
Nikki Lux / Justin Lux	245 N. Red Cliffs Dr., Suite 9	St. George	UT	94790	(435) 900-2510
Linda O'Neill	51 West 10600 South	Sandy	UT	84070	(801) 495-4849

### Franchises Under Construction/Not Open Yet As of September 30, 2024

Franchisee	Address	City	State	ZIP	Phone
Veronica Terpening / James Terpening	TBD	Buckeye	AZ	TBD	TBD
Janelle McCann	TBD	Gilbert	AZ	TBD	TBD
Brett Fairbanks / Linda Fairbanks	9500 East Via de Ventura, Suite A-230	Scottsdale	AZ	85256	TBD
Ana Paula Zanoto Pisani	9432 Washington Blvd.	Culver City	CA	90232	(310) 422-6339
Shalvi Dadhwal	TBD	Palo Alto	CA	TBD	TBD
Aimee Nguyen	TBD	Santa Clara	CA	TBD	TBD

Franchisee	Address	City	State	ZIP	Phone
Colby Hornsby	1817 Thomasville Rd, Suite 610	Tallahassee	FL	32303	(904) 338-9333
Nelish Patel / Pooja Patel	TBD	Orlando	FL	TBD	TBD
Darcy Loudon / Greg Loudon	19981 LaGrange Rd.	Frankfort	IL	60423	(779) 206-9123
Anju Plamthottahil Rajan Matew	TBD	Oak Park	IL	TBD	TBD
Pooja Choudhary / Antima Jain	7453 France Ave. S	Edina	MN	55435	TBD
Christina Hankins	8428 SE Sunnyside Rd.	Clackamas	OR	97015	(503) 867-2550
Christopher Dutton / Ana Lemus	TBD	Franklin	TN	TBD	TBD
Jeff Dombrowski / Catherine Schirmer	945 Garden Park Dr.	Allen	TX	75013	(469) 400-2389
Brandi Dotson	TBD	College Station	TX	TBD	TBD
Madison Butler / David Kinter	TBD	Dallas	TX	TBD	TBD
Shasi Yerroju	1875 Hwy 6, #D900	Sugar Land	TX	77478	TBD
Nikki Lux / Justin Lux	3751 W. Center Park Dr., #120	West Jordan	UT	84084	TBD

**Franchisees That Transferred Their Franchise to New Owner During Last Fiscal Year  
(October 1, 2023 to September 30, 2024)**

Franchisee	City	State	Phone/Email
Johanna Roady / Marc Sonkin (1)	Fort Smith	AR	johannaroady84@gmail.com

Notes:

(1) Transfer of franchise outlet located in Schaumburg, IL to new franchisee. Transferring franchise seller relocated from Schaumburg, Illinois to Fort Smith, Arkansas.

**Franchisees that had Franchise Terminated or Not Renewed, had Outlet Reacquired or Ceased Operations For Other Reasons During Last Fiscal Year**

None

**Franchisees that have not Communicated with the Franchisor  
within 10 weeks of the FDD date of issuance**

None

**EXHIBIT H**  
**STATE SPECIFIC ADDENDA**

## STATE ADDENDA

### ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT AND FOR CERTAIN STATES FOR COLOR ME MINE LLC

The following modifications are made to the Color Me Mine LLC (“Franchisor,” “us,” “we,” or “our”) Franchise Disclosure Document (“FDD”) given to Franchisee (“Franchisee,” “you,” or “your”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_ (“Franchise Agreement”).

The following states laws may supersede provisions of the Franchise Agreement, including the areas of termination and renewal of your Franchise: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code, Tit. 6, Ch. 25, Sections 2551-2556), HAWAII (Rev. Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Sections 23-2-2.7 and 23-2-2.5), IOWA (Code Sections 523H.1-523H.17), MARYLAND (MD. CODE ANN., BUS. REG. §§14-201 TO 14-233 (2004 Repl. Vol.)), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (Stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56:10-1), SOUTH DAKOTA (Codified Laws Section 37-5B), VIRGINIA (§§ 13.1-557 through 13.1-574 of the Code of Virginia), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03).

## CALIFORNIA

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FDD **AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.**

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The FDD, Franchise Agreement and any document signed in connection with the Franchise Agreement are amended to add the following:

“No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or

other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

The Franchise Agreement requires the application of Louisiana law. This provision may not be enforceable under California law.

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

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

The Franchise Agreement may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement may not be enforceable.

The Franchise Agreement contains provisions requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives and limiting your recovery to actual damages. Under California Corporations Code Section 31512, this provision is not enforceable in California for any claims you may have under the California Franchise Investment Law.

The Franchise Agreement requires mediation in the city where the Franchisor’s principal place of business is located, currently, Mandeville, Louisiana. If mediation is unsuccessful then the Franchise Agreement requires disputes be resolved by litigation in the state or federal courts in the city, county or parish of the Franchisor’s headquarters, currently located in St. Tammany Parish, Louisiana. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 and Code of Civil Procedure Section 1281) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement contains a provision barring any claim or action which is not brought within 1 year after the act, transaction or occurrence on which such action is based. This

provision is void under California Corporations Code Section 31303 which provides a 4-year statute of limitations and Section 31304 which provides a 2-year statute of limitations. The Franchise Agreement is amended to the extent necessary to comply with these laws.

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

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

Our website, [www.colormemine.com](http://www.colormemine.com), has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

In the state of California, the highest interest rate permitted by law is ten percent (10%).

## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL**



**PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

Registered agent in the state authorized to receive service of process:

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

The following list reflects the status of the Franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:  
  
None.
2. This proposed registration is or will shortly be on file in the following states:  
  
California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin
3. States which have refused, by order or otherwise, to register these Franchises are:  
  
None
4. States which have revoked or suspended the right to offer the Franchises are:  
  
None
5. States in which the proposed registration of these Franchises has been withdrawn are:  
  
None

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **ILLINOIS**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Intending to be legally bound, Franchisor and Franchisee sign and deliver this Addendum effective on the date of the Agreement.

*[Signature page follows]*

FRANCHISOR

FRANCHISEE (If an Individual):

BY: \_\_\_\_\_

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

If a corporation, limited liability company or  
partnership

Name of corporation, limited liability  
company or partnership:

\_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

## INDIANA

Item 8 of the FDD is amended to add the following:

“Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.”

Item 17 of the FDD is amended to add the following:

“Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.”

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

“No competing business for two (2) years within the Territory.”

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

“Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.”

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

“Litigation regarding Franchise Agreement in Indiana; other litigation in the Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.”

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

“Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

3. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
4. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions

of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

5. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
6. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason modified to the extent necessary to comply with Indiana Code 23-2-2.7-1(9).
7. The following provision will be added to the Franchise Agreement:  
  
No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.
8. The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):
  - A. Sections 10.9 and 10.10 of the Franchise Agreement.
  - B. Section 5.a. of Exhibit E of the FDD (General Release).

## **MARYLAND**

### **AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENTS AND SUPPLEMENTAL AGREEMENTS**

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

Item 17 of the FDD and sections of the Franchise Agreement provide that disputes are resolved through mediation in the city of the franchisor's principal place of business and litigation in the state and federal courts in the city, county or parish of the franchisor's principal place of business. Item 17 of the FDD and the Franchise Agreement are amended to add that a Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law.

The Franchise Agreement and franchisee questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

- A. Sections 10.9 and 10.10 of the Franchise Agreement.
- B. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## MICHIGAN

**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include 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 reasonable 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 subsection applies only if: (i) the term of the Franchise is less than five (5) 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.

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

(f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

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

(iv) your or proposed transferee's failure 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 subdivision does not prohibit a provision that grants to 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 this subdivision 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 subdivision (c).

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

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

- (a) Sections 10.9 and 10.10 of the Franchise Agreement.
- (b) Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## **MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.

2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in



the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J. prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.

4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.

5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.

6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, any provisions within the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.

7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

9. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

10. The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

- A. Sections 10.9 and 10.10 of the Franchise Agreement.
- B. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## NEW YORK

- 1. The following information is added to the cover page of the Franchise Disclosure Document:

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or

proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

A. Sections 10.9 and 10.10 of the Franchise Agreement.

B. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **NORTH DAKOTA**

Any sections of the FDD, the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Any sections of the FDD and Article 9 of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law to read as follows: “The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee’s place of business.”

Any sections of the FDD and Article 9 of the Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law to read as follows: “This Agreement will be governed by and construed in accordance with the laws of the State of North Dakota (without reference to its conflict of laws principals).”

Any sections of the FDD and the Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD and Article 9 of the Franchise Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are deleted in their entirety.

Any sections of the FDD and Article 9 of the Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended to delete any references to this waiver.

Any sections of the FDD and Article 9 of the Franchise Agreement will be amended to delete any reference to a consent to a limitation of claims to one (1) year and amended to state that any claims between the parties must be commenced within the time period allowable under North Dakota law.

Any sections of the FDD and Article 9 of the Franchise Agreement requiring franchisee to pay all costs, expenses and interest, including reasonable attorneys’ fees, that franchisor incurs in any action brought is amended to state that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

Item 17(r) of the FDD and Section 15 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise

Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **OHIO**

### **Notice to Ohio Franchisee Only**

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

#### **FRANCHISOR:**

**COLOR ME MINE LLC**

By:\_\_\_\_\_

Name/Title:\_\_\_\_\_

Date:\_\_\_\_\_

### **OHIO STATE RIDER TO THE FRANCHISE AGREEMENT**

(For Ohio Franchisee Only)

#### **Notice of Cancellation**

\_\_\_\_\_ (Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Color Me Mine LLC, at 1852 N. Causeway Blvd, Mandeville, LA 70471, (818) 291-5900, info@colormemine.com, not later than midnight of \_\_\_\_\_ (enter date of transaction).

I hereby cancel this transaction.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Purchaser's Signature)

## **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **SOUTH DAKOTA**

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **VIRGINIA**

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Color Me Mine LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## WASHINGTON

The following is added to the State Cover Pages, **Special Risks to Consider About *This* Franchise**

**Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

The franchisor will defer collection of the initial franchise fee under the Franchise Agreement until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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



Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

RCW 19.100.180(2)(j) provides that the purchase of supplies and equipment from the franchisee upon termination must be at a cost that is no less than fair market value. As a result any provisions contained in the franchise agreement providing for the purchase of supplies and equipment upon termination of the franchises at the lesser of cost or fair market value are amended to provide for the purchase at no less than fair market value.

Attachment 3 to the Franchise Agreement ("Compliance Certification") is hereby amended to state that the Certification does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder,

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

---

FRANCHISOR

---

FRANCHISEE

## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document and the Franchise Agreement are amended accordingly.

The following Sections are removed from the Franchise Agreement and Exhibit E of the FDD (General Release):

1. Sections 10.9 and 10.10 of the Franchise Agreement.
2. Section 5.a. of Exhibit E of the FDD (General Release).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Disclosure Document.

<input type="checkbox"/>	California	<input type="checkbox"/>	Michigan	<input type="checkbox"/>	Rhode Island
<input type="checkbox"/>	Hawaii	<input type="checkbox"/>	Minnesota	<input type="checkbox"/>	South Dakota
<input type="checkbox"/>	Illinois	<input type="checkbox"/>	New York	<input type="checkbox"/>	Virginia
<input type="checkbox"/>	Indiana	<input type="checkbox"/>	North Dakota	<input type="checkbox"/>	Washington
<input type="checkbox"/>	Maryland	<input type="checkbox"/>	Ohio	<input type="checkbox"/>	Wisconsin

Dated: \_\_\_\_\_

#### **FRANCHISOR:**

COLOR ME MINE LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

#### **FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT I**

**STATE EFFECTIVE DATES & RECEIPTS**

### **State Effective Dates**

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>STATE</b>	<b>EFFECTIVE DATE</b>
CALIFORNIA	January 3, 2025
HAWAII	
ILLINOIS	
INDIANA	
MARYLAND	
MICHIGAN	
MINNESOTA	
NEW YORK	
NORTH DAKOTA	
RHODE ISLAND	
SOUTH DAKOTA	
VIRGINIA	
WASHINGTON	Pending
WISCONSIN	December 31, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT (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 Color Me Mine LLC (“we” or “us”) 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 us or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the 1<sup>st</sup> personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

Iowa requires that we give you this disclosure document at the 1<sup>st</sup> personal meeting. Michigan requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document to you on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the Administrator for this state listed in Exhibit A.

### Franchise Sellers:

Sean Goodwin 1852 N. Causeway Blvd, Mandeville, LA 70471 (818) 291-5900

Christina Taylor 1852 N. Causeway Blvd, Mandeville, LA 70471 (818) 291-5900

Jenny Muller 1852 N. Causeway Blvd, Mandeville, LA 70471 (818) 291-5900

Except within Washington: Kelley Rieves-Copelin 1852 N. Causeway Blvd, Mandeville, LA 70471 (818) 291-5900

Kelsey Greco 1852 N. Causeway Blvd, Mandeville, LA 70471 (818) 291-5900.

Issuance Date: December 23, 2024

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated December 23, 2024 that includes the following exhibits:

- A:** List of State Administrators and Agents for Service of Process
- B:** Financial Statements
- C:** Franchise Agreement and Attachments
- D:** Operations Manual Table of Contents
- E:** General Release
- F:** Confidentiality Agreement
- G:** Roster of Franchisees
- H:** State Specific Addenda
- I:** State Effective Dates & Receipts

Date: \_\_\_\_\_ Prospective Franchisee: \_\_\_\_\_

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

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Date: \_\_\_\_\_ Prospective Franchisee: \_\_\_\_\_