

## FRANCHISE DISCLOSURE DOCUMENT



Painting with a Twist, L.L.C. d/b/a Painting with a Twist  
A Louisiana Limited Liability Company  
2121 N. Causeway Blvd., Suite 200  
Mandeville, LA 70471  
(985) 626-3292

[franchising@paintingwithatwist.com](mailto:franchising@paintingwithatwist.com)  
[www.paintingwithatwist.com](http://www.paintingwithatwist.com)

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

The total investment necessary to begin operation of a single Franchised Business is \$121,500 to \$261,000. This includes \$26,000 to 26,500 that must be paid to the franchisor.

If you sign an Area Development Agreement, the minimum total investment necessary to begin operations as an Area Developer is \$134,000 to \$273,500. This includes \$38,000 to \$39,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchise office at 2121 N. Causeway Blvd., Suite 200, Mandeville, Louisiana 70471 (Attention: Franchise Development Department), (985) 626-3292, or [franchising@paintingwithatwist.com](mailto:franchising@paintingwithatwist.com).

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read 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,” is available from the Federal Trade Commission (“FTC”). You can contact the FTC at 1-877- FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or your public library for sources of information on franchising.

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

Issuance Date: April 12, 2023

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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 H.
<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 D included 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 Painting with a Twist 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 Painting with a Twist franchisee?</b>	Item 20 and Exhibit H list 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 C.

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 and area development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in Louisiana. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. This may also cost more to mediate or litigate with the franchisor in Louisiana than in your own state.

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

**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 the Michigan Department of the Attorney General, P.O. Box 30213, Lansing, MI, 48909, (517) 373-1140.

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### EXHIBITS

- A. Franchise Agreement
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    - A. Guaranty Agreement
    - B. Confidentiality Agreement
    - C. ACH Service Agreement
    - D. Successor Addendum
- B. Area Development Agreement
- C. List of State Administrators and Agents for Service of Process
- D. Financial Statements
- E. Operations Manual Table of Contents
- F. General Release
- G. Franchisee Compliance Certification
- H. List of Current Franchisees and Franchisees Who Have Left the System
- I. Contingent Assignment of Lease
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## ITEM 1

### **THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES**

#### The Franchisor:

To simplify the language in this disclosure document, “**Painting with a Twist**” or “**we**” or “**our**” or “**us**” means Painting with a Twist, L.L.C., the Franchisor. “**You**” or “**your**” means a person who acquires a franchise from us. If you are a corporation, partnership, limited partnership or limited liability company “you” or “your” will include all your principals, partners and owners.

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

Painting with a Twist’s concept was started in November 2007 by Catherine L. Deano and Renee Maloney, who initially opened a studio in Mandeville, Louisiana, that offered painting classes in a social setting under the business name “Corks N Canvas.” This flagship studio now operates under the name and service mark PAINTING WITH A TWIST.

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

#### Our Parent, Predecessors and Affiliates:

We have no predecessors. Our parent company is Twist Brands LLC (“**Twist Brands**”), a Louisiana limited liability company that was formed on October 22, 2020, with a principal address of 2121 N. Causeway Blvd, Suite 200, Mandeville, Louisiana 70471. Twist Brands has not offered franchises in any line of business.

On October 31, 2020, Twist Brands became the parent of Painting with a Twist, L.L.C. On November 3, 2020 (“**Acquisition Date**”), (i) Color Me Mine LLC (“**CMM**”), a newly formed wholly-owned subsidiary of Twist Brands, acquired all the outstanding stock of Color Me Mine Enterprises, Inc., a California corporation (“**CMME**”), CMME merged with and into CMM, with CMM as the surviving company and (ii) Chesapeake Supply LLC (“**Chesapeake Supply**”), a newly formed wholly-owned subsidiary of Twist Brands, merged with and into Duncan Enterprises Distribution, a California corporation (“**DED**”), with Chesapeake Supply as the surviving company. Prior to the Acquisition Date, CMME and DED were wholly owned subsidiaries of Duncan Enterprises, Inc., a California corporation (“**DEI**”). CMME offered franchises from December 2014 to October 2020. Twist Brands’ subsidiary, CMM, has operated the “Color Me Mine” franchise system since the Acquisition Date. Prior to the Acquisition Date, CMME and DED never offered franchises in any other line of business. On August 26, 2021, Twist Brands merged with TD Art Supply, LLC (“**TD Art Supply**”), a Florida limited liability company. CMM, Chesapeake Supply, Painting with a Twist and TD Art Supply will be referred to herein as “**Twist Brands Businesses**”.



Our Co-Owners Catherine L. Deano, Teresa Johnson, Todd Owen and Dave Chmura co-own Corks N Canvas, LLC, a Louisiana limited liability company, whose principal business address is 2121 N. Causeway Blvd., Mandeville, LA 70471 (“**CNC**”), operating since November of 2007. CNC operates a Painting with a Twist business under a license from us. Catherine L. Deano owns an interest in Vino Picasso, Inc., (“**Vino**”) which operates a Painting with a Twist Franchised Business. Vino is a Texas corporation, whose principal business address is 5202 West Lovers Lane, Dallas, TX 75209 and has been operating since October of 2009. Todd Owen owns an interest in Tuten Enterprises of Brandon, LLC, (“**Tuten**”) which operates a Painting with a Twist Franchised Business. Tuten is a Florida limited liability company, whose principal business address is 1993 W. Lumsden Road, Brandon, FL 33511 and has been operating since September 2015. Todd Owen also owns an interest in Leroga II, LLC, (“**Leroga**”) which operates a Painting with a Twist Franchised Business. Leroga is a Florida limited liability company, whose principal business address is 2821 S. MacDill Avenue, Tampa, FL 33629 and has been operating since January of 2011. Teresa Johnson owns an interest in Paint on Canvas 101, LLC (“**POC**”) which operates a Painting with a Twist Franchised Business. POC is a Tennessee limited liability company whose principal business address is 2615 Medical Center Parkway, #1750, Murfreesboro, TN 37129 and has been operating since December of 2010. Teresa Johnson also owns an interest in Paint on Canvas 201, LLC, (“**POC2**”) which operates a Painting with a Twist Franchised Business. POC2 is a limited liability company whose principal business address is 4009 Charlotte Ave., Nashville, TN 37209 and has been operating since January of 2017. CNC, Vino, Tuten, Leroga, POC and POC2 studios have never offered franchises for this business or in any other line of business. They do not provide services to franchisees, except that CNC serves as a management training facility.

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

On October 17, 2018, we acquired substantially all of the assets of Bottle & Bottega, Inc. (“**Bottle & Bottega**”) headquartered in Chicago, Illinois, which included the trademarks and other proprietary marks, and the franchise agreements for the Bottle & Bottega franchisees operating under the franchise agreements and Bottle & Bottega proprietary marks. Bottle & Bottega is not a predecessor or affiliate of ours, but we license the use of these proprietary marks to the Bottle & Bottega franchised businesses. We plan to convert the franchised businesses currently operating under the Bottle & Bottega proprietary marks to the Painting with a Twist Proprietary Marks and System in the future. We do not intend to offer any further franchises under the Bottle & Bottega proprietary marks. We owned and operated 2 Bottle & Bottega businesses in Chicago, Illinois from October 2018 until December 2021, when we sold these businesses as franchises. These 2 businesses now operate as franchised “Bottle & Bottega by Painting with a Twist” businesses.

The following is a list of affiliate companies (“**Affiliates**”):

CMM is a Louisiana limited liability company that was formed on October 22, 2020. The principal place of business for CMM is 2121 N. Causeway Blvd, Suite 200, Mandeville, Louisiana 70471.

CMM offers franchises in the paint-your own-ceramics “arts-and-crafts-as-entertainment” business.

Chesapeake Supply is a Louisiana limited liability company that was formed on October 22, 2020. The principal place of business for Chesapeake Supply is 2121 N. Causeway Blvd, Suite 200, Mandeville, Louisiana 70471. Chesapeake Supply is the designated supplier for the ceramic materials for CMM franchisees and may offer certain supplies for Painting with a Twist franchisees. Chesapeake Supply does not offer franchises in any line of business.

TD Art Supply is a Florida limited liability company that was organized on November 27, 2017. The principal place of business for TD Art Supply is 13201 McIntosh Lakes Ln, Dover, FL 33527. TD Art Supply is an approved supplier for materials and supplies for the Painting with a Twist franchise system and may offer supplies for certain CMM franchisees. TD Art Supply does not offer franchises in any line of business.

### The Franchise Offered:

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

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

A typical Franchised Business occupies approximately 1,700 to 2,300 square feet of space. The space may be either owned by you or leased from a third party. All locations must be constructed to our specifications. We prefer the Franchised Business to be located in either a freestanding building or an in-line retail plaza space with ample parking, good visibility and visible signage. A typical Franchised Business will employ approximately 5 to 10 people.

You will operate your Franchised Business as your independent business utilizing our System which includes, but is not limited to, our business format, procedures, designs, trade dress, Proprietary Marks, standards, specifications and methods of operation. You must use the Painting with a Twist franchise system at your Franchised Business, which includes, without limitation, the common use and promotion of the name “Painting with a Twist” and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and other commercial symbols we may designate (collectively known as the “**Proprietary Marks**”). You must also use franchisor

approved supplies and products, procedures, training manuals, advertising/ promotional programs and ongoing assistance. We may add or delete products and/or services and change specifications, standards, procedures and methods of operation, and you will be expected to with these changes. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential Manuals that will be loaned to you at the time of training. You may only offer services and products with our prior approval.

### Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated geographical area (the “**Development Area**”) under our current form of Development Agreement that is attached to this Disclosure Document as Exhibit B of this Disclosure Document, which will also outline a schedule or defined period of time in which you must open and commence operating each Franchised Business (a “**Development Schedule**”).

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

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

### Market and Competition:

The market for the products and/or services offered in your Franchised Business is the general public. We have found that social events offered to customers allowing them to enjoy wine or beverage of their choice while creating art targets the specific market segments of women over the age of twenty-one. Your Franchised Business may also offer events for children, which targets the specific market segment of children. You will compete with other national franchises and independent businesses that offer similar products and/or services. The general market for offering painting events similar to that offered by Painting with a Twist 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 business operations of your Franchised Business. Some states and local municipalities require Painting with a Twist franchisees to obtain a “liquor” license or permit. 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.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Director: Catherine L. Deano, CFE**

Ms. Deano has served as Director of Painting with a Twist since November 2020. Ms. Deano has also served as Director of Twist Brands since November 2020. From February 2009 to November 2020, Ms. Deano served as our Managing Member. From February 2009 to July 2018, Ms. Deano also served as COO of Painting with a Twist.

#### **Director and CEO: Todd Owen**

Mr. Owen has served as Director and CEO of Painting with a Twist since August 2021. Mr. Owen has also served as Director of Twist Brands since August 2021. Mr. Owen also serves as Co-Owner of Painting with a Twist franchise locations in Brandon, Florida since 2014 and Tampa, Florida since 2010. Mr. Owen served as a District Manager of Walmart Stores in Tampa, Florida from January 1990 to October 2021.

#### **Director: Teresa Johnson**

Ms. Johnson has served as Director of Painting with a Twist since August 2021. She has also served as Director of Twist Brands and CEO of our affiliate, CMM, since August 2021. Ms. Johnson also serves as Owner of two Painting with a Twist franchise locations in Nashville, Tennessee since 2015 and Murfreesboro, Tennessee since 2010. Ms. Johnson also serves as Chief Operating Officer for Phoenix Boats in Winchester, Tennessee since 2007.

#### **Director: Dave Chmura**

Mr. Chmura has served as Director of Painting with a Twist since August 2021. Mr. Chmura has also served as Director of Twist Brands since August 2021. Mr. Chmura also serves as CEO of TD Art Supply in Tampa, Florida since January 2018; and as Market Manager of Walmart Stores in Bentonville, Arkansas since 1989.

#### **Chief Technology Officer: Gustave “Trey” Manthey, III**

Mr. Manthey has served as our Chief Technology Officer since January 2011. Mr. Manthey has served as Chief Technology Officer of CMM since November 2020.

#### **Senior Director of Operations: Katie Richard, CFE**

Ms. Richard has served as our Senior Director of Operations since August 2018. Ms. Richard has also served as a Realtor of Latter & Blum Realtors in Mandeville, Louisiana since June 2010. Ms.

Richard served as our Operations Business Manager from June 2016 to August 2018 and our Operations Consultant from April 2012 to June 2016.

Senior Director of Marketing: Brittany Graff

Ms. Graff has served as our Senior Director of Marketing since February 2019. Ms. Graff served as Marketing Account Executive of Orthosynthetics, Inc. in Metairie, Louisiana from February 2013 to February 2019.

Director of Business Systems and Franchise Development: Mary Mierl

Ms. Mierl has served as our Director of Business Systems and Franchise Development since October 2009.

Controller: Pam Guerin

Ms. Guerin has served as our Controller since February 2018. Ms. Guerin served as Director of Accounting of Smoothie King Franchises in Metairie, Louisiana from May 2001 to February 2018.

Director of Real Estate & Design: Joshua Bergeron

Mr. Bergeron has served as our Director of Real Estate & Design since October 2015.

**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**

Franchise Agreement

*Initial Franchise Fee*

The initial franchise fee is \$25,000 (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due at the time you sign the Franchise Agreement. Painting with a Twist will refund twenty-five percent (25%) of the Initial Franchise Fee if your Franchise Agreement is terminated because you do not secure an approved location and open your Franchised Business within twelve (12) months from the Effective Date of your Franchise Agreement. Other than this refund, no additional refunds

are available under any other circumstances. The Initial Franchise Fee is uniformly imposed and deemed fully earned upon payment by you.

### *VetFran Discount*

Painting with a Twist participates in the International Franchise Association's VetFran program and offers a twenty percent (20%) discount on the Initial Franchise Fee to eligible Painting with a Twist franchisees. To be eligible for the VetFran discount, (1) you must be an active member or honorably discharged veteran of the United States Armed Forces, or (2) if franchisee is a business entity, an active member or honorably discharged veteran of the United States Armed Forces must hold in excess of fifteen percent (15%) of the total voting power of the business entity's ownership interests.

### *Design Fee*

We may charge you a design fee of up to \$1,500 (the "**Design Fee**") for a design plan we or our designee generate that depicts the interior trade dress, décor and color scheme of your Franchised Business ("**Design Plan**"). The amount of the Design Fee is determined and due when you submit a drawing of the physical layout of your Franchised Business to us. The Design Fee varies from \$1,000 to \$1,500 depending on the size and layout of the Franchised Business. The Design Fee is not refundable under any circumstances.

### Development Agreement

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

### *Development Fee*

The Development Fee is due upon execution of your Development Agreement and is calculated as \$12,500 for each additional Franchised Business, after your first Franchised Business, that we will grant you the right to open and operate under the Development Agreement. The Development Fee is paid as consideration for the territorial rights you are granted within your Development Area and is not tied to any pre-opening obligations that we must otherwise perform.

### *Subsequent Franchise Fee*

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

You will only be required, however, to sign your franchise agreement and pay a Subsequent Franchise Fee amounting to \$12,500 in connection with each additional Franchised Business, after your first Franchised Business, that we grant you the right to open within your Development Area at the earlier of six (6) months before each particular Franchised Business must be open and in operation under the Development Schedule or upon signing a lease for the Franchised Business.

Other than for the first Franchised Business that you open under the Development Agreement, you will not be required to pay us an Initial Franchise Fee in connection with any Franchised Business we grant you the right to open as part of your Development Agreement, but the Development Fee and Subsequent Franchise Fee must be timely paid as described in this Item 5. The Development Fee is deemed fully earned and non-refundable upon execution of your Development Agreement.

## **ITEM 6**

### **OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6% of weekly Gross Sales <sup>1</sup>	Automatically withdrawn within five business days after prior week's end	See Note 1 for definition of Gross Sales
System Advertising Fee	2% of weekly Gross Sales <sup>1</sup>	Automatically withdrawn within five business days after prior week's end	Payable to Franchisor
Regional cooperative advertising <sup>2</sup>	Currently none	Currently not applicable. If established due when members decide	
Interest on late payments	Prime plus 2% per annum or the maximum rate allowed by the applicable federal and/or state law	Immediately	Payable only on past due amounts.
Transfer Fee <sup>3</sup> Franchise Agreement  Development Agreement	\$7,500-\$15,000  10% to 20% of then-current initial franchise fee	30 days before transfer	Payable if you transfer your Franchised Business
Insufficient Funds	Prime plus 2.5% per annum or the maximum rate allowed by the applicable federal and/or state law, plus expenses incurred by franchisor	As incurred	Payable to Franchisor

Type of Fee	Amount	Due Date	Remarks
Technology Fee <sup>4</sup>	Currently \$105 per month	Monthly-automatically withdrawn on or before the 15th day of the month for the prior month	Payable to Franchisor
National Conference Registration Fee <sup>5</sup>	\$300-\$500	60 days before the commencement of the scheduled conference date	Payable to Franchisor
Taxes on Payments to Us	Amount of tax or assessment	When imposed by taxing authority	Payable to Franchisor
Management Fee <sup>6</sup>	20% of the Gross Sales of the Franchised Business over the time period that we operate the Franchised Business on your behalf	When incurred	Payable to franchisor

NOTES:

General Comments:

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

(1) Gross Sales: “**Gross Sales**”, means gross revenues received by Franchisee as payment, whether in cash or for credit (and, if for credit, whether or not payment is received therefor), for all offered products and/or services sold in or from Franchisee’s Franchised Business, and gross revenues received by Franchisee from any other business operated at the Premises, excluding sales taxes and discounts approved in writing by Franchisor.

(2) Regional Cooperative Advertising: Currently there are no regional advertising cooperatives, nor do we or franchisees presently have plans to establish regional advertising cooperatives. In the future if established, the members of the regional advertising cooperative (which will include all Painting With A Twist Businesses in the region) will decide the amount of member contributions and when contributions are due. If established, it is anticipated that: (a) each franchised and franchisor or affiliate-owned Painting With A Twist Business who are located within the geographic area of the regional advertising cooperative will have a vote; (b) the number of franchised Painting with a Twist Businesses in any area of a regional advertising cooperative will exceed the number of franchisor or affiliate-owned businesses; and (c) that franchisees will have controlling voting power on any fees imposed by the cooperative, except as to maximum contributions which we will not permit to exceed 2% of Gross Sales.



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

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

(5) **National Conference Registration Fee:** If you choose to attend the Painting with a Twist national conference or convention, we reserve the right to charge you a registration fee up to \$500 to help defray the costs of conducting the conference. The registration fee covers all meals associated with the conference and all conference materials. You must pay all personal expenses incurred by you or your attendees, including costs and expenses of transportation, lodging, some meals, and entertainment.

(6) **Management Fee:** The Management Fee will only be due to us if (a) you are in material default under your Franchise Agreement or become disabled/incapacitated/absent (and unable to perform as the “Franchisee” under your Franchise Agreement), and (b) we exercise our right to temporarily operate your Franchised Business in an effort to assist in getting the operations of the Franchised Business back into compliance with the Franchise Agreement and System standards.

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. FRANCHISE AGREEMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>1</sup>	\$25,000	Lump sum	At signing of franchise agreement	Franchisor
Real Estate Lease for Premises - 2 months* <sup>2</sup>	\$4,500 - \$17,000	As arranged	As arranged	Landlord

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
“Grand Opening” Advertising	\$2,500 - \$4,500	As arranged	Within first month of opening	Approved Vendors
Training Expenses (salary expenses) <sup>3</sup>	\$1,500 - \$3,000	As arranged	Before opening	Your employees
Travel and living Expenses while Training <sup>4</sup>	\$1,500 - \$3,000	As arranged	Before opening	Airlines, hotels and restaurants
Insurance <sup>5</sup>	\$1,500 - \$3,500	As arranged	Yearly	Agent/company of your choice
Furniture, Fixtures and Equipment <sup>6</sup>	\$14,000 - \$25,000	As arranged	Before opening	Suppliers
Other Prepaid Expenses <sup>7</sup>	\$1,000 - \$3,500	As arranged	Before opening	Suppliers and Government Agencies
Opening Inventory <sup>8</sup>	\$3,000 - \$5,000	As arranged	Before opening	Suppliers
Signage	\$4,000 - \$8,000	As arranged	Before opening	Suppliers
Leasehold Improvements <sup>9</sup>	\$30,000 – \$90,000	As arranged	Before opening	Suppliers
Computer Hardware & Software <sup>10</sup>	\$2,000– \$4,000	As arranged	Before opening	Suppliers
Legal, Accounting & Organizational Costs	\$2,000 - \$8,000	As arranged	As arranged	Government, Attorneys, Accountants
Additional Funds <sup>11</sup> - 3 months	\$25,000 - \$40,000	As arranged	As arranged	Suppliers. Employees
Design Fee <sup>12</sup>	\$1,000 - \$1,500	Lump sum	Before opening	Franchisor
Architectural	\$2,000 - \$5,000	Lump sum	Before opening	Suppliers
Liquor License <sup>13</sup>	\$1,000 - \$15,000	Lump sum	Before opening	Government Agencies
<b>TOTAL<sup>14, 15</sup></b>	<b>\$121,500 - \$261,000</b>			

## NOTES:

General Comments: The above figures are estimates of the complete investment in establishing your Franchised Business. It is possible to significantly exceed these costs in any of the areas listed above. Your actual investment will depend upon many different factors like location, amount of space leased, amount of leasehold improvements, and your ability to efficiently manage and coordinate the construction and opening of your Franchised Business. The above figures assume that the site falls into the recommended range of square footage and is delivered in the standard white box/vanilla box condition. The amounts paid to Painting with a Twist are non-refundable unless otherwise stated. The refund ability of amounts paid to third parties are dependent upon your negotiations with these parties. The following notes are integral to the understanding of the financial commitment required to successfully establish and operate your Franchised Business. You should review the notes thoroughly.

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

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

This amount reflects a lease deposit and the amount of lease payments for the first two months that you operate your Franchised Business. Lease payments vary considerably depending upon regional and local factors and the type of lease negotiated by you. For a typical Franchised Business, you must lease approximately 1,700 to 2,300 square feet of space. Lease payments for a typical Painting with a Twist Business usually range from \$1,500 to \$6,000 per month depending upon the size, location and market demand for the property. The rate may be higher for regional mall sites, locations in high demand, or metropolitan area.

(3) Training Expenses: Painting with a Twist provides instructors and instructional materials for up to three employees at no cost. However, you are responsible for any wages or other compensation of your employees who attend training. You must also arrange for your attendees' transportation, lodging, and meals for yourself and for any costs incurred by associates. These costs are estimated within the category of Travel and Living Expenses while Training (see Note 4 below). You and your manager must attend approximately four days of training in Mandeville, Louisiana. See Item 11 for additional information on initial training.

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

(5) Insurance: You must procure comprehensive liability (including products liability coverage, sexual harassment coverage, host liquor liability coverage, and off-premises events coverage), property and other types of insurance coverage as provided in your Franchise Agreement, your lease and as may be required by law. The estimate given in the chart is for the first year's premium for a customary insurance coverage as set forth in this note. This does not include health insurance on you and/or your employees.

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

(7) Other Prepaid Expenses: These costs include installation charges and deposits for a business telephone line, utilities, occupational licensing, health and other permits, and, in some areas, zoning or impact fees.

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

(9) Leasehold Improvements: You must obtain architectural drawings and make certain improvements and modifications to the particular building you will lease or own to conform to the decor and design of other Franchised Businesses. The cost of the improvements will vary depending upon the condition and type of building leased and the willingness of the lessor or owner to contribute to the construction or remodeling of your Franchised Business. Costs could exceed the estimates provided if remodeling is extensive and the lessor or owner does not contribute significantly to the costs of remodeling your Franchised Business. Painting with a Twist will provide a complete list of improvements and design and decor criteria for your Franchised Business.

(10) Computer Hardware and Software: You must use a computer system (including both hardware and software) that meets our specifications. The personal computers you own or lease (and which may be obtained from any source) must have the following minimum requirements: Intel Core i3 2.5 gigahertz (GHz) or AMD Phenom II 2.6 GHz or greater; 8 GB RAM; 250 GB available hard disk space; and wired Ethernet or Wireless internet capable of connecting to your internet service provider. In addition, the personal computers you lease or own must be capable of running the following software: Microsoft Windows 10 (or higher) or MAC OS 10.14 (or higher); current available Web Browser (Google Chrome recommended); Adobe Acrobat Reader; standard desktop publishing software (Microsoft Office, OpenOffice, etc.); Quickbooks Pro (2015 or higher).

(11) Additional Funds: This amount reflects the minimum suggested amount of additional funds you will need for the first three months you operate your Franchised Business. This amount includes the following items: salaries and wages, payroll taxes, advertising, product purchases, payment of royalties, uniforms, utility bills, ongoing professional fees, freight and other miscellaneous administrative and operating expenses. In formulating the amount of additional funds, we relied on our prior experience in this business as well as certain historical data submitted by our franchisees, including, certain average operating expenses for Franchised Businesses during the period from January 1, 2022 to December 31, 2022.

(12) Design Fee: See Item 5 for information about the amount of the Design Fee.

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

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

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

## YOUR ESTIMATED INITIAL INVESTMENT

### B. DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee <sup>1</sup>	\$12,500	Lump Sum	Upon execution of Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business <sup>2</sup>	\$121,500 - \$261,000	See Chart A of this Item 7		
<b>TOTALS</b>	<b>\$134,000 - \$273,500</b>			

#### NOTES:

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

- (2) Development Fee: The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of two (2) Franchised Businesses (provided you comply with your development obligations under the Development Agreement). If you choose to open more than two (2) Franchised Businesses, your Development Fee will be calculated as \$12,500 for each additional Franchised Business, after your initial Franchised Business, that we will grant you the right to open and operate under the Development Agreement.
- (3) Initial Investment to Open Initial Franchised Business: This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement. You will be required to enter into our then- current form of Franchise Agreement for the initial Franchised Business you open under your Development Agreement. The range includes all the items outlined in Chart 7.A. of this Item. It does not include any of the costs you will incur in opening any additional Franchised Business(es) that you are granted the right to open and operate under your Development Agreement.
- (4) Subsequent Franchise Fee: *(Not Included in this Chart 7.B.)*. As previously disclosed in Item 5, you will be required to pay us a Subsequent Franchise Fee of \$12,500 in connection with each additional Franchised Business, after your first Franchised Business. These fees are not included in Chart 7.B. above; however, because they will not likely be paid within three (3) months of the date you open your initial Franchised Business granted under your Development Agreement. You are not required to pay any subsequent franchise fee in connection with your initial Franchised Business.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Designated Suppliers and Specifications.

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

### Purchases from Designated and/or Approved Suppliers or Distributors.

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

You must use a computer system (including both hardware and software) that meets our specifications and are required to access and use the FAM System. You are required to process all sales information using the FAM System.

You must currently purchase certain approved canvases, paints, brushes, easels, texture and screens required for the operation of your Franchised Business from your choice of two approved national distributors that deliver product to your Franchised Business. These distributors are our Affiliate, TD Art Supply, and JoAnn Fabrics (currently providing only certain canvases). You may also purchase certain approved canvas products that meet our specifications from Michaels and certain approved paints from Dick Blick. Wood products are available from TD Art Supply and P. Graham DunnDirect. MDF cutouts and pallets are available from Diverse Woodworking. Our Affiliate, Chesapeake Supply, may become an approved national distributor in the future. You may not purchase these products from any other supplier without our written approval. We may add or disapprove designated suppliers from time-to-time. None of our Affiliates are currently the only approved supplier of any product or service.

Our co-owners, Catherine L. Deano, Teresa Johnson, Todd Owen and Dave Chmura are co-owners in our Affiliates, Chesapeake Supply and TD Art Supply. Neither we nor any of our officers currently own an interest in any other designated or approved supplier. Currently, we are not an approved supplier.

Designating suppliers and vendors benefits the Painting with a Twist System in several important ways: (i) it allows us to control the quality and consistency of our products to ensure that we provide quality products to our guests; (ii) it allows us to use our volume buying power to lower prices; (iii) obtain potential marketing benefits from certain suppliers; and (iv) enhances our new product development innovation. We attempt to negotiate purchase agreements with suppliers, including price terms, for your benefit. We consider your use of the designated products essential to the success of the Painting with a Twist System. We may, at any time, change the source of these designated products. We estimate that your purchases from designated suppliers will be approximately 18% of your total investment and 15% of your ongoing expenses in the operation of your Franchised Business. You do not receive material benefits from Painting with a Twist if you use designated or approved suppliers.

You should be aware that there might be price increases in any or all of the items you must purchase from our suppliers or distributors. Costs of goods from designated or approved suppliers may fluctuate from month to month. The volume of purchases, usage, vendor minimums, inventory turns, market demand and other similar factors determines prices charged to you. Additionally, freight charges may not be uniform for all locations. Freight charges will depend upon the location of your Franchised Business from supplier or distributor's warehouse and the number of other

Franchised Businesses in your area. When entering new markets, you should be aware that your freight costs may be higher than Painting with a Twist franchises in other markets and adjust your cost projections accordingly. Painting with a Twist does not know of any pending price increases, but Painting with a Twist cannot guarantee that increases will not occur.

#### Approval of Alternative Suppliers/Compliance with Specifications.

If you desire to purchase any items from an unapproved supplier that you believe meets the specifications of Painting with a Twist, the supplier must submit to us a written request for approval. We may require that samples from the supplier be delivered to us or our designee for inspection. We will notify you in writing of our decision within ninety (90) days following our evaluation. If we do not notify you within ninety (90) days, the request will be deemed disapproved. We have no obligation to approve any alternative product, supplier or distributor and may revoke our approval at any time.

If you obtain services from third-party providers, we will have the right to review the terms and conditions of your arrangements and require additional information about the business background and qualifications of the providers, including personal interviews with individuals providing the services. If any third party obtains access to confidential information, we may require, as a condition of approval of the provider, the signing of confidentiality and non-competition agreements in a form satisfactory to us. We may disapprove any provider, upon written notice to you, which does not demonstrate an ability to comply with the standards established for the System and to meet our needs promptly and reliably.

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

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

#### Revenues from Required Franchisee Purchases.

We and our affiliates may receive revenue from franchisee purchases and leases of products and services and from approved suppliers selling products or services to our franchisees, in the form of rebates or other material consideration. In 2022, neither we or our affiliates received any revenue from required purchases and leases of products or services by our franchisees, or any revenue from approved suppliers based on their sales and leases of products and services to our franchisees. We



request that our suppliers pay a sponsorship fee to attend our franchise convention to help defray our costs.

### Cooperatives.

We do not have any purchasing or distribution cooperatives.

### Computer Hardware and Software Components.

You must purchase the computer hardware and software we designate for use in connection with the operation of your Franchised Business.

### Insurance.

Article 16 of your Franchise Agreement requires you to obtain and maintain insurance coverage as specified by us from time to time in the Manuals or otherwise in writing. You shall also designate us as an additional named insured, with an insurance company approved by us, for the following current insurance coverages:

(i) comprehensive general liability insurance (including products liability coverage, sexual harassment coverage, host liquor liability coverage, and off-premises events coverage) with coverage of at least \$1,000,000 per occurrence, and \$2,000,000 aggregate with full replacement value of business contents property coverage (Painting with a Twist must be listed as an additional insured);

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

(iii) workers' compensation insurance as required by applicable law; (iv) All risk coverage insurance on all property insuring the Franchised Business premises and contents, including, without limitation, the construction of improvements, all supplies, inventory, fixtures, and equipment and personal property, containing a replacement value endorsement in an amount equal to the full replacement value; and (v) Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars (\$1,000,000) combined single limit, and Two Million Dollars (\$2,000,000) general aggregate limit. If Franchisee conducts an Offsite Event for Authorized Products and/or Services, Franchisee shall obtain separate non-owned auto coverage insurance, sexual abuse and molestation coverage and general liability insurance coverage. Franchisee may not directly or indirectly conduct such Offsite Event(s) until such insurance is obtained and Franchisor is name as an additional insured.

### Advertising.

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

## ITEM 9

### FRANCHISEE’S OBLIGATIONS

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

<b>Obligation</b>	<b>Article(s) in Franchise Agreement or Addendum</b>	<b>Section in Development Agreement</b>	<b>Item Number(s)</b>
a. Site selection and acquisition/lease	Articles 1.3 and 1.4	Section 2	Item 11
b. Pre-opening purchases/leases	Articles 10.2 and 10.4	Section 5	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Articles 2 and 4.2	Section 4	Items 6, 7, 8 and 11
d. Initial and ongoing training	Articles 3.2, 4 and 13.2	Not Applicable	Items 6, 7 and 11
e. Opening	Articles 1 and 2	Sections 4 and 5	Items 7, 8 and 11
f. Fees	Articles 1.6, 2.2, 4.1, 4.3, 4.4, 4.5, 4.6, 5.1, 5.2 and 13.2	Section 2	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Articles 6 and 7	Section 9	Items 8, 9, 16 and 17
h. Trademarks and proprietary information	Article 9	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Articles 6.3, 6.5, 6.6, 7.1 and 7.2	Not Applicable	Items 8 and 16
j. Warranty and customer service requirements	Articles 6.5 and 7.2	Not Applicable	N/A
k. Territorial development and sales quotas	Article 1	Section 4	Item 12
l. Ongoing product/service purchases	Article 10	Not Applicable	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Articles 6.4 and 7.3	Not Applicable	Items 6, 8 and 11
n. Insurance	Article 16	Not Applicable	Items 6 and 7
o. Advertising	Article 8	Not Applicable	Items 6 and 11
p. Indemnification	Article 18	Not Applicable	Items 6 and 13
q. Owner’s participation / management / staffing	Article 4.2	Section 5	Item 15
r. Records and reports	Articles 5.2 and 11	Not Applicable	Items 8 and 17

<b>Obligation</b>	<b>Article(s) in Franchise Agreement or Addendum</b>	<b>Section in Development Agreement</b>	<b>Item Number(s)</b>
s. Inspections and audits	Articles 6 and 7.6	Not Applicable	Items 6 and 11
t. Transfer	Article 13		Item 17
u. Renewal	Article 3.2	Not Applicable	Item 17
v. Post-termination obligations	Article 15	Section 10	Item 17
w. Non-competition covenants	Article 12	Section 11	Item 17
x. Dispute resolution	Article 19	Section 19	Item 17
y. Personal Guaranty of all obligations of agreement	Articles 1.1, 13.1 and Attachment A	Not Applicable	Item 15

## **ITEM 10**

### **FINANCING**

Painting with a Twist does not offer direct or indirect financing. Painting with a Twist does not guarantee your note, lease or obligation.

## **ITEM 11**

### **FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING**

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

#### Pre-Opening Obligations

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

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

The franchise is granted for a location to be approved by Painting with a Twist. You alone must locate a site for your Franchised Business that must be accepted by Painting with a Twist. We will evaluate and either accept or reject the location for your Franchised Business based upon the factors we consider in evaluating a location (Franchise Agreement - Article 1.4; Development Agreement - Section 5.1.1). Our acceptance will not be unreasonably withheld. Factors considered by us in reviewing and accepting proposed sites include population density, demographics, size of the space, rent, available parking, traffic count and patterns, ease of access, economic and population growth trends, Painting with a Twist market penetration and proximity to other

businesses, including other Franchised Businesses. We also consider whether the lessor will agree to the Painting with a Twist permitted use language and other required lease provisions. Painting with a Twist is under no obligation to physically visit the site. If we determine that the location is not acceptable at that time or is too close to another Franchised Business, the site will not be accepted and you must locate a new site for your Franchised Business.

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

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

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

Review of Final Site and Construction Plans: Painting with a Twist will review your final site plans and approve the decor and layout for conformity to the construction standards and specifications of the System (Franchise Agreement - Article 2; Development Agreement - Section 5.1.1).

Manuals: Painting with a Twist will loan or make available on-line to you with the confidential Painting with a Twist Operations Manual and other manuals or writings that Painting with a Twist makes available to all franchisees (Franchise Agreement - Articles 6.2 and 17.1). The Painting with a Twist Operations Manual consists of approximately 132 pages. Our Manuals contain the current System standards and information relating to your obligations as a franchisee. The content of the Manuals belongs to us and you will have no ownership interest in the Manuals. The Manuals may be modified, updated and revised periodically to reflect changes in the System standards and other policies affecting Painting with a Twist franchisees. The table of contents of the Operations Manual is attached to this Disclosure Document as Exhibit E.

## Initial Training

Painting with a Twist will provide initial training to operate your Franchised Business (Franchise Agreement - Articles 3.2, 4 and 17.1). Before you open your Franchised Business, you and your designees must also attend and complete, to Painting with a Twist's exclusive satisfaction, a training program in Mandeville, Louisiana or at another training location selected by Painting with a Twist and/or complete management training courses on-line before you open your Franchised Business ("**Management Training**") (Franchise Agreement - Articles 4.1 and 4.2). The Management Training program is mandatory and conducted on an as-needed basis, depending upon the number of attendees, held virtually and/or at Painting with a Twist headquarters in Mandeville, Louisiana, and will last 4 to 6 days. You will be scheduled to attend the program after you've completed site selection and once you have hired your initial staff, and within a reasonable time before your scheduled opening date. The Management Training will include training in all phases of the operation of a Franchised Business, including staff/instructor training and shop management. When you open your Franchised Business, Painting with a Twist will send one Painting with a Twist representative to your Franchised Business location, at no cost to you, for on-site training and assistance (Franchise Agreement - Articles 4.5 and 17.1). Painting with a Twist may require any of your principals or employees who become actively involved in the management of your Franchised Business to attend and satisfactorily complete the required training programs (Franchise Agreement - Article 4). If at any time Franchisee's trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend or carry out the training course to the reasonable satisfaction of Painting with a Twist, then Painting with a Twist shall have the right to require Franchisee's trainee to attend other training class(es) or to perform additional training until Painting with a Twist is reasonably satisfied that Franchisee's trainee has satisfactorily completed the training course. You may not open your Franchised Business until training is completed to Painting with a Twist's satisfaction.

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom/ Virtual Training</b>	<b>Hours of On-the-job Training</b>	<b>Location</b>
Pre-Opening	6	12	Your Franchise Location (via phone or online)
Interview and Hiring	2	0	Mandeville, Louisiana (via phone or online)
Management Training (Operations, Marketing, Technology)	40	0	Mandeville, Louisiana (via phone or online)

<b>Subject</b>	<b>Hours of Classroom/Virtual Training</b>	<b>Hours of On-the-job Training</b>	<b>Location</b>
Shop Opening/On-Site Training	2	20	Your Franchise Location Mandeville, Louisiana (via phone or online)
Artist Training	12	0	Mandeville, Louisiana (via phone or online)
Additional Training	10-20	10-20	Franchisee's State or Mandeville, Louisiana (via phone or online)
<b>TOTAL</b>	72-82	42-62	

All aspects of training are integrated. There is no definite starting and stopping times or each subject, and the timing depends on the progress the students make each day. Our training programs are under the direction of Katie Richard, or any other representative designated by Franchisor. Ms. Richard has served as our Director of Operations since August 2018 and has been with our company since April 2012. She has successfully assisted in the opening of over 100 Painting with a Twist studios during her tenure and manages a team of Operations Consultants. Other instructors will include Painting with a Twist artists and operations and marketing representatives. Our corporate artists currently include, but are not limited to Beckie Thomas and Jane Schauer. Ms. Thomas has been involved with the Painting with a Twist System since 2011. She began as an artist, then a multi-unit studio manager, then a franchise owner. Since 2020, Ms. Thomas has been our Art Manager and is responsible for art creation for the System through top artist collaboration, new product and process development and training. She has successfully trained hundreds of artists for the System. Ms. Schauer has been one of our artists since 2011 and with our company since 2014. She has created more than 500 paintings for the Painting with a Twist library and is passionate about art creation, protection of our intellectual property assets and ensuring the art library is curated to set our studios up for success. All instructors will have a minimum of two years' experience in their subject area.

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

As discussed in Item 6, you must pay all personal expenses incurred by you or your employees attending the initial training program, including costs and expenses of transportation, lodging, meals, wages and employee benefits (Franchise Agreement - Article 4).

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

### Time to Open

The typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the franchise and the opening of a Franchised Business is three to eight months. Factors affecting this length of time include identification of a satisfactory site, lease negotiations, financing, zoning, building and other permits, construction delays (weather, labor, materials), and delivery and installation of equipment and signs. Problems or delays caused by any of these factors could delay the opening of the business beyond eight months. You must have the Franchised Business open and operating no later than twelve (12) months after you sign the Franchise Agreement. (Franchise Agreement - Article 1.3).

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

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

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

### Post-Opening Obligations

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

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

Marketing and Advertising Guidance and Approval: Painting with a Twist will provide you with materials and advice to support your marketing and advertising efforts (Franchise Agreement -

Article 8). Painting with a Twist will also approve or disapprove all advertising and promotional materials you propose to use. Advertising is explained in more detail below.

Consultation: You may contact Painting with a Twist representatives on a periodic or as-needed basis to receive consultation and guidance concerning the operation of your Franchised Business (Franchise Agreement - Article 17.1). Painting with a Twist will also provide information to you about changes and modifications to the System and Manuals, advertising & marketing activities and provide you with forms for required reports you must submit to Painting with a Twist (Franchise Agreement - Articles 6 and 17.1). Painting with a Twist will periodically, as it considers necessary, inspect your supplies, merchandise, methods of service and merchandising and speak with you and your employees to ensure you are complying with your agreements, Manuals and the standards established for the System (Franchise Agreement - Article 6). Painting with a Twist will not provide any legal or accounting services or advice at any time.

We may, subject to applicable law, establish the minimum prices and maximum prices you charge for the products and services you offer at your Franchised Business, except food and beverage pricing. You must honor all such maximum prices and minimum prices we establish. (Franchise Agreement – Article 7.1).

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

Painting with a Twist may designate certain additional management and field training courses for you or your employees as mandatory either in franchisee's state or in Mandeville, Louisiana. Painting with a Twist may not mandate more than two additional training sessions in a 12-month period unless they are online courses (Franchise Agreement - Article 4.6). As discussed in Item 6, you must pay all personal expenses incurred by you or your employees attending additional training sessions, including costs and expenses of transportation, lodging, meals, wages and employee benefits and any training materials (Franchise Agreement - Article 4). At this time, there are no required additional training programs or refresher courses, but we reserve the right to change that at any time in the future.

New Products and Services: Painting with a Twist will evaluate and consider for approval the products or services you submit for approval for use in your Franchised Business. We will notify you in writing within ninety (90) days following our evaluation. If we do not notify you within ninety days (90) days, the request will be deemed disapproved. We have no obligation to approve new products or services (Franchise Agreement - Articles 10.2 and 10.3).



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

Advertising Local Advertising: For the grand opening of your Franchised Business, you must spend a minimum of \$2,500 in local advertising and marketing. Afterwards, you must expend a minimum of \$1,000 per month on local advertising through mediums approved by Painting with a Twist. Franchisor may require you to submit copies of all receipts, invoices, etc. to us within fifteen (15) calendar days after the end of each calendar month as verification of your compliance with this requirement (Franchise Agreement - Article 8.2). All advertising, promotional and marketing activities conducted by you in your local market area will be subject to the prior approval of Painting with a Twist. You shall submit to Painting with a Twist pursuant to the Notice requirements of your Franchise Agreement all advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by Painting with a Twist. If any advertising or marketing activities are later disapproved, you must discontinue such use promptly upon written notice from Painting with a Twist.

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

(i) System Advertising Fund: You must pay 2% of your weekly gross sales to Painting with a Twist system advertising fund (“**System Advertising Fund**”) (Franchise Agreement - Article 8.3). Outside vendors and suppliers may contribute to the System Advertising Fund in exchange for promoting their products or using their services. These agreements are negotiated on an individual basis as the opportunity arises by Painting with a Twist or a representative of the System Advertising Fund.

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

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

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

We will prepare and make available for you on a semi-annual basis, an unaudited statement of contributions and expenditures for the System Advertising Fund. The statement will be presented to you upon your written request. All sums paid by you into the System Advertising Fund shall be kept in accounts separate from the other monies of Painting with a Twist and shall not be used to defray any of Painting with a Twist general expenses, except for reasonable administrative costs and overhead as Painting with a Twist may incur in activities reasonably included in the administration and direction of the System Advertising Fund and advertising programs for you and the System. Painting with a Twist or its designees shall maintain separate bookkeeping accounts for the System Advertising Fund.

It is anticipated that all contributions to and earnings of the System Advertising Fund will be expended during the taxable year in which the contributions and earnings are received. If excess amounts remain in the System Advertising Fund at the end of the taxable year, all expenditures in the following taxable year shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions (Franchise Agreement - Article 8.3).

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

We implemented the System Advertising Fund on January 1, 2014. During the last fiscal year of the System Advertising Fund (ending on December 31, 2022), the System Advertising Fund spent 29% of its income on digital media placement and advertising, 8% on email marketing, 20% on website improvements, 8% on brand development and creative services, 5% on public relations and brand partnership, and 30% on overhead support.

We have created a national Franchise Advisory Council (“**Council**”) made up of franchisees elected by the franchisee community. The Council serves in an advisory capacity role only to provide input on advertising programs and policies and other new and existing programs of Painting with a Twist and the Council does not have decision making power. We have the authority to change or dissolve the Council at any time without reason.

(ii) Regional Cooperative Advertising: We may establish a regional advertising cooperative covering any protected territory in our discretion, and you must become a member of the cooperative covering your protected territory immediately on our request. You are not required to be a member of more than 1 cooperative. You must contribute to the cooperative the amount the members of the cooperative determine, but you will not be required to contribute to any cooperative more than 2% of your monthly Gross Sales. If we or our affiliates own a unit in the cooperative, we or our affiliates will have a vote. The cooperative members will be responsible for administering each cooperative. Cooperatives must operate from written documents. On the establishment of your cooperative, you will be provided a copy of the written document governing the cooperative. The cooperative will determine whether and when financial statements of the cooperatives' activities will be prepared; however, we may inspect the financial records of any cooperative. We also may change, dissolve or merge any cooperatives. We do not receive payment for providing goods or services to the regional cooperative advertising funds. If a regional advertising cooperative is established requiring you to become a member and contribute to the cooperative, your contributions will count toward your local advertising obligation and you may reduce your required local advertising expenditures by the amount of any contributions you make to a regional advertising cooperative.

### Computer System & Technology

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a computer system that complies with our standards and specifications and is capable of operating our designated software; (ii) a custom point of sale system, if applicable; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System"). Currently, the Computer System must have the following minimum requirements: 10<sup>th</sup> or 11<sup>th</sup> Gen Intel Core i5 Processor or greater; 8-16 GB RAM; 250 GB available hard disk space or greater; and wired Ethernet or Wi-Fi 6 capable of connecting to your internet service provider. In addition, the personal computers you lease or own must be capable of running the following software: Microsoft Windows 10 (or higher) or MAC OS 10.14 (or higher); current available Web Browser (Google Chrome recommended); Adobe Acrobat Reader; standard desktop publishing software (Microsoft Office, OpenOffice, etc.); and Quickbooks Pro (2015 or higher).

You must acquire a Computer System and required software that meets our specifications. The amount you must spend on the Computer System will vary based on the type of computer and software you already have, if any. The estimated cost of purchasing your required Computer hardware and software to open your Franchised Business is between \$2,000 and \$4,000. The high range of these estimates assumes you purchase new computers and all required software, with specifications greater than what we require at a minimum.

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

our technology. It includes the maintenance and optimization of the FAM System and other software and information technology programs and services to maintain and enhance the System (Franchise Agreement - Article 5.1).

We will have unlimited independent access to your data inputted into the FAM System, including reservations, receipts and sales information. You will be provided with specifications and initial training for use of the FAM System. We will provide assistance to you through email and in some instances, by telephone, in connection with the use of the FAM System we require you to use (Franchise Agreement - Article 11.2). We reserve the right to change the software used with the Painting with a Twist System in our sole discretion and you must comply with any such change at your sole costs.

In addition, you must also purchase or lease all equipment necessary to accept designated credit cards, debit cards and gift cards. The credit/debit card processor you own or lease (and which may be obtained from any source) must be capable of supporting the “Authorize.net” or other gateway we designate. You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time.

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 playlist. You must install and use the vendors and services we require.

### Website

We may, but are not obligated to, establish an Internet website that provides information about the System and the products and services offered by Franchised Businesses. In the event we exercise our right to create such a website, we have sole discretion and control over the website (including timing, design, contents and continuation). We may, but are not obligated to, create interior pages on our website(s) that contain information about your Franchised Business and other Franchised Businesses. If we do create these pages, we may require you to prepare all or a portion of the page for your Franchised Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting (Franchise Agreement - Article 11.2).

Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Pinterest, Twitter, LinkedIn, Instagram, YouTube or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s) (Franchise Agreement - Article 11.13).

We have the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System. You acknowledge that we and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name www.paintingwithatwist.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any considerably

similar Internet domain names. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words (Franchise Agreement - Article 11.13).

#### Computer Network, Intranet or Extranet Participation

You are required to participate in any System-wide computer network, intranet system or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us on- line; (ii) view and print portions of or updates to the Operations Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete training. You agree to use the facilities of any computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements (Franchise Agreement - Article 11.12).

#### Payment of Fees

You are required to pay all fees due under the Franchise Agreement by automated bank draft. You must sign the ACH Service Agreement form (Attachment C to the Franchise Agreement) before opening for business. This form allows us to draft royalty payments, advertising fees, training fees or other fees due under your Franchise Agreement directly from your bank account (Franchise Agreement - Article 5.2).

## **ITEM 12**

### **TERRITORY**

You shall operate your Franchised Business only from a specified location approved by Painting with a Twist. Painting with a Twist will designate a general geographic area, such as a city or sector of a city (“**Site Selection Area**”), solely for the purpose of limiting the area within which you may seek a site location for your Franchised Business. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, upon executing a lease for your Franchised Business and prior to the opening of your Franchised Business, we will designate a geographical area defining your protected territory (your “**Protected Territory**”). The size of the Protected Territory will be determined by general demographics of the area with a minimum residential population of 100,000, the scope of the geographic boundaries, and other similar criteria in order to ensure that you can realistically service the Protected Territory. The boundaries of the Protected Territory may be shaped, at our sole discretion, to match the population criteria and natural geographic features. As long as you are not in default of your Franchise Agreement, we will not establish, nor license another party or entity to establish a Franchised Business under the trademark “Painting with a Twist” within the Protected Territory. You may face competition from other channels of distribution of competitive brands that we control.

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

Although Painting with a Twist will not grant another franchise in your Protected Territory, customers from your Protected Territory may purchase services and products from franchises of our Affiliate, CMM, or directly from us and or Affiliates over the Internet, or in other reserved channels of distribution. As a result, the Protected Territory will not be exclusive. We reserve for ourselves the exclusive right to market any other products or services utilizing the Marks and other marks utilizing alternative distribution channels, including over the Internet. We are not required to compensate you for any solicitation or acceptance of orders inside your territory via alternative channels of distribution.

Painting with a Twist further reserves the right to negotiate options, rights of first refusal, and other similar rights to acquire additional franchises upon request by another franchisee. You should not rely on any oral representations that you will be offered the first opportunity to expand in an area or that you have any other expansion rights. If you desire to obtain expansion rights to an area, you should consider applying to Painting with a Twist for the rights to that area.

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

### Relocation

Relocation of your Franchised Business requires our prior written approval, which may be withheld in our sole discretion. We may, in our sole discretion, adjust the Protected Territory if you if you relocate your Franchised Business.

### Area Development Agreement

If you are granted the right to open multiple Franchised Businesses under our form of Area Development Agreement, then we will provide you with a Development Area at the time of signing this agreement. The size of your Development Area will substantially vary from other System developers based on: (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in

terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Development Agreement.

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

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

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

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties. We will approve the location of future units and any territories for those units and we will use the then-current standards for sites and territories.

### Reserved Rights

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

Painting with a Twist reserves the right to use the Marks and System in connection with the provision of other services and products or in alternative channels of distribution at any location including within the Protected Territory without compensation to you.

Painting with a Twist reserves the right to acquire businesses that are the same as or similar to the Franchised Business and operate such businesses regardless of where such businesses are located, including inside the Protected Territory and to be acquired by any third party which operates

businesses that are the same as or similar to the Franchised Business regardless of where such businesses are located, including inside the Protected Territory.

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

As stated in Item 1, Painting with a Twist acquired substantially all of the assets of Bottle & Bottega, Inc. (“**Bottle & Bottega**”) headquartered in Chicago, Illinois. We plan to convert the franchised businesses currently operating under the Bottle & Bottega proprietary marks to the Painting with a Twist Proprietary Marks and System in the future. We do not intend to offer any further franchises under the Bottle & Bottega proprietary marks.

As stated in Item 1, Twist Brands acquired the rights to operate the Color Me Mine franchise system in a transaction that closed November 3, 2020. CMM, the franchisor of the Color Me Mine franchise system, intends to offer franchises using the Color Me Mine trademark and system throughout the United States. This means that it is possible that you could have a Color Me Mine franchise location operating in your Protected Territory or a Color Me Mine franchise territory overlapping your Protected Territory. While Color Me Mine and Painting with a Twist services are not directly competitive, franchisees from both systems may serve the same customers from time to time.




### **ITEM 13**

#### **TRADEMARKS**

Painting with a Twist identifies its System by means of certain trade names, service marks, trademarks, and logos (“**Proprietary Mark(s)**”). The Franchise Agreement grants you the non-exclusive right to use the Proprietary Marks and any other Proprietary Marks that we may use during the term of the Franchise Agreement in operation of the System. Your use of the Proprietary Marks is limited solely to the operation of the Franchised Business at its approved location and only in accordance with the System. You do not obtain any additional rights to use any of our Proprietary Marks under any Development Agreement you execute. The following Proprietary Marks are currently registered or pending registration on the Principal Register of the United States Patent and Trademark Office (USPTO):



Trademark, Service Mark or Design	U.S. Application or Registration No.	Date of Application or Registration	Comment
PAINTING WITH A TWIST	3,703,428	October 27, 2009	Registered
PAINTING WITH A TWIST (stacked logo) 	4,324,165	April 23, 2013	Registered
IT'S A LITTLE BIT OF PAINT, A LITTLE BIT OF WINE, AND A WHOLE LOT OF FUN!	4,324,168	April 23, 2013	Registered
PAINT BRUSHES IN WINE GLASS (logo) 	4,659,525	December 23, 2014	Registered
PAINTING WITH A TWIST (horizontal logo) 	4,734,304	May 12, 2015	Registered
PAINTING WITH A TWIST (stacked logo with paint brushes in wine glass) 	4,734,305	May 12, 2015	Registered

Trademark, Service Mark or Design	U.S. Application or Registration No.	Date of Application or Registration	Comment
PAINTING WITH A TWIST (horizontal logo with paint brushes in wine glass) 	4,734,306	May 12, 2015	Registered
PAINTING WITH A PURPOSE	5,003,128	July 19, 2016	Registered
IT'S FUN ART, NOT FINE ART!	5,146,270	February 21, 2017	Registered
LOOKS LIKE ART FEELS LIKE FUN!	5,146,640	February 21, 2017	Registered
PAINTING WITH A PURPOSE (logo) 	5,160,569	March 14, 2017	Registered
PAINTING WITH A TWIST	5,260,859 5,260,880 5,261,071 5,261,074 5,261,077 5,261,082 5,261,084	August 8, 2017	Registered
PAINTING WITH A TWIST (horizontal logo with stemmed wine glass containing a paint brush) 	6,499,056	September 28, 2021	Registered

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

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

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

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

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

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

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

All of your advertising must prominently display the Proprietary Marks and must comply with our standards for using the Proprietary Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. You may use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Proprietary Marks, or related marks, before first publication or use. You must identify yourself as the owner of the Franchised Business (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the Franchised Business premises.

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

## **ITEM 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents that are material to the franchise.

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

<b>Title of Work</b>	<b>U.S. Application or Registration No.</b>	<b>Date of Application or Registration</b>	<b>Comment</b>
Abigail's Blossom Tree 1	VA 1-225-705	November 24, 2014	Registered
Abigail's Blossom Tree 2	VA 1-977-720	November 24, 2014	Registered
A Girl Should Be... Red II	VA 1-915-499	April 29, 2014	Registered
Afternoon by the Lighthouse	VA 1-915-548	April 29, 2014	Registered
Anchor of Love	VA 1-987-210	June 5, 2015	Registered
Anchor of Love II	VA-1-997-197	June 5, 2015	Registered
Baby Penguin	VA 1-915-543	April 29, 2014	Registered
Cabernet Cascade	VA 1-922-561	June 27, 2014	Registered
Cheers	VA 1-915-496	April 29, 2014	Registered
Cosmic Reflections	VA 2-023-586	November 30, 2016	Registered
Cracked Cross	VA 1-868-899	March 28, 2013	Registered
Cracked Fleur de Lis	VA 1-868-898	March 28, 2013	Registered
Crazy Reindeer	VA-2-058-818	June 3, 2016	Registered
Essence of a Woman	VA 1-915-634	April 29, 2014	Registered
Fall in Golds	VA 2-001-688	August 19, 2015	Registered
Flamingo Fun	VA 1-915-659	April 29, 2014	Registered
Friends . . .	VA 1-915-555	April 29, 2014	Registered
Georgia Love	VA 2-059-051	June 3, 2016	Registered
Girlfriends	VA 1-915-502	April 29, 2014	Registered
Girlfriends Party	VA 1-915-578	April 29, 2014	Registered

<b>Title of Work</b>	<b>U.S. Application or Registration No.</b>	<b>Date of Application or Registration</b>	<b>Comment</b>
Group Therapy	VA 1-915-627	April 29, 2014	Registered
Happy Hydrangeas	VA 2-057-828	February 6, 2017	Registered
High Five	VA 1-915-635	April 29, 2014	Registered
Love Letters in the Sand	VA 1-915-562	April 29, 2014	Registered
Mahogany	VA 1-915-603	April 29, 2014	Registered
Neon Stiletto	VA 1-915-505	April 29, 2014	Registered
Our Love Tree	VA 2-001-690	August 19, 2015	Registered
Painting with a Twist	VA 1-821-647	May 16, 2012	Registered
Painting with a Twist Vertical With Stemless Wine Glass	VA 2-088-427	March 28, 2017	Registered
Passion	VA 1-903-949	May 29, 2013	Registered
Peace Party	VA 1-915-612	April 29, 2014	Registered
Peacock	VA 1-861-575	June 3, 2013	Registered
Peacock	VA 2-001-589	June 10, 2015	Registered
Peacock 2	VA 1-851-495 VA 1-433-275* *supplement to VA 1-851-495	March 25, 2013	Registered
Pensacola Pinot Noir	VA 1-915-568	April 29, 2014	Registered
Red Hat Gala	VA 1-868-897	March 28, 2013	Registered
Sass	VA 1-915-607	April 29, 2014	Registered
Space Case	VA 1-915-492	April 29, 2014	Registered
Spirits	VA 1-899-007	May 29, 2013	Registered

<b>Title of Work</b>	<b>U.S. Application or Registration No.</b>	<b>Date of Application or Registration</b>	<b>Comment</b>
St. Aug Lighthouse	VA 1-978-258	January 14, 2015	Registered
Sunset of Love - Couples	VA 2-059-043	June 3, 2016	Registered
Texas Love	VA-2-058-220	June 3, 2016	Registered
The Colors of Music	VA 1-915-504	April 29, 2014	Registered
The Key to My Heart	VA 1-915-660	April 29, 2014	Registered
Tiffany's	VA 1-915-558	April 29, 2014	Registered
To The Moon	VA 1-915-658	April 29, 2014	Registered
To the Moon & Back	VA 2-001-689	August 19, 2015	Registered
Walk By Faith	VA 2-059-327	June 3, 2016	Registered
Wet Kiss Set	VA-2-058-820	June 3, 2016	Registered
White Coat Set	VA 1-915-509	April 29, 2014	Registered
Yum Yum	VA 1-868-900	March 28, 2013	Registered
Painting with a Purpose	VA 2-098-208	May 10, 2017	Registered

None of these registrations are subject to renewal terms.

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

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

Painting with a Twist will defend and hold you harmless from any claims of copyright infringement for the use of the Copyrights if you promptly give written notice to Painting with a Twist and tender the full defense of the claims against you to Painting with a Twist. Painting with a Twist shall have complete control of the legal action and may settle the claims at any time without providing notice to you. Painting with a Twist has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Copyrights. You must sign any documents deemed necessary by Painting with a Twist or its counsel to obtain protection for the

Copyrights or to maintain their continued validity and enforceability. You may not contest the validity or ownership of the Copyrights. If litigation involving the Copyrights is instituted or threatened against you, you must promptly notify Painting with a Twist and must cooperate fully with Painting with a Twist in defending or settling the litigation.

Painting with a Twist does not warrant or guarantee that it has the exclusive right to use the Copyrights. If for any reason it becomes necessary or desirable for Painting with a Twist to quit using the Copyrights, Painting with a Twist is not obligated to provide you with compensation, nor do you have any other remedy under the franchise agreement.

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

### Confidential and Proprietary Information

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

You must require all of your employees and artists to execute covenants promising to maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business and to restrict their ability to compete with the Franchised Business during their employment with Franchisee. Such covenants will be in a form satisfactory to Franchisor and substantially similar to the Confidentiality Agreement attached as Attachment B to the Franchise



Agreement. These covenants must, without limitation, specifically identify Franchisor as a third-party beneficiary of such covenants with independent rights to enforce those covenants.

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

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

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

**Other Written Agreements:** If you are a business entity, each individual holding in excess of fifteen percent (15%) of the total voting power of your ownership interests (including each individual holding in excess of twenty percent (20%) of the total voting power of any business entity having a controlling interest in you) must personally guarantee your obligations under your Franchise Agreement. If you have personally signed the Franchise Agreement and wish to transfer your

Agreement to a business entity, you must enter into a personal guaranty regardless of your ownership interest in the business entity. A franchisee's spouse, who is not a party to the Franchise Agreement is not required to sign a personal guaranty. A personal guaranty is attached to the Franchise Agreement as Attachment A. Any person holding an ownership interest in your business entity will have to sign a confidentiality agreement and non-compete as described in Items 14 and 17.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell only those products and services that Painting with a Twist has approved.

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

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

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

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

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

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

#### THE FRANCHISE RELATIONSHIP

Provision	Article in Franchise Agreement	Summary
a. Length of the term of the franchise	Article 3.1	10 years from the date the Franchised Business opens for business.
b. Renewal or extension of the term	Article 3.2	Your renewal rights permit you to remain as a franchisee after the initial term of your franchise agreement expires. If you wish to renew and you satisfy the required pre-conditions to renew, we will offer you an additional five-year term. You have the option to renew your agreement for 4 additional terms of 5 years each. You must sign our then-current franchise agreement for the renewal term and this new agreement may have different terms and conditions (such as different fee requirements and different territorial rights) from the agreement that covered your original term.
c. Requirements for franchisee to renew or extend	Article 3.2	“Renewal” means that a franchisee is permitted to continue operating Painting with a Twist franchise after the initial term of your Franchise Agreement expires. To renew, you must: give written notice of your election to renew; be in good standing, and not have any uncured defaults under the Franchise Agreement or any other agreement; not have received 2 or more written default notices within the 12 months' preceding your notice to renew or renewal date; satisfy all monetary obligations to Painting with a Twist; renovate and modernize your Franchised Business as we may require; demonstrate you have the right to operate at the Franchised Business location for the renewal term; you or your manager must satisfy renewal training requirements; sign a general release in the form we prescribe; and sign

Provision	Article in Franchise Agreement	Summary
		a then-current franchise agreement that may have materially different terms and conditions from the agreement that covered your original term, such as different fee requirements and different territorial rights.
d. Termination by franchisee	Not Applicable	You may terminate the franchise agreement under any grounds permitted by state law.
e. Termination by franchisor without cause	Not Applicable	Painting with a Twist may not terminate your franchise agreement without cause.
f. Termination by franchisor with “cause”	Article 14	Painting with a Twist can terminate only if you default.
g. “Cause” defined – curable defaults	Article 14.4	Curable defaults: You have 10 days after Painting with a Twist’s written notice to cure: failure, refusal or neglect to promptly pay any monies owed to Painting with a Twist or any third-party vendors or submit the financial or other information required by Painting with a Twist; you have 30 days after Painting with a Twist’s written notice to cure if you fail to perform or comply with any one or more terms or conditions of the Franchise Agreement, Manuals or other agreements. A default in the Franchise Agreement does not constitute a default in the Area Development Agreement.
h. “Cause” defined – non-curable defaults	Articles 14.2 and 14.3	Automatic termination defaults: Voluntary or involuntary bankruptcy; unauthorized transfer. Other non-curable defaults: You knowingly or intentionally maintain false books or records, or submit any false report or payment to Painting with a Twist, or you otherwise commit fraud; your conduct is so contrary to the agreement and the Manuals as to constitute an imminent danger to the public health or selling regularly unauthorized products to the public after notice of default and continuing to sell these products whether or not you have cured the default after one or more notices; the conviction of a felony, or a crime

Provision	Article in Franchise Agreement	Summary
		<p>involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole reasonable opinion of Painting with a Twist, to have an adverse effect on the System, Proprietary Marks or the goodwill associated with Painting with a Twist's interest in each of them by you, or your controlling or operating shareholders or members if you are a limited liability company; intentional disclosure or use of the contents of the Manuals, trade secrets or confidential or proprietary information, excluding acts of independent employees or others not under your control; repeatedly committing defaults under any provisions of this Agreement 2 or more occasions in any 12 month period, even if you cured each prior default, and even if you would otherwise be given an opportunity to cure the current default; ceasing to operate or otherwise abandoning your business without consent or, upon destruction of your business, failure to rebuild and resume operation within a reasonable time; you make a misrepresentation or omission in your franchise application; cross-default of another agreement with us or our affiliates, or any Lease for the Premises and fail to cure within cure period; violation of the in-term restrictive covenant; if a lien is placed against you or your principals and is not released or bonded against within 60 days; insolvency; if you misuse the Proprietary Software; failure to maintain insurance as required under the Franchise Agreement; failure to comply with any law or regulation within 15 days of receiving a notice of noncompliance; if there are insufficient funds in your bank account 3 or more times in a 12 month period; misuse or unauthorized use of Proprietary Marks or other impairment of their goodwill or our right to use the Proprietary Marks; fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.</p>
i. Franchisee's obligations on	Article 15	Obligations include immediately ceasing to operate your Franchised Business; discontinue

Provision	Article in Franchise Agreement	Summary
termination/non-renewal		use of Proprietary Marks; return Manuals, other materials and confidential information; assign telephone numbers if requested; payment of amounts due; assign lease if requested; de-identify the Franchised Business; maintain confidentiality of information; permit us to make a final inspection of your records; amend or cancel any registration containing our trade names or Proprietary Marks; cease engaging with former customers; execute any additional documents that we require; vacate the premises of your Franchised Business if we exercise our rights under a Contingent Assignment of Lease.
j. Assignment of contract by franchisor	Article 13.1	No restriction on Painting with a Twist’s right to assign.
k. “Transfer” by franchisee – defined	Article 13.1	Includes transfer of contract, assets or ownership interest.
l. Franchisor approval of transfer by franchisee	Article 13	Painting with a Twist has the right to approve all transfers, except a transfer to an heir or beneficiary after your death or mental incapacity, but will not unreasonably withhold approval as long as certain conditions are satisfied.
m. Conditions for franchisor approval of transfer	Articles 13.1 and 13.2	You may transfer your interest to a corporation or other legal entity as long as you retain ownership of a majority of the total voting power; you may transfer to a third party if: Painting with a Twist does not exercise its right of first refusal; you are not in default; all of your then-due monetary obligations have been satisfied and other obligations met; you and your shareholders or members have executed a general release under seal of any and all claims against Painting with a Twist; you satisfy all of Painting with a Twist’s then-current requirements for new franchisees or holders of an interest in a franchise; you have assumed the Agreement in a written assumption agreement approved by Painting with a Twist, or have agreed to at closing; you, your manager or

Provision	Article in Franchise Agreement	Summary
		<p>other employees responsible for the operation of the franchise have satisfactorily completed Painting with a Twist’s training program; you execute other documents as Painting with a Twist may require, including our then-current franchise agreement; you paid the Transfer Fee 30 days in advance of the transfer; you comply with post-term obligations under the Franchise Agreement; the transferee obtains all required licenses and permits; transfer in compliance with applicable laws; third party consents have been obtained, if necessary; we are provided with an executed copy of the purchase agreement; we can disclose financial information about your Franchised Business to any prospective transferee; you agree to remodel and renovate, and modify existing improvements and replace existing equipment to meet our then- current design standards; the purchase price and terms of the transfer, in our sole discretion, are not burdensome to the prospective transferee as to impair its future operation of the business; our approval of the transfer will not constitute a waiver of any claims we may have, and we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.</p>
<p>n. Franchisor’s right of first refusal to acquire franchisee’s Franchised Business</p>	<p>Article 13.2</p>	<p>Painting with a Twist can match any offer for your Franchised Business.</p>
<p>o. Franchisor’s option to purchase franchisee’s franchised business</p>	<p>Not Applicable</p>	<p>Not Applicable</p>

Provision	Article in Franchise Agreement	Summary
p. Death or disability of franchisee	Article 13.3	In the event of your death, disability, or incapacitation, your legal representative shall have the right to continue the operation of the Franchised Business as franchisee under your franchise agreement if: (i) within 60 days from the date of death, disability or incapacity this person has obtained our prior written approval and has executed our then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company franchisee's obligations to us and our affiliates; and (ii) this person successfully completes our training program. Before this occurs, we may operate your Franchised Business on your behalf and at your expense for such period of time and under such terms and conditions as we determine.
q. Non-competition covenants during the term of the franchise	Articles 12	No involvement in similar business anywhere; cannot divert business to a competitor (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	Article 12	No involvement in similar business for 12 months at a site within a radius of 10 miles of any of your former Franchised Businesses or any other then existing Franchised Business; no diverting business to any competitor, soliciting business from former customers, or contacting our suppliers or vendors for a competitive business purpose (subject to state law).
s. Modification of the agreement	Article 21	No modifications generally but standards, specifications, Manuals, products and services, Proprietary Marks and other items specified in the Franchise Agreement are subject to change.
t. Integration/merger clause	Article 21	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.



<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
u. Dispute resolution by arbitration or mediation	Article 19	Subject to state law, You and Painting with a Twist must resolve disputes or disagreements first through internal dispute resolution, then non-binding mediation, then litigation at the jurisdiction and venue of any court of general jurisdiction in Mandeville, Louisiana.
v. Choice of forum	Article 19	Litigation must be in Louisiana (Subject to state law).
w. Choice of law	Article 19	Louisiana law applies (Subject to state law).

**Development Agreement**

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
a. Term of the Development Agreement	4.1	The Development Agreement will commence on the Effective Date and end on the date the last Franchised Business is scheduled to open unless terminated earlier.
b. Renewal or extension of the term	Not Applicable	Not Applicable.
c. Requirements for you to renew or extend	Not Applicable	“Renewal” means that a franchisee is permitted to continue operating Painting with a Twist franchise after the initial term of your franchise agreement expires. You must have a good record of compliance with the Manuals, and be in compliance with your Franchise Agreement; satisfy all monetary obligations to Painting with a Twist; give written notice; remodel your Franchised Business; demonstrate the ability to operate for the renewal term; satisfy renewal training requirements; sign a general release; and sign a then-current franchise agreement that may have materially different terms and conditions from the agreement that covered your original

Provision	Section in Development Agreement	Summary
		term, such as different fee requirements and different territorial rights.
d. Termination by you	Not Applicable	You may terminate the Development Agreement under any grounds permitted by state law.
e. Termination by us without cause	Not Applicable	Painting with a Twist may not terminate your Development Agreement without cause.
f. Termination by us with cause	9	We may terminate your Development Agreement with cause.
g. Cause defined - default which can be cured	9.3, 9.4	<p>You have sixty (60) days after receipt of notice to remedy a failure to comply with the Development Schedule.</p> <p>You have thirty (30) days after receipt of notice to remedy the following defaults: (i) failure to submit reports or other information required under the Development Agreement; (ii) failure to maintain standards/procedures prescribed in the Franchise Agreement or Manuals; (iii) engaging in illegal, fraudulent, unfair or deceptive business practices; (iv) unauthorized use of Proprietary Marks; (v) commencement of any business operation or market of any product/service under a name that is confusingly similar to the Proprietary Marks; (vi) failure to obtain our prior approval or consent as required under the Development Agreement; (vii) default under the terms of the Franchise Agreement or other development agreement between Franchisor and Developer; (viii) failure to obtain execution of the agreements and covenants required under Sections 7.1.6 and 11.1 of the Development Agreement; (ix) unauthorized transfer of any rights or obligations under the Development Agreement or any interest in Developer; (x) failure to transfer following death or mental incompetency; (xi) failure to timely pay taxes or other governmental charges, rent, lease payments, or payments to suppliers or other trade creditors; or (xii) failure to comply with any of</p>

Provision	Section in Development Agreement	Summary
		your other obligations under the Development Agreement.
h. Cause defined - default which cannot be cured	9.1, 9.2	<p>Your Development Agreement is automatically terminated if:</p> <p>(i) you become insolvent or make a general assignment for the benefit of creditors; (ii) a petition in bankruptcy is filed by you or against you and not opposed by you; (iii) you are adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for your business or assets is filed and consented to by you; (v) a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) proceedings for a composition with creditors under any state or federal law are instituted by or against you; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); (viii) Developer is dissolved; (ix) a suit to foreclose any lien or mortgage against your premises or equipment is instituted against you and not dismissed within thirty (30) days; (x) execution is levied against your business or property; or (xi) your real or personal property is sold after levy thereupon by any sheriff, marshal, or constable.</p> <p>Your Development Agreement can be terminated by us if: (i) you are convicted of a felony, a fraud, a crime involving moral turpitude, or found liable in a civil claim for fraud, or any unfair or deceptive act or practice that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor’s interest therein; (ii) you fail to comply with the in- term covenants in Section 11; (iii) you disclose or divulge any confidential information provided to you by Franchisor; (iv) you knowingly maintain</p>

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
		false books or records or knowingly submit any false reports to Franchisor, or if you made any material false statements to Franchisor in connection with your application for development rights or any franchise; (v) you are in default under Section 9.4 more than three (3) times during the term of the Development Agreement for failure to comply with any of the requirements imposed under this Development Agreement, whether or not cured after notice; or (vi) you knowingly fail to comply with the requirements of Section 12.
i. Your obligations on termination/non-renewal	Not Applicable	Not Applicable.
j. Assignment of contract by us	8.10	We have the right to assign our rights under the Development Agreement.
k. "Transfer" by you -definition	8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l. Our approval of transfer by franchisee	8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m. Conditions for our approval of transfer	8.5	Franchisor may require, as a condition of its approval: (i) all of your accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and divisions shall be satisfied; (ii) you have substantially complied with all of the terms and provisions of this Development Agreement, any amendment hereof or successor hereto, and all other agreements between you and Franchisor, its subsidiaries, affiliates or divisions, and, at the time of transfer, shall not be in default thereof; (iii) if the obligations of Developer were guaranteed by the transferor(s), the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor, and Franchisor

Provision	Section in Development Agreement	Summary
		will not unreasonably withhold its consent to a release of the transferor(s) from the guarantee; (iv) we both execute a mutual release under seal; and (v) the price paid for the transfer of the Development Agreement shall not exceed 125% of the development fees charged to Developer by Franchisor.
n. Our right of first refusal to acquire your business	8.4	Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of written notice of a bona fide offer, to send written notice to Seller that Franchisor intends to purchase Seller’s interest on the same terms and conditions offered by the third party. If Franchisor does not exercise its option as provided hereunder, Seller may sell the interest, subject to Franchisor’s consent as otherwise required under this Section 8. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. This Section 8.4 shall apply to any transfer if such transfer, alone or together with other previous, simultaneous or proposed transfers would have the effect of transferring financial or management control of Developer.
o. Our option to purchase your business	Not Applicable	Not Applicable.
p. Your death or disability	8.3	Within sixty (60) days after the death or mental incapacity of Developer, or principal of Developer, the executor, administrator, or personal representative of such person shall transfer that person’s interest, without having to obtain approval by Franchisor, to one or more heirs or beneficiaries of such person who agree in writing to be bound by the terms and conditions of this Agreement, or to a third party approved by Franchisor.
q. Non-competition	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s)

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
covenants during the term of the franchise		entered into under the Development Agreement, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement, subject to state law.
s. Modification of the Franchise Agreement	17	Any modification of the Development Agreement must be in writing and signed by both parties.
t. Integration/merger clauses	17	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.
u. Dispute resolution by mediation	19.2	At our option, all claims or disputes between you and us must be submitted first to mediation in Mandeville, Louisiana in accordance with the American Arbitration Association’s Commercial Mediation Rules then in effect and if mediation is not successful, then by litigation, subject to state law.
v. Choice of forum	19.3	Subject to Section 19.2 of the Development Agreement, all claims must be brought before a court of general jurisdiction nearest to Mandeville, Louisiana, or the United States District Court for the Eastern District of Louisiana. You consent to the personal jurisdiction and venue of these courts (subject to state law).
w. Choice of law	19.1	The Development Agreement is governed by the laws of the Louisiana (subject to state law).

## **ITEM 18**

### **PUBLIC FIGURES**

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

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The financial performance representations included in this Item 19 contain historical gross sales information of franchised businesses (“franchised outlets”) operating in the United States. The gross sales information is based gross sales reported by franchisees for our last fiscal year ending December 31, 2022.

As of December 31, 2022, we had 219 franchised outlets.

Table 1 includes Gross Sales (defined below) for 189 franchised outlets in the United States that were open for at least 12 full months as of December 31, 2022 and substantially followed the System for franchised outlet operations, which include meeting our minimum marketing and operations requirements for studio performance during the reporting period. The Gross Sales of 2 franchised outlets were excluded because the outlets opened in 2022 were not open during all 12 months in 2022. In addition, the Gross Sales of 28 franchised outlets were not included because some of these franchise outlets were temporarily closed in 2022, or the franchised outlets did not meet minimum operations and marketing requirements during the reporting period, including hosting a minimum number of public events and conducting local studio marketing as required. The information presented in Table 1 is based on sales information reported to us by our franchisees through the point-of-sale system (“POS”) and have not been audited by us.

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

Table 1  
Gross Sales of Franchised Outlets for the Year 2022

<b>Rankings</b>	<b>Top 25%</b>	<b>Top 50%</b>	<b>Top 75%</b>	<b>All Studios</b>
<b>Average Gross Sales</b>	\$363,443	\$304,253	\$269,830	\$239,796
<b>Highest Gross Sales</b>	\$578,492	\$578,492	\$578,492	\$578,492
<b>Lowest Gross Sales</b>	\$273,581	\$224,402	\$178,396	\$105,615
<b>Median Gross Sales</b>	\$336,917	\$273,097	\$242,098	\$215,541
<b># Exceeding Average</b>	20 of 47	37 of 94	49 of 141	77 of 189
<b>% Exceeding Average</b>	43%	39%	35%	41%
<b>Average Public Event Sales</b>	\$243,026	\$200,930	\$178,860	\$159,004
<b>Average Private Party Sales</b>	\$97,016	\$97,016	\$72,566	\$64,030
<b>% Change in Gross Sales from Previous Year</b>	30%	20%	21%	23%
<b>Average Months Open</b>	107	103	101	97

**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.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned outlets. Other than the financial performance representations disclosed in this Item, we do not make any representations about the past financial performance of franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Todd Owen, CEO, at 2121 N. Causeway Blvd, Suite 200, Mandeville, Louisiana 70471 or by telephone at (985) 626-3292, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For years 2020 to 2022 (1) (2)**

<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>
Franchised	2020	285	248	-37
	2021	248	231	-17
	2022	231	219	-12
Company-Owned	2020	4	3	-1
	2021	3	1	-2
	2022	1	1	0
Total Outlets	2020	289	251	-38
	2021	251	232	-19
	2022	232	220	-12

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)**  
**For years 2020 to 2022 (1)**

State	Year	Number of Transfers
ALABAMA	2020	0
	2021	0
	2022	1
ARIZONA	2020	1
	2021	0
	2022	0
COLORADO	2020	1
	2021	1
	2022	2
FLORIDA	2020	7
	2021	8
	2022	5
GEORGIA	2020	2
	2021	0
	2022	0
INDIANA	2020	2
	2021	1
	2022	1
LOUISIANA	2020	1
	2021	0
	2022	0
MICHIGAN	2020	1
	2021	1
	2022	0
MISSISSIPPI	2020	0
	2021	2
	2022	0
MISSOURI	2020	1
	2021	0
	2022	0
NEW JERSEY	2020	2
	2021	0
	2022	0
NEW YORK	2020	0
	2021	3
	2022	1
OHIO	2020	0
	2021	0
	2022	1
OKLAHOMA	2020	1
	2021	0
	2022	0

State	Year	Number of Transfers
PENNSYLVANIA	2020	1
	2021	2
	2022	1
TENNESSEE	2020	2
	2021	2
	2022	1
TEXAS	2020	7
	2021	8
	2022	5
UTAH	2020	1
	2021	0
	2022	0
TOTAL	2020	30
	2021	28
	2022	18

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2020 to 2022 (1) (3) (4)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
ALABAMA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
ARKANSAS	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
ARIZONA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CALIFORNIA	2020	11	0	0	1	0	2	8
	2021	8	0	0	0	0	1	7
	2022	7	0	0	0	0	0	7
COLORADO	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
CONNECTICUT	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
DELAWARE	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
FLORIDA	2020	50	0	1	1	0	5	43
	2021	43	0	0	0	0	0	43
	2022	43	2	1	0	0	2	42
GEORGIA	2020	9	2	0	0	0	0	11
	2021	11	0	0	0	0	1	10
	2022	10	0	0	0	0	0	10
HAWAII	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
ILLINOIS	2020	7	0	0	0	0	1	6
	2021	6	2	0	0	0	1	7
	2022	7	0	0	0	0	1	6
INDIANA	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
IOWA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
KENTUCKY	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
LOUISIANA	2020	8	0	0	0	0	0	8
	2021	8	0	0	1	0	0	7
	2022	7	0	0	0	0	0	7
MARYLAND	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MASSACHUSETTS	2020	1	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MICHIGAN	2020	12	0	0	1	0	2	9
	2021	9	1	0	2	0	1	7
	2022	7	0	0	0	0	0	7
MINNESOTA	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
MISSISSIPPI	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MISSOURI	2020	6	0	0	0	0	1	5
	2021	5	0	0	3	0	0	2
	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
MONTANA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NEBRASKA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NEW JERSEY	2020	6	0	0	0	0	2	4
	2021	4	0	1	0	0	1	2
	2022	2	0	0	0	0	0	2
NEW MEXICO	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NEW YORK	2020	13	0	0	0	0	4	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	1	8
NORTH CAROLINA	2020	5	0	0	0	0	1	4
	2021	4	0	0	1	0	0	3
	2022	3	0	0	0	0	1	2
OKLAHOMA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
OHIO	2020	6	0	0	0	0	0	6
	2021	6	1	0	0	0	1	6
	2022	6	0	0	0	0	0	6
OREGON	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PENNSYLVANIA	2020	23	0	0	2	0	2	19
	2021	19	0	0	1	0	2	16
	2022	16	0	0	0	0	0	16
SOUTH CAROLINA	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
TENNESSEE	2020	11	0	0	0	0	1	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	2	8
TEXAS	2020	64	1	2	1	0	4	58
	2021	58	0	0	1	0	0	57
	2022	57	0	0	0	0	4	53
UTAH	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
VIRGINIA	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
WASHINGTON	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
WISCONSIN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TOTAL	2020	285	3	3	9	0	28	248
	2021	248	4	1	9	0	11	231
	2022	231	2	1	0	0	13	219

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022 (1) (2) (3)**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
LOUISIANA	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
ILLINOIS	2020	2	0	0	0	0	2
	2021	2	0	0	0	2	0
	2022	0	0	0	0	0	0
NEW YORK	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
TOTAL	2020	4	0	0	1	0	3
	2021	3	0	0	0	2	1
	2022	1	0	0	0	0	1

**Notes:**

- (1) The numbers for the years 2020, 2021, and 2022 refer to our last three fiscal years. Our fiscal year end is December 31.
- (2) We do not own any outlets. As of the end of our last fiscal year, our affiliate, CNC owned 1 Painting with a Twist business. For purposes of this Item 20, this unit is considered a “Company-Owned Outlet.”

- (3) In 2021, we sold 2 company-owned outlets in Chicago, Illinois that we acquired from Bottle & Bottega to Painting with a Twist franchisees. The franchisees operate the outlets as “Bottle & Bottega by Painting with a Twist” businesses. Including these 2 outlets, there are a total of 12 “Bottle & Bottega by Painting with a Twist” franchised outlets in our franchise system.
- (4) As described in Item 1 of this disclosure document, 5 franchised outlets are owned by our affiliates: Vino, Tuten, Leroga, POC and POC2. Each of these businesses are operated under franchise agreements with us, and for purposes of this Item 20, these units are considered “Franchised Outlets.”

**Table No. 5**  
**Projected Openings as of December 31, 2022**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year
ARIZONA	1	1	0
LOUISIANA	1	1	0
MICHIGAN	1	1	0
MISSOURI	1	1	0
NORTH CAROLINA	1	1	0
NEVADA	1	1	0
<b>TOTAL</b>	<b>6</b>	<b>6</b>	<b>0</b>

The name, business address and business telephone number of each current Painting with a Twist franchisee as of December 31, 2022 is attached as Exhibit H. Also included in Exhibit H, are the names, city, state and business telephone number (or, if unknown, home telephone number) of each Painting with a Twist franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our last fiscal year, (January 1 to December 31, 2022), or who has not communicated with us within 10 weeks of the date of this disclosure document. If you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of December 31, 2022, there are no trademark-specific organizations formed by our franchisees that are associated with the System.

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

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Our fiscal year end is December 31. Attached to this disclosure document as Exhibit D are our audited, fiscal year end financials for the years ending December 31, 2022, 2021, and 2020.

## **ITEM 22**

### **CONTRACTS**

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

- A. Franchise Agreement
- B. Area Development Agreement
- F. General Release
- G. Franchisee Compliance Certification
- I. Contingent Assignment of Lease
- J. State Law Addenda

## **ITEM 23**

### **RECEIPT**

Exhibit K of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Attention: Franchise Development Department, Painting with a Twist, L.L.C., at 2121 North Causeway Boulevard, Suite 200, Mandeville, Louisiana 70471 (franchising@paintingwithatwist.com).



**EXHIBIT A**  
**FRANCHISE AGREEMENT**

**PAINING WITH A TWIST, L.L.C.**  
**FRANCHISE AGREEMENT**

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**PAINTING WITH A TWIST®  
FRANCHISE AGREEMENT**

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

**RECITALS:**

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

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

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

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

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

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

**ARTICLE 1**  
**FRANCHISE RIGHT GRANTED, LOCATION.**

**1.1 GRANT AND LICENSE.**

Beginning on the Effective Date of this Agreement and subject to the terms and conditions of this Agreement, Franchisor hereby awards Franchisee the right to open and operate one (1) Franchised Business as well as a non-exclusive right and license to use the Proprietary Marks designated by Franchisor. If Franchisee is a business entity, each individual holding in excess of fifteen percent (15%) of the total voting power of Franchisee's ownership interest (including each individual holding in excess of twenty percent (20%) of the total voting power of any business entity having a controlling interest in Franchisee) must execute the Guaranty Agreement and Confidentiality Agreement attached as Attachment A and Attachment B respectively. Any individual who directly or indirectly owns an interest in Franchisee, and any individual who attends Franchisor's Management Training (as defined in Article 4 of this Agreement), must execute the Confidentiality Agreement and Non-Compete Agreement attached as Attachment B.

**1.2 RIGHTS NOT GRANTED.**

This Agreement does not grant Franchisee any rights to: (i) operate additional Franchised Businesses or operate the Franchised Business at any location other than the Premises; (ii) offer any product or service via e-commerce; (iii) establish an independent website or establish a URL incorporating the Proprietary Marks or any variation thereof; or (iv) distribute, market, or implement Franchisor's products and services in any channel of distribution not specifically identified in this Agreement.

**1.3 SITE SELECTION AREA.**

(i) With Franchisor's acceptance, Franchisee will locate, lease and open, within twelve (12) months from the Effective Date, a Franchised Business within the geographical area of \_\_\_\_\_ (the "Site Selection Area"). The Site Selection Area is described solely for the purpose of limiting the area within which Franchisee may seek a site location for the Franchised Business and it in no way represents any territorial rights granted to Franchisee. If Franchisee is unable to secure an approved site and open a Franchised Business in the Site Selection Area within this twelve (12) month period, Franchisor, in Franchisor's sole discretion, may extend the time period for up to three (3) additional months, provided that Franchisee is making all reasonable efforts to diligently pursue securing a site and opening a Franchised Business. If Franchisee is unable to open a Franchised Business within the twelve (12) month period, as may be extended, this Agreement may be terminated by Franchisor pursuant to Article 14.4 of this Agreement.

(ii) Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; and (ii) potential locations for the Franchised Business, and resulting Protected Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted based on Franchisor's then-current guidelines which are provided by Franchisor at time of site selection.

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

#### 1.4 PREMISES SELECTION AND ACCEPTANCE.

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

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

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

(iii) Franchisor reserves the right to timely reasonably review, evaluate and approve Franchisee’s proposed lease for the Premises (“Lease”) prior to execution. Before Franchisee signs the Lease, Franchisee must submit a copy of the Lease to Franchisor for its authorization and review. Franchisor may withhold authorization for Franchisee to sign a lease that omits Franchisor’s Contingent Assignment of Lease (or other then used Lease Rider) in substantially the same form in use by Franchisor at the time the Lease is executed, or contains provisions Franchisor considers excessively onerous or restrictive. Upon execution of the Lease, Franchisee must provide a copy of the fully executed Lease, including all exhibits, attachments and addenda thereto. Franchisee shall not agree to an amendment or modification of the Lease terms thereafter without notice and approval by Franchisor. Franchisee shall also provide Franchisor with any notices by Landlord, such as a notice of default, or other such notices that may materially affect the terms of the Lease.

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

(v) Franchisee acknowledges that Franchisor will have no responsibility for evaluating or advising Franchisee with respect to any business or legal aspects of the Lease, and that Franchisor expressly advises Franchisee to obtain independent advice of counsel with regard to any Lease terms. Franchisee further acknowledges that Franchisee has conducted an independent investigation of the suitability of the site and that Franchisor’s approval of a site does not constitute

an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the Franchised Business. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for Franchisor's purposes as of the time of the evaluation. Franchisor will not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

#### 1.5 LIMITED PROTECTED TERRITORY.

Upon Franchisee executing the Lease for the Premises and prior to the opening of Franchisee's Franchised Business, Franchisor shall designate in writing to Franchisee a geographical area surrounding the Franchisee's Franchised Business ("Protected Territory"). The Protected Territory will be defined by identifiable boundaries and include a residential population count of at least one hundred thousand (100,000), based upon then-current Painting with a Twist site selection data. The boundaries of the Protected Territory may be shaped, at Franchisor's reasonable discretion, to match the population criteria and natural or geographic features. As long as Franchisee is not in default under this Agreement, Franchisor will neither establish, nor license another party or entity to establish a Franchised Business under the "Painting with a Twist" trademark within the Protected Territory. Franchisee understands that this Agreement grants it no rights: (i) to distribute such Painting with a Twist products or services through any other channel of distribution in the Protected Territory; or (ii) to share in any of the proceeds received by any such party therefrom. Franchisee acknowledges that the Protected Territory may be changed or altered, in Franchisor's sole discretion, should Franchisee have to relocate its Franchised Business for any reason.

#### 1.6 RELOCATION.

Once the Franchisor approves the Premises of the Franchised Business, Franchisee may only use the Premises to operate the Franchised Business. Upon written request of Franchisee, Franchisor, in its sole discretion, may grant Franchisee permission to relocate its Franchised Business to a location approved by Franchisor. Any relocation will be at Franchisee's sole expense. If Franchisor approves a relocation of Franchisee's Franchised Business, Franchisor may, in Franchisor's sole discretion, adjust the Protected Territory based on Franchisor's then current site location guidelines.

#### 1.7 EXCLUSIONS AND RESERVATIONS OF RIGHTS.

Franchisee expressly understands and agrees that Franchisor and Franchisor's affiliates will have the right, in Franchisor's sole discretion, to: (a) own and operate, or to license others the right to own and operate, Franchised Businesses at any location(s) outside Franchisee's Protected Territory under the same or different marks; (b) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail or wholesale stores, and via the Internet and mail order catalogs, without regard to location; (c) sell products and services through alternate channels of distribution such as retail or wholesale stores, via the Internet and mail order catalog; (d) acquire or be acquired by other business systems or entities; and (e) engage and license others to engage in any other activities not expressly prohibited in this

Agreement. This Agreement gives Franchisee no rights to conduct any of the above activities or share in any revenue generated from these activities.

## **ARTICLE 2 INSTALLATION AND COMMENCEMENT OF BUSINESS.**

### **2.1 BUILD-OUT; REQUIRED LICENSES.**

Franchisee, at its own expense, shall: (i) renovate the Premises into a Franchised Business in accordance with Franchisor's specifications and standards set forth in the Operations Manual or otherwise in writing; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of its Premises into a Franchised Business; and (iii) Franchisee shall fully complete the renovation, construction and equipping within a reasonable time thereafter. Franchisee shall commence operation of each Franchised Business no later than thirty (30) days following substantial completion of the renovation and equipment installation at the Premises, but shall not commence operations without Franchisor's written approval. In no event shall Franchisee construct or remodel the interior or exterior of any Franchised Business or make any improvements which vary from the then-current standards, plans, and specifications approved by Franchisor, without first obtaining Franchisor's prior written approval. Franchisee must use a licensed and insured general contractor for all construction and remodeling on the interior or exterior of the Premises. Franchisee, at its own expense, shall obtain all municipal and state licenses necessary to operate Franchisee's Franchised Business prior to commencing business at its Franchised Business and shall maintain all licenses in full force and effect during the term of this Agreement.

### **2.2 DESIGN PLAN.**

Before commencing any construction or renovations to the Franchised Business or undertaking any leasehold improvements at the Premises, Franchisee must submit a drawing of the physical layout of the Franchised Business to Franchisor for review. Franchisor will utilize the drawing submitted by Franchisee to generate a design plan depicting the interior design, trade dress décor, and color scheme ("Design Plan") that Franchisee must follow to ensure that the design of Franchisee's Franchised Business conforms to Franchisor's then-current standards, plans and specifications. If the renovations, construction, or remodeling of Franchisee's Franchised Business varies in any way from those specifications set forth in the Design Plan, Franchisee must notify Franchisor immediately and Franchisor must approve any variance in writing. The Design Plan is solely for complying with Franchisor's System standards, and not for determining compliances with codes, ordinances or the legal requirements of the Americans with Disabilities Act (the "ADA"). Franchisee is solely responsible for ensuring that its Premises conforms to all codes and ordinances, including the ADA. Franchisee must pay Franchisor or its designee its then-current design fee for services Franchisor will provide in connection with generating the Design Plan for Franchisee ("Design Fee"). The Design Fee shall be paid to Franchisor at the same time that Franchisee submits its drawing of the physical layout of its Premises to Franchisor.



### **ARTICLE 3 TERM AND RENEWAL.**

#### **3.1 TERM.**

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

#### **3.2 RENEWAL.**

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

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

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

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

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

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

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

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

### 3.3 INTERIM PERIOD.

If Franchisee does not sign the Successor Franchise Agreement prior to the expiration of the applicable Term, and Franchisee continues to operate the Studio after this Agreement expires (“Interim Period”), then at Franchisor’s option, Franchisor may treat this Agreement as either: (1) expired as of the date of expiration with Franchisee then operating without a license to do so in violation of Franchisor’s 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 30 days after receipt of the notice. In the latter case, all of Franchisee’s and Franchisor’s 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 Franchisee upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

## **ARTICLE 4 TRAINING.**

4.1 Franchisee will designate individuals as trainees to attend Franchisor’s management training in Mandeville, Louisiana and/or complete management training courses on-line (“Management Training”) or at another training location selected by Franchisor. Franchisor will offer Management Training for Franchisee and its management employees at times selected by Franchisor. Franchisor will bear the costs of providing Franchisee’s initial Management Training, including Franchisor’s overhead costs of training, staff salaries, materials, and all technical training tools. Franchisee shall pay all traveling, living, compensation, and other expenses incurred by Franchisee and/or Franchisee’s employees in connection with attendance at training programs. The training program and manner of conducting such program shall be at Franchisor’s sole discretion and control.

4.2 Franchisee will not allow any Franchised Business to be opened or managed by any person who has not attended and successfully completed Management Training or other training course designated by Franchisor. If Franchisee is an individual, and does not manage its Franchised Business on a day-to-day basis, and in the event its designated business manager resigns or is terminated, Franchisor encourages, but will not require, the successor manager to attend a manager training course provided by Franchisor. If Franchisee elects to not have the successor manager attend the Franchisor’s training, Franchisee must train successor manager using the Franchisor’s designated training resources.

4.3 If at any time the trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend and carry out the course of study to the reasonable satisfaction of Franchisor, the trainee may repeat the course, or in the case of an employee, Franchisee may send a replacement (the “Replacement Personnel”) to the next available initial training program. Franchisor may charge for such Replacement Personnel attending an initial training program. Failure by Franchisee, its employee or any Replacement Personnel to complete the initial training program to Franchisor’s satisfaction within the time

period prescribed in this Agreement will constitute a default of this Agreement and Franchisor may terminate the Agreement.

4.4 In the event of a sale to a third party of Franchisee's Franchised Business after opening, the transferee must attend and satisfactorily complete Management Training as a condition of Franchisor's consent to such transfer. All tuition costs for such training are included in the Transfer Fee and shall be deemed paid when Franchisor receives payment of the Transfer Fee due in accordance with Article 13 herein. Transferee shall not be permitted to assume operations until Franchisor certifies that the transferee is approved to operate the respective Franchised Business.

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

4.6 Additional training sessions after the initial Management Training may be available, at Franchisor's discretion, at Franchisee's expense. Franchisee's attendance at additional training sessions may be mandatory if requested by the Franchisor or if they are scheduled in Franchisee's state. Franchisor may not mandate more than two additional training sessions in a twelve (12) month period unless they are online courses. For this additional training, Franchisor will provide the instructors and instructional materials, but Franchisee must arrange for transportation, lodging and food for itself and or its manager. Additionally, Franchisee, at Franchisee's expense, may be required to attend regional meetings when and if established by Franchisor.

## **ARTICLE 5 FEES, REPORTS, BOOKS AND RECORDS.**

### 5.1 FEES.

(i) Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Twenty-Five Thousand Dollars (\$25,000) (the "Initial Franchise Fee"). Except as provided in Article 1.3 of this Agreement, the Parties acknowledge and agree that the Initial Franchise Fee will be deemed fully earned and non-refundable upon payment.

(ii) Franchisee shall pay to Franchisor weekly during Term six percent (6%) of the weekly Gross Sales of Franchisee's Franchised Business ("Royalty Fee"). For the purposes of this Agreement, "Gross Sales," means gross revenues received by Franchisee as payment, whether in cash or for credit (and, if for credit, whether or not payment is received therefor), for all offered products and/or services sold in or from Franchisee's Franchised Business, and gross revenues received by Franchisee from any other business operated at the Premises, excluding sales taxes and discounts approved in writing by Franchisor.

(iii) Franchisee shall pay two percent (2%) of its Gross Sales for each and every week of its operations to Franchisor (the "System Advertising Fee"). These funds will be deposited, at Franchisor's sole discretion, into a segregated advertising account (with other advertising collections) controlled by Franchisor (the "System Advertising Fund").

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

## 5.2 REPORTS AND INSPECTION OF RECORDS.

(i) At Franchisor’s request, Franchisee shall promptly execute or re-execute within five (5) days after Franchisor’s request, and deliver to Franchisor a fully executed copy of the ACH Service Agreement attached to this Agreement as Attachment C, to enable Franchisor to electronically (draft on Franchisee’s account by electronic withdrawal) collect the six percent (6%) continuing Royalty Fee (see Article 5.1) and, if implemented by Franchisor, the System Advertising Fee (see Article 5.1) of Gross Sales payable under the terms of this Agreement as well as the Technology Fee (see Article 5.1) along with any other fee allowed under this Agreement or the ACH Service Agreement.

(ii) Franchisee shall report its Gross Sales using the FAM System (see Article 11) within two (2) days after the end of each business week (currently Monday) or at such other times as are established by Franchisor in its sole discretion. Franchisee shall submit written weekly summaries showing results of its operations by the following Saturday. If Franchisee fails to report its sales on a timely basis, Franchisor may estimate the amount of Franchisee’s sales. Franchisor will then deposit or transfer the reported, or in the absence of a report, the estimated, amounts due into its own account, using the Franchisee’s pre- authorized checks or other instruments. If any draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor interest on the unpaid sum at a rate of prime plus 2.5% per annum or the maximum rate allowed by the applicable federal and/or state law in addition to Franchisor’s expenses arising from such non-payment, including bank fees in the amount of at least \$50, hourly staff charges arising from such default, and any other related expenses incurred by Franchisor. By the fifth (5th) day of each month Franchisee shall pay to Franchisor any sums unpaid for the prior month to adjust for sales owed for any partial week or sales that were unpaid, improperly recorded or not credited on Franchisee’s books and records. Franchisee hereby agrees to pay any sales, use or other tax now or hereinafter imposed on franchise fees, advertising fees or any additional rental collected under the lease for the Premises, imposed by any federal, state or local governmental authorities. Franchisor, at its sole discretion, may collect the taxes in the same manner as franchise fees are collected herein and if Franchisor collects such taxes, Franchisor shall promptly pay the tax collections to the appropriate governmental authority.

(iii) Franchisee shall submit to Franchisor an accurate monthly Profit and Loss Statement within thirty (30) calendar days after the end of each calendar month, using the chart of accounts, format and method prescribed by Franchisor, signed and certified by Franchisee, and shall provide Franchisee’s sales, expenses and financial status with respect to the Franchised Business. If requested, Franchisee shall submit to Franchisor annual financial statements, including a Profit and Loss Statement and Balance Sheet prepared by an accounting professional, in accordance with generally accepted accounting principles. Franchisee shall also provide

Franchisor with copies of signed original sales and use tax forms upon written request of Franchisor. Franchisor reserves the right to require such further information concerning Franchisee's Franchised Business as Franchisor may from time to time reasonably request. Furthermore, Franchisee shall provide Franchisor with any reports as Franchisor may from time to time require, in the form, method and at the time Franchisor prescribes. Franchisee's fiscal year end will be December 31, unless another date is mutually agreed upon by Franchisor and Franchisee. Within sixty (60) days of Franchisor's fiscal year end, Franchisee will provide Franchisor with the metrics and other financial information Franchisor reasonably requests regarding the operation of Franchisee's Franchised Business.

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

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

### 5.3 TAXES AND INDEBTEDNESS.

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

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

### 6.1 STANDARDS.

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

## 6.2 MANUALS.

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

(i) The Manuals (and copies thereof) remain Franchisor's property and must be returned to Franchisor or if Franchisor consents, promptly destroyed upon the Agreement's termination, expiration or nonrenewal. The Manuals are highly confidential documents which contain certain trade secrets of Franchisor, and Franchisee shall never reveal, and shall take all reasonable precautions, both during and after the Term, to assure that its employees and any other party under Franchisee's control, shall never reveal any of the contents of the Manuals or any other secret provided by Franchisor, except as is necessary for the operation of Franchisee's Franchised Business. If Franchisee is not involved in the management of Franchisee's Franchised Business, the manager must execute a Confidentiality Agreement, a copy of which is attached hereto as Attachment B. If Franchisee loses a Manual, Franchisee shall pay Franchisor \$250 to replace such Manual.

## 6.3 HOURS.

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

## 6.4 APPEARANCE.

From time to time, Franchisee's Franchised Business may need interior and exterior repairs, maintenance, improvements or equipment upgrades and additions in order to comply with the Manuals and or to maintain proper operations and an aesthetic appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary to comply with Franchisor's then-current standards and specifications described in the Manuals. Franchisor shall not require any such work at a particular Franchised Business less than three (3) years after the opening of the Franchised Business except: (i) if repairs, maintenance or repainting are necessary to maintain the appearance of the interior and exterior of the Premises in a clean and orderly reasonable condition satisfactory

to Franchisor; or (ii) upon the sale of the Franchisee's Franchised Business. Within ninety (90), days or such longer time period that Franchisor reasonably determines that is needed under the circumstances, Franchisee shall fully implement and complete such changes to the Franchised Business subject to receipt of all necessary landlord and governmental permits. To the extent extensive remodeling and/or renovation is reasonably necessary, Franchisee shall fully implement and complete such modifications within six (6) months after receipt of written notice from Franchisor.

#### 6.5 PRODUCT LINE AND SERVICE.

Franchisee agrees to only offer such products or services as specified by Franchisor in this Agreement or in the Manuals, from time to time. Franchisor will provide Franchisee with access to all approved artworks in Franchisor's art library as well as any future approved art created by the Franchisor or other franchisees within the System. No work of art shall be used unless the same shall have been first submitted to and approved in writing by Franchisor. Franchisee acknowledges and agrees that all new artworks submitted and approved by Franchisor are the exclusive property of Franchisor, and that Franchisor shall have no obligation to Franchisee with respect thereto.

#### 6.6 FIXTURES AND OTHER GOODS.

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

#### 6.7 OFFSITE EVENTS.

Franchisee may conduct events outside of Franchisee's Franchised Business for Authorized Products and/or Services ("Offsite Event(s)") in accordance with the terms and conditions set forth herein and in the Manuals. Franchisee must comply with the insurance requirements set forth under Article 16.1 of this Agreement before an Offsite Event is conducted. In addition, Franchisee shall not conduct an Offsite Event within the Protected Territory of another Painting with a Twist franchisee without the prior written consent of Franchisor or in accordance with the Manuals. Franchisee agrees to indemnify and hold Franchisor harmless from any claims, demands, liabilities, actions, suits or proceedings asserted by third parties arising out of or related to Franchisee conducting an Offsite Event.

#### 6.8 OBLIGATION TO MAINTAIN WORKING CAPITAL.

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

#### 6.9 PERSONAL CONDUCT AND BEST EFFORTS.

Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring the Proprietary Marks into disrepute. Furthermore, Franchisee must use its best

efforts to promote and increase the demand for Painting with a Twist services. All of Franchisee's advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the Franchised Business or the goodwill associated with the Proprietary Marks and the System.

#### 6.10 PENDING ACTIONS.

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

#### 6.11 PAYMENT OF OBLIGATIONS.

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

### **ARTICLE 7 SERVICES, INSPECTIONS, SIGNS.**

#### 7.1 SERVICES.

(i) Franchisee shall not advertise for sale, sell or give away any product and/or service unless such product and/or service has been approved in the Manuals as an Authorized Product and/or Service for sale in Franchisee's Franchised Business and not thereafter disapproved in writing by Franchisor. All Authorized Products and/or Services shall be distributed under the specific name designated by Franchisor. Franchisor has the right, subject to applicable law, to establish minimum prices and/or maximum prices to be charged by Franchisee for the products and services Franchisee offers at the Franchised Business, except food and beverage pricing. Franchisee must honor all such maximum prices and minimum prices Franchisor establishes in accordance with this Section. Franchisee must also honor and offer all coupons, discounts, campaigns, loyalty programs, gift cards or gift certificates, or similar promotions Franchisor designates and cannot offer coupons, discounts, gift cards or gift certificates, or similar promotions that are not part of a System-wide promotion or program without Franchisor's prior written approval.

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



## 7.2 COMPLIANCE.

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

## 7.3 SIGNS, DESIGNS AND FORMS OF PUBLICITY.

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

(ii) No exterior or interior sign or any design, advertisement, internet address, "web page" or world wide web home page, sign, or form of publicity, including form, color, number, location, and size, shall be used by Franchisee or any regional advertising cooperative (see Article 8) unless first submitted to Franchisor and approved in writing. Whenever Franchisee elects to utilize, in the form supplied, advertising supplied by Franchisor or any promotional item specifically approved by Franchisor, no further approval for use of such material is required. Franchisor may subsequently disapprove such material at any time thereafter. Upon written notice from Franchisor, Franchisee shall discontinue and or remove such disapproved material and any objectionable advertising materials or any other materials not suitable for display, in Franchisor's sole discretion.

## 7.4 DRESS CODE AND EMPLOYEE APPEARANCE.

Franchisee shall cause all employees, while working in the Franchised Business to: (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time; and (ii) present a neat and clean appearance, as further stated in the Manuals. If the type of uniform utilized by Franchisee is removed from the list of approved uniforms, Franchisee shall have sixty (60) days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform.

## 7.5 VENDING OR OTHER MACHINES.

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

## 7.6 INSPECTION.

(i) Franchisor's authorized representatives shall have the right to enter upon the Premises of Franchisee's Franchised Business during business hours, without disrupting Franchisee's business operations, for the purposes of examining same, conferring with Franchisee's employees, inspecting and checking operations, furnishings, interior and exterior

decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the Manuals.

(ii) In the event any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including but not limited to quality, cleanliness, service, health and Authorized Product and/or Services line, Franchisor will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the System, or this Agreement. Franchisee shall have twenty-four (24) hours after receipt of such notice, or such other greater time period as Franchisor in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition.

## **ARTICLE 8 ADVERTISING.**

### **8.1 GENERALLY.**

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

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

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

(iv) Franchisee cannot solicit customers and/or advertise outside Franchisee's Protected Territory except to the extent that Franchisee has received Franchisor's prior written authorization, which Franchisor may withhold at its sole discretion. Franchisor may condition Franchisor's authorization upon Franchisee's agreement to offer to other System franchisees, specifically those who operate Franchised Businesses in territories encompassed by the circulation base of the proposed advertising, the opportunity to participate in, and share the expense of, such solicitation and/or advertising. Notwithstanding the forgoing, Franchisee may accept customers from outside Franchisee's Protected Territory at Franchisee's Premises, provided Franchisee did not solicit such

customers by advertising outside of Franchisee's Protected Territory without Franchisor's prior written consent. Franchisee may not advertise the Franchised Business or any products or services offered by the Franchised Business via the Internet or any other means of e-commerce without Franchisor's consent.

## 8.2 LOCAL ADVERTISING.

(i) Franchisee agrees to spend the then-current amount that Franchisor has established for its "Grand Opening" promotion through mediums designated and/or approved by Franchisor. The "Grand Opening" event is required for all franchisees and functions to introduce Franchisee's Franchised Business to the public. At Franchisor's request, Franchisee shall, within five (5) days from such request, promptly submit all receipts, invoices, etc. to Franchisor as verification of compliance with this Article 8.2(i).

(ii) Thereafter, Franchisee agrees to spend a minimum of \$1,000 per month on local advertising directed to the Protected Territory, through mediums approved by Franchisor. Franchisee shall submit copies of any and all receipts, invoices, etc. to Franchisor within fifteen (15) calendar days after the end of each calendar month as verification of Franchisee's compliance with this Article 8.2(ii). Included with this requirement, Authorized Products and/or Services shall be marketed by approved materials to be utilized in Franchisee's Franchised Business. The approved and authorized materials may include, in Franchisor's discretion, requirements concerning organization, graphics, product and/or service descriptions, illustrations, and any other matters related to the materials, whether or not similar to those listed. In Franchisor's discretion, the materials may vary depending upon region, market size, and other factors. Franchisor may change the materials from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or non-uniform Franchised Business(es) within regions, in which case Franchisee will be given a reasonable time (not longer than thirty (30) days) to discontinue use of any old materials and implement use of the new materials.

## 8.3 SYSTEM ADVERTISING FUND.

(i) Franchisor will use System Advertising Fund contributions, in Franchisor's sole discretion, to develop, produce and distribute national, regional and/or local marketing and to create advertising materials and public relations programs which promote, in Franchisor's sole judgment, the services offered by System franchisees. Franchisor has the sole right to determine contributions and expenditures from the System Advertising Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs. Franchisor may use the System Advertising Fund contributions to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertisements and other marketing, including the cost of preparing and producing television, radio, magazine, Internet and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet website; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. Franchisee acknowledges that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. While Franchisor does not anticipate any part of the System Advertising Fund contributions will be used for advertising that is principally a solicitation for franchisees, Franchisor reserves the right to use the

System Advertising Fund contributions for public relations or recognition of the Painting with a Twist brand and for the creation and maintenance of a website, a portion of which may be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating the availability of franchises. Sales materials, if developed, may be sold to franchisees at a reasonable cost.

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

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

(iv) Franchisor will prepare and make available for Franchisee, on a semi-annual basis, an unaudited statement of contributions and expenditures for the System Advertising Fund. The statement will be presented to Franchisee upon Franchisee’s written request.

(v) Franchisor may, in its sole discretion, establish a regional advertising cooperative covering Franchisee’s Protected Territory. Franchisee will immediately on Franchisor’s request become a member of any cooperative covering Franchisee’s Protected Territory. The cooperative will be governed in the manner we require. The cooperative has the right to require each of its members to make contributions to the cooperative, not to exceed 2% of Franchisee’s Gross Sales. Franchisor has the right to change, combine or dissolve Cooperatives. Franchisee will not be required to be a member of more than one cooperative. The following provisions will apply to each cooperative:

(a) The cooperative will be organized and governed in a form and manner, and will begin operation on a date, Franchisor approves in advance in writing;

(b) The cooperative will be organized for the exclusive purpose of administering advertising programs and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in local advertising in the cooperative’s territory;

(c) The cooperative may adopt its own rules and procedures, but we have the right to approve the rules or procedures. The rules and procedures will not restrict nor expand your rights or obligations under this Agreement. Except as otherwise provided in this Agreement, and subject to our approval, any lawful action of the cooperative at a meeting attended by 2/3 of the members, including assessments, is binding on you if approved by 2/3 of the members present, with each franchised business and company- or affiliate-owned business having 1 vote; and

(d) No advertising or promotional plans or materials may be used by the cooperative or furnished to its members without Franchisor’s written approval. All plans and materials must be submitted to Franchisor in accordance with the procedure stated in Article 8.1.

(e) Franchisor reserves the right to establish general standards concerning the operation of all cooperatives, advertising agencies retained by cooperatives, and advertising programs conducted by cooperatives.

(f) Franchisor, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in the cooperative, on written request of the franchisee stating reasons supporting the exemption. Franchisor's decision concerning the request for exemption is final.

(g) Any contributions by Franchisee to a regional advertising cooperative shall be credited toward Franchisee's monthly local advertising obligations and Franchisee shall be entitled to reduce Franchisee's monthly local advertising obligations required under Article 8.2 by the amount of Franchisee's contributions to a regional advertising cooperative.

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

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

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

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

9.4 Franchisee must identify itself as the owner of the Franchised Business (in the manner Franchisor prescribes) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, customer forms and questionnaires, business stationery, and advertisements, as well as at such conspicuous locations as Franchisor may designate in writing at the Premises.

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

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

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

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

9.9 Franchisee expressly understands and acknowledges that:

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

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

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

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

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

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

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

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

## **ARTICLE 10**

### **USE AND PURCHASE OF EQUIPMENT, SUPPLIES AND OTHER PRODUCTS.**

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

10.2 To insure the consistent high quality and uniformity of products used by Franchised Businesses, Franchisee shall purchase all equipment, inventory, and other supplies, products, and materials used in the operation of its Franchised Business as Franchisor may specify from time to time, and as applicable, solely from suppliers and/or distributors that Franchisor designates in its sole and absolute discretion, which may include Franchisor or its affiliate(s). If Franchisee desires to purchase any items from an unapproved supplier or distributor, whom Franchisee desires to become an authorized supplier or distributor, Franchisee shall first submit a written request to Franchisor for such approval. Franchisor has the right to require that the proposed supplier or distributor provide reasonable financial, operational and economic information regarding its business and establish economic terms, delivery, service and other requirements as Franchisor may determine to be necessary or desirable for the operation of the System. Franchisor may charge a fee for Franchisor's reasonable costs, to review the application of the supplier or distributor and complete any inspections necessary to evaluate the supplier. Franchisor has no obligation to approve any alternative product, supplier or distributor and may revoke its approval at any time. If a supplier's approval has been revoked, Franchisee shall still be permitted to use reasonable amounts of inventory already purchased from such supplier unless that inventory can be purchased back or sold at Franchisee's cost or Franchisor determines that there is a safety, quality or exigent circumstance that requires the discontinuance of that product. If a product line has been discontinued, Franchisee must immediately discontinue use of any inventory related to the discontinued product line. Upon the receipt by Franchisor of Franchisee and the proposed supplier or distributor's request for approval in full compliance of this article, Franchisor will notify Franchisee of its decision within ninety (90) days following the evaluation. If we do not notify you within 90 days, the request will be deemed disapproved.

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

Franchisor or its related or affiliated entities or from sources designated or approved by Franchisor, to the extent permitted by law.

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

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

11.1 This Agreement and the Manuals require the submission of weekly statistical control forms as well as other financial, operational and statistical information required by Franchisee and Franchisor to: (i) assist Franchisee in the operation of its Franchised Business in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's Gross Sales, purchases, costs and expenses; (iii) enable Franchisor to develop System wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new Authorized Products and/or Services or the removal of existing unsuccessful Authorized Products and/or Services; (v) enable Franchisor to refine existing Authorized Products; (vi) generally improve System wide understanding of the System; and (vii) obtain new types of information unknown at this time.

11.2 In developing and operating Franchisee's Franchised Business, Franchisee shall use Franchisor's proprietary internet-based franchise administrative/management system and any periodic improvements thereto or such other system that Franchisor may designate in the future (the "FAM System"). Franchisee shall input all data into the FAM System as designated from time to time in the Manuals, including but not limited to, information relative to reservations, receipts and sales information. Franchisor shall have unlimited access to all data input into the FAM System by Painting with a Twist franchisees. Franchisor's improvements to the FAM System may require Franchisee to obtain specific computer hardware and software and Franchisor may modify specifications for and components of the FAM System from time to time. Franchisor's improvements to the FAM System may require Franchisee to incur costs and, if required, to purchase, lease, license new or modified computer hardware or software during the Term or Additional Terms. Franchisee will obtain any such required hardware or software components relative to the FAM System Franchisor designates and requires within sixty (60) days after Franchisor notifies Franchisee.

Franchisee's computer hardware must be capable of running and connecting with the FAM System so that Franchisee may access the FAM System and so Franchisor may review the results of the operation of Franchisee's Franchised Business. Further, Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee, including without limitation: (i) a compatible computer system that complies with Franchisor's standards and specifications and is capable of operating Franchisor's designated software; (ii) a custom point of sale system, if applicable; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System"). Franchisor will provide assistance to Franchisee in connection with the connectivity and use of the FAM System and any proprietary software Franchisor requires



Franchisee to use. For purposes of this Article, “Proprietary Software” shall mean any proprietary software Franchisor has developed and included in or used in conjunction with the FAM System, and any proprietary software Franchisor may develop or require Franchisee to use in the future. Franchisor reserves the right to modify the Computer System, hardware, and software requirements, and Franchisee shall comply with any such change at its sole cost.

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

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

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

11.6 During the Term, Franchisor will provide limited support services with respect to the FAM System and any Proprietary Software to the extent Franchisor deems practicable in the manner Franchisor designates from time to time in the Manuals.

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

(i) Addressing errors, defects, or damage in or to the Proprietary Software resulting from causes other than those arising in the ordinary permitted use of the Proprietary Software, or from the use of third-party software, firmware or date, or from the use of hardware not meeting our minimum recommended configurations;

(ii) Providing hardware-related services;

(iii) Providing training to Franchisee’s personnel except as otherwise provided in this Agreement; or

(iv) Developing or otherwise providing Franchisee with additional features, functionality, or customizations to the Proprietary Software.

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

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

11.10 Franchisor disclaims any warranties of any nature whatsoever, whether express, written, oral, implied or statutory, including any implied warranties of merchantability or fitness for a particular purpose, title or non-infringement, or any warranties arising under the uniform computer transactions act, however enacted in any state or jurisdiction. Franchisor is not liable under any circumstances to you for any consequential, special, exemplary, indirect, incidental or collateral damages of any nature whatsoever in connection with any of the supplies or the FAM System or any Proprietary Software, or any other products, equipment or supplies you obtain from us or others and their design (including Franchisee's right to use, delivery, and installation), the service and functions they perform (or fail to perform), their design and this Agreement, whether by reason of imperfection or defect in them or in their performance, Franchisor's breach or otherwise, even if Franchisor is advised of the possibility of such damages, regardless of whether they are based in tort or in contract.

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

11.12 Franchisee is required to participate in any System-wide computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such computer network, intranet system, or extranet system to, among other things: (i)

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

#### 11.13 INTERNET AND WEBSITE.

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

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

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

(iv) Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, MySpace, Twitter, LinkedIn, Plaxo, YouTube, Pinterest, Instagram, or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such World Wide Web or Internet site in accordance with System standards and any other policies Franchisor designates in the Manuals; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s). Franchisor shall have the right to modify the provisions of this Article, including its social media requirements, at any time.

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

## **ARTICLE 12**

### **COVENANT REGARDING OTHER BUSINESS INTERESTS.**

12.1 During the Term, Franchisee, and if Franchisee is an entity then each individual who directly or indirectly owns at least ten percent (10%) interest in Franchisee, as well as each of Franchisee's officers, directors, and principals, may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (a) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any business that offers services related in any way to painting instruction, creating art or crafts in a social setting where guests drink wine or other beverages, or provides any other services offered by or engages in any other business similar to that which is the subject of the Franchised Business ("Competing Services"); or (b) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

(i) Upon the termination, expiration or nonrenewal of this Agreement, or if Franchisee assigns or transfers its interest herein to any person or business entity, or if any person identified in the first paragraph of this Article terminates its relationship with Franchisee, then for a period of twelve (12) months thereafter, Franchisee, and if Franchisee is an entity, then any individual that directly or indirectly owns at least ten percent (10%) interest in Franchisee, Franchisee's officers, directors, or principals, may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (a) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any business offering or licensing others to offer Competing Services at a location within a radius of ten (10) miles of Franchisee's former Franchised Business or of any other then existing Franchised Business; (b) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System; or (c) solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

(ii) In the event any portion of the above covenants violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice.

12.2 During the Term, Franchisee will receive information which Franchisor considers its trade secret and confidential information ("Confidential Information"), including operating procedures, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, class offerings, pricing for classes, any information contained in the Manuals, trade secrets, and other methods, techniques and know-how concerning the operation of the Franchised Business that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business. Franchisee will not, during the Term or thereafter, communicate, divulge, or use for the benefit of any other person,

partnership, association, corporation, or limited liability company any Confidential Information. Franchisee acknowledges and agrees that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Franchisee may divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data that Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement. Franchisee acknowledges and agrees that Franchisor has expended considerable time, effort, and money to develop the System that the enumerated Confidential Information is not well known outside of the System, that the Confidential Information is of great value to the Franchisor, and that Franchisor is implementing this non-disclosure policy in an effort to protect its trade secrets and Confidential Information. Franchisee acknowledges that in the event of the actual or threatened breach of this Article, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm.

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

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

of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

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

## **ARTICLE 13 NATURE OF INTEREST, AND TRANSFER.**

### 13.1 GENERAL PROVISIONS.

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

(ii) The rights and duties created by this Agreement are personal to Franchisee. Accordingly, except as otherwise permitted herein, neither Franchisee nor any person with an interest in Franchisee shall, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or, if Franchisee is a partnership, joint venture, limited liability company or corporation, any direct or indirect interest in Franchisee. Any such purported assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee, and shall be null and void.

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

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

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

This Transfer Fee will not be due with respect to any transfer that (together with all other related previous, simultaneous, or proposed transfers) does not result in the transfer of control of

Franchisee; provided, however, that Franchisor may charge a reasonable administrative fee not to exceed Five Hundred Dollars (\$500) for such non-controlling transfers.

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

(v) If Transferee is an individual, Franchisor hereby consents to the assignment of this Agreement and any and all obligations referable thereto with payment of a reasonable administrative fee not to exceed Five Hundred Dollars (\$500). Upon such assignment and assumption by the corporation, or other entity, along with delivery of executed originals of same to Franchisor, Franchisee/Transferee must enter into a Guaranty Agreement, attached hereto as Attachment A, regardless of your ownership in the business entity.

### 13.2 CONSENT TO TRANSFER.

For all proposed transfers or assignments of this Agreement, Franchisor will not unreasonably withhold its consent to any transfer or assignment which is subject to the restrictions of this Article, provided however, Franchisor shall not be required to give its consent unless all of the following conditions are met prior to the effective date of assignment:

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

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

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

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

(v) The transferee/assignee has demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current requirements for new transferees or for holders of an interest in a

franchise, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, and the ability to fully comply with the terms of this Agreement.

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

(vii) The transferee/assignee executes such other documents as Franchisor may require, including the then-current standard franchise agreement form used by Franchisor (which may contain materially different terms than this Agreement),;

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

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

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

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

(xii) Franchisor is provided with binding letter of intent or an executed copy of the purchase agreement.

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

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

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

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

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



### 13.3 DEATH OR DISABILITY.

(i) *Representative's Right to Continue as Franchisee.* In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals, partners or personal guarantors, if Franchisee is an entity), Franchisee's legally appointed agent, as applicable, will have the right to continue the operation of the Franchised Business as franchisee under this Agreement if: (i) within sixty (60) days from the date of death, disability or incapacity (the "60-Day Period"), such person has obtained Franchisor's prior written approval for assignment of the Agreement and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has executed a personal guaranty to satisfy Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) if such death, incapacity or disability is of the person managing the Franchised Business, such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current training fees). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

(ii) *Franchised Business Operation During and After 60-Day Period.* Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 60-Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) will appoint an acting interim manager approved by Franchisor to operate the Franchised Business during the 60-Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor has the right, but not the obligation, to operate Franchisee's Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a management fee of twenty percent (20%) of Gross Sales, in addition to royalties and other amounts due under this Agreement, to reimburse Franchisor for Franchisor's management services and other costs, including, without limitation travel and lodging expenses ("Management Fee"). Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorneys' fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of Franchisee's Franchised Business.

## **ARTICLE 14 TERM, DEFAULT AND TERMINATION.**

### 14.1 GENERALLY.

Franchisor may terminate this Agreement as described in this Article.

#### 14.2 AUTOMATIC TERMINATION WITHOUT NOTICE TO FRANCHISEE.

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

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

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

(iii) Franchisee purports to sell, transfer or otherwise dispose of Franchisee or any interest in the Franchised Business in violation of Article 13 hereof.

#### 14.3 TERMINATION WITH NOTICE AND WITHOUT OPPORTUNITY TO CURE.

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

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

(ii) Franchisee's conduct of the Franchised Business is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health, or selling regularly unauthorized products to the public after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices;

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

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

(v) If Franchisee repeatedly commits defaults under any provisions of this Agreement on two (2) or more occasions in any twelve (12) month period, even if Franchisee cured each such

prior default, and even if Franchisee would otherwise be given an opportunity to cure the current default;

(vi) Franchisee's, without Franchisor's consent, ceasing to operate or otherwise abandoning its Franchised Business or, upon destruction of its Franchised Business, failure to rebuild and resume operation within a reasonable time.

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

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

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

(x) If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within sixty (60) days, unless such writ of attachment or execution or other lien is damaging the goodwill of the brand associated with the Franchised Business, then such attachment or lien must be released or bonded against within fifteen (15) days;

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

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

(xiii) Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Article 16;

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

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

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

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

#### 14.4 DEFAULTS WITH OPPORTUNITY TO CURE.

Except as otherwise provided in this Agreement, Franchisee shall have ten (10) days after Franchisor's written notice of default within which to remedy Franchisee's failure to promptly pay

any monies owed to Franchisor, Franchisor's affiliates, or any third-party vendors, when due, or to submit the financial or other information required by Franchisor under this Agreement.

Unless a shorter cure period is designated for a default under this Article 14, Franchisor has the right to terminate this Agreement after providing notice and a thirty (30) day cure period if Franchisee fails to perform or comply with any one or more of the terms or conditions of this Agreement, the Manuals, or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates. If any such default is not cured within that time period, or such longer time period as applicable by law may require, Franchisor may, at its option, terminate this Agreement and all rights granted by it, immediately upon receipt of a written notice of termination of this Agreement to Franchisee.

14.5 In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees and reasonable costs of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within thirty (30) days after cure.

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

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

## **ARTICLE 15 RIGHTS AND OBLIGATIONS UPON TERMINATION.**

15.1 Upon the termination of Franchisee's rights granted under this Agreement (whether during the Term or at its conclusion) the following shall apply.

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

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

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

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

(v) In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which constitute post-termination covenants and agreements including the obligation of Franchisor and Franchisee to arbitrate any and all disputes shall survive the termination or expiration of this Agreement.

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

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

(viii) Franchisee shall immediately pay any and all amounts owing to Franchisor.

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

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

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

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

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

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

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

15.2 Upon the termination or expiration of this Agreement, Franchisor, or Franchisor's designee will also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's Franchised Business by providing Franchisee written notice of Franchisor's election within sixty (60) days after such termination or expiration and by paying Franchisee the book value for such personal property within sixty (60) days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a five (5) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). If Franchisor exercises its option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

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

## **ARTICLE 16 INSURANCE.**

16.1 Franchisee shall obtain and maintain insurance coverages as specified by Franchisor herein or from time to time in the Manuals or otherwise in writing. Franchisee shall in each instance designate Franchisor as an additional named insured, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld as follows:

(i) Comprehensive general liability insurance (including products liability coverage, sexual harassment coverage, host liquor liability coverage, and off-premises events coverage) with coverage of at least \$1,000,000 per occurrence, and \$2,000,000 aggregate with full replacement value of business contents property coverage.

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

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

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

(v) Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars (\$1,000,000) combined single limit, and Two Million Dollars (\$2,000,000) general aggregate limit. If Franchisee conducts an Offsite Event for Authorized Products and/or Services, Franchisee shall obtain separate non-owned auto coverage insurance and general liability insurance coverage. Franchisee may not directly or indirectly conduct such Offsite Event(s) until such insurance is obtained and Franchisor is named as an additional insured.

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

16.3 Franchisee shall, prior to opening its Franchised Business, file with Franchisor certificates of such insurance and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums and Franchisor's costs in taking such action. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within twenty-four (24) hours. Franchisee has one (1) business day to cure any lapses in insurance coverage. Franchisee must submit a certification of insurance that demonstrates compliance with this Article. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice. All insurance policies must contain a waiver by the insurance carrier of all subrogation rights against Franchisor.

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

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

16.6 If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and

Franchisee shall pay Franchisor, on demand, the premium cost thereof and administrative costs equal to 18% of the cost of the annual premium in connection with Franchisor's obtaining the insurance.

## **ARTICLE 17**

### **SOLE OBLIGATIONS OF FRANCHISOR.**

17.1 Franchisor agrees to provide the following services to Franchisee:

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

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

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

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

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

(vi) To maintain and update Franchisor's website in Franchisor's sole discretion.

(vii) To provide maintenance to the FAM System and other software and information technology systems and services to maintain and enhance the System.

(viii) To notify Franchisee of changes to Franchisor's operating system that affect Franchisee.

(ix) To perform any other obligations specified in this Agreement.

17.2 Franchisor shall not be held in breach of this Agreement until (i) Franchisor has received notice of any alleged breach from Franchisee; and (ii) Franchisor has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than sixty (60) days.



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

## **ARTICLE 18 RELATIONSHIP OF PARTIES, INDEMNIFICATION.**

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

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

obligations described in this Article 18.2 will not apply if the loss, liability, damage or cost is solely due to the Franchisor's breach of this Agreement, gross negligence or willful misconduct.

## **ARTICLE 19**

### **DISPUTE RESOLUTION: ARBITRATION AND LEGAL PROCEEDINGS.**

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

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

19.3 At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Article 19.2 above, must be submitted first to mediation, in the city of Franchisor'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 Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates in respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation, and Franchisor and Franchisee will share mediation costs equally. This agreement to mediate will survive any termination or expiration of this Agreement.

(i) The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Article 19.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

19.4 Nothing contained in this Agreement will prevent Franchisor from applying to and obtaining from any court of competent jurisdiction a preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Mandeville, Louisiana

and the jurisdiction and venue of the United States District Court presiding over Mandeville, Louisiana. Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Louisiana set forth above.

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

19.6 As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within ninety (90) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

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

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

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

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

19.11 The parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Franchisee's purchase from Franchisor of the franchise and/or any goods or services. The parties agree that all proceedings

arising out of or related to this Agreement, or the sale of the Franchised Business, will be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee, Franchisee's guarantors and Franchisor or its affiliates/officers/employees may not be consolidated with any other proceeding between Franchisor and any other third party.

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

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

20.1 This Agreement takes effect upon its execution by both Franchisee and Franchisor, and shall be governed by and construed in accordance with the laws of the State of Louisiana. Franchisee agrees that Franchisor is not required to act uniformly with respect to any request for waivers, requests and consents by its franchisees as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon ten (10) days prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

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

20.3 Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein.

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

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

20.5 Franchisee certifies that neither Franchisee, nor Franchisee's owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (the "Annex"). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Any misrepresentation by Franchisee under this Article or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees will constitute grounds for immediate termination, upon notice of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, rules, regulations, and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

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

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

## **ARTICLE 21 MISCELLANEOUS PROVISIONS.**

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

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

21.3 There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement. This Agreement is not subject to or conditioned upon the obtaining of a Premises for Franchisee's Franchised Business. Notwithstanding the foregoing, nothing in this or any related agreement is

intended to disclaim the representations the Franchisor made in the Franchise Disclosure Document it provided to Franchisee. This Article shall not be read to waive any rights Franchisee may have under any state statute or regulation.

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

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

## **ARTICLE 22**

### **REPRESENTATIONS AND ACKNOWLEDGMENTS**

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

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

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

22.4 No salesperson, representative or other person has the authority to bind or obligate Franchisor except Franchisor's authorized officer by a written document. Franchisee acknowledges that no representations, promises, inducements, guarantees or warranties of any kind were made by Franchisor or on Franchisor's behalf that have led Franchisee to enter into this Agreement. Franchisee understands that whether Franchisee succeeds as a Franchisee is dependent upon Franchisee's efforts, business judgments, the performance of Franchisee's employees, market conditions and variable factors beyond Franchisor's control or influence. Franchisee

further understands that some Franchisees are more or less successful than other Franchisees and that Franchisor has made no representation that Franchisee will do as well as any other Franchisee.

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

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

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

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

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

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

*[SIGNATURES ARE ON FOLLOWING PAGE]*

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

**WITNESSES:**

**FRANCHISEE:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

Print Name: \_\_\_\_\_

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

Print Name: \_\_\_\_\_

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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



## ATTACHMENT A

### GUARANTY AGREEMENT

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

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

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

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

BY: \_\_\_\_\_

BY: \_\_\_\_\_

## ATTACHMENT B

### CONFIDENTIALITY AGREEMENT

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

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

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

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

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

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

Should Undersigned or its representatives, in the reasonable opinion of Painting with a Twist’s counsel, be required by applicable law or regulation to disclose the information, Undersigned may

do so only to comply with such law or regulation. Undersigned shall notify Painting with a Twist before disclosing such information to allow Painting with a Twist to pursue a protective order.

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

Undersigned acknowledges and agrees that the Confidential Information is of vital importance to Painting with a Twist, and that its unauthorized disclosure, would cause Painting with a Twist irreparable injury, and that monetary damages would not be sufficient to compensate Painting with a Twist for any breach of this Agreement by Undersigned. In the event of a breach of this Agreement by Undersigned, Painting with a Twist shall be entitled to injunctive or other equitable non-monetary relief, without the necessity of showing any evidence of actual monetary loss. However, nothing herein shall be construed as prohibiting Painting with a Twist from pursuing any other remedies, including monetary remedies, available to it for any such breach by Undersigned and/or its representatives. Such remedy shall not apply to information that was already known to Undersigned or was otherwise generally available to the public.

In the event of any litigation or dispute related hereto, it is agreed that venue and jurisdiction shall be the 22nd Judicial District Court for the Parish of St. Tammany, State of Louisiana. In the event that any portion of this Agreement is found to be unenforceable or invalid for any reason, then that portion shall be deemed severable and that the remainder shall remain in full force and effect.

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

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

ACCEPTED AND AGREED TO THIS \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_\_\_.

---

By:  
Title:

**ATTACHMENT C**

**ACH SERVICE AGREEMENT**

Bank Name: \_\_\_\_\_

ABA#: \_\_\_\_\_

Acct. No.: \_\_\_\_\_

Acct. Name: \_\_\_\_\_

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

AGREED:

FRANCHISEE

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

Print name: \_\_\_\_\_

Its: \_\_\_\_\_

## ATTACHMENT D

### SUCCESSOR ADDENDUM

This Successor Addendum to the Franchise Agreement (“*Successor Addendum*”) is made effective on \_\_\_\_\_ (the “Effective Date”) between, **Painting with a Twist, L.L.C.**, a Louisiana limited liability company, whose principal place of business and mailing address is 2121 N. Causeway Blvd, Suite 200, Mandeville, Louisiana 70471 (“*Franchisor*”) and \_\_\_\_\_, with a mailing address of \_\_\_\_\_ (“*Franchisee*”).

### BACKGROUND

A. Franchisor and Franchisee entered into that certain franchise agreement dated \_\_\_\_\_ (“*Original Franchise Agreement*”) pursuant to which Franchisor granted Franchisee the right to operate a Painting with a Twist® franchised business located at \_\_\_\_\_ (“*Franchised Business*”).

B. Pursuant to the rights granted in the Original Franchise Agreement, Franchisee is willing to enter into a new franchise agreement with Franchisor on the terms and conditions of Franchisor’s current form of franchise agreement, as modified by this Successor Addendum (“*Successor Franchise Agreement*”), to continue Franchisee’s rights to operate the Franchised Business.

C. Franchisee has had a full and adequate opportunity to be advised thoroughly of the terms and conditions of the Successor Franchise Agreement, including this Successor Addendum, by legal counsel or other advisors, and has had sufficient opportunity to evaluate and investigate the System, the financial investment requirements and the business risks associated with operating the Franchised Business.

D. Franchisor and Franchisee desire to amend the terms of the Successor Franchise Agreement by incorporating the terms of this Successor Addendum into the Successor Franchise Agreement

### AGREEMENT

1. Definitions. Capitalized terms used and not defined in this Successor Addendum shall have the meanings assigned to them in the Successor Franchise Agreement.

2. Article 1.1 GRANT & LICENSE

The first sentence of Article 1.1 of the Successor Franchise Agreement is amended to state as follows:

“Beginning on the Effective Date of the Franchise Agreement (“Agreement”) and subject to the terms and conditions of this Agreement, Franchisor hereby awards Franchisee the right to

continue operating the Franchised Business as well as a non-exclusive right and license to use the Proprietary Marks designated by Franchisor.”

3. Article 1.3 SITE SELECTION AREA

Article 1.3 (i), (ii) and (iii) of the Successor Franchise Agreement are deleted in its entirety and replaced to state as follows:

“Franchisee shall operate its Franchised Business only at and from the following location Premises: \_\_\_\_\_.”

4. Article 1.5 LIMITED PROTECTED TERRITORY

The first three sentences of Article 1.5 of the Successor Franchise Agreement are deleted and replaced as follows:

“Franchisee’s protected territory (“Protected Territory”) is attached as Exhibit 1.”

5. Article 3.1 TERM

Article 3.1 of the Successor Franchise Agreement is deleted in its entirety and replaced to state as follows:

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

6. Article 3.2 RENEWAL OF SUCCESSOR TERM

The first paragraph of Article 3.2 of the Successor Franchise Agreement is deleted in its entirety and replaced to state as follows:

“Franchisee may renew the rights granted by this Agreement for three (3) additional terms of five (5) years each (“Successor Terms”), subject to the following conditions:”

Article 3.2 (v) of the Successor Franchise Agreement is deleted in its entirety and replaced to state as follows:

“(v) Franchisee has demonstrated, to Franchisor’s satisfaction, that Franchisee has the right to operate the Franchised Business at the Premises for the duration of the Successor Term.”

7. Article 5.1 FEES

Article 5.1. (i) of the Successor Franchise Agreement is deleted in its entirety as inapplicable.

The first sentence of Article 5.1. (ii) of the Successor Franchise Agreement is amended to state as follows:

“(ii) Franchisee shall pay to Franchisor weekly during Successor Term and any Successor Terms or extensions of this Agreement [six percent (6%) OR five percent (5%)] of the weekly Gross Sales of Franchisee’s Franchised Business (“Royalty Fee”).”

8. Article 5.2 REPORTS AND INSPECTION OF RECORDS

Article 5.2 (i) of the Successor Franchise Agreement is deleted in its entirety and replaced to state as follows (if applicable):

“(i) At Franchisor’s request, Franchisee shall promptly execute or re-execute within five (5) days after Franchisor’s request, and deliver to Franchisor a fully executed copy of the ACH Service Agreement attached to this Agreement as Attachment C, to enable Franchisor to electronically (draft on Franchisee’s account by electronic withdrawal) collect the five percent (5%) continuing Royalty Fee (see Article 5.1), the System Advertising Fee (see Article 5.1), and the Technology Fee (see Article 5.1) along with any other fee allowed under this Agreement or the ACH Service Agreement.”

9. SPECIAL CONSIDERATIONS

Franchisee may pursue selling its Franchised Business subject to the terms of its Successor Franchise Agreement at any time. However, if Franchisee desires to close its Franchised Business, Franchisor agrees that, at any time, from the Effective Date of this Successor Addendum, Franchisee may elect to terminate its Successor Franchise Agreement and close its Franchised Business, subject to the following conditions (“Opt-Out Provision”):

- (i) Franchisee provides Franchisor written notice;
- (ii) Franchisee and Franchisor will agree to a range of prices for the sale of the Franchised Business. Franchisee shall set a high range sales list price based upon customary industry valuation methods or Franchisee’s CPA, approved by Franchisor, and a low range sale price that will be accepted in lieu of closing the Franchised Business (“Price Range”);
- (iii) Franchisee commences in an active and diligent manner, in good faith, to sell its Franchised Business pursuant to Franchisor’s then-current resale and transfer guidelines for at least twelve (12) months (“Twelve Month Period”). These guidelines may require Franchisee to follow specific marketing and advertising tactics, including, but not limited to, advertising the Franchised Business online and such other customary tactics used in selling a Franchised Business. Franchisor may also elect to advertise and market for sale the Franchised Business concurrently with Franchisee. Other than the transfer fee (see Article 13 of the Successor Franchise Agreement), Franchisor will not charge a brokerage fee as compensation for its services if it generates a prospect leading to a sale, but will be reimbursed for any outside costs it incurred out of the sale proceeds.
- (iv) Franchisee shall accept the first bona-fide offer it receives, whether from its own



efforts or from Franchisor's;

- (v) The conditions of transfer set forth in Article 13 of the Successor Franchise Agreement and other provisions of the Successor Franchise Agreement continue to apply to any transfer;
- (vi) Franchisee shall not be required to complete the renovation or modernization of its Franchised Business prior to twelve (12) months from the Effective Date of this Successor Addendum; provided, that Franchisee shall otherwise maintain the Franchised Business in good repair and appearance as otherwise provided in its Successor Franchise Agreement;
- (vii) If Franchisee has not received a bona-fide offer for the Franchised Business within the Twelve Month Period, Franchisee may close the Franchised Business conditioned upon Franchisee signing a general release of any claims against Franchisor and other customary closing documentation.

Except as specifically provided in this Successor Addendum, all of the terms, conditions and provisions of the Successor Franchise Agreement will remain in full force and effect as originally written and signed. This Successor Addendum shall not constitute a waiver of any of Franchisor's rights or remedies under the Successor Franchise Agreement or Franchisee's other agreements with Franchisor.

*[SIGNATURES ARE ON FOLLOWING PAGE]*

This Successor Addendum is entered into as of the Effective Date set forth above.

**WITNESSES:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**FRANCHISEE:**

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

Print Name: \_\_\_\_\_

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

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

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

Print Name: \_\_\_\_\_

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

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

EXHIBIT 1

PROTECTED TERRITORY MAP  
UNIT NO. \_\_\_\_\_

**EXHIBIT B**  
**AREA DEVELOPMENT AGREEMENT**

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

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

This Painting with a Twist, L.L.C. Area Development Agreement (“Development Agreement” or “Agreement”) is entered into and made effective as of \_\_\_\_\_, 20\_\_\_\_ (“Effective Date”) by and between Painting with a Twist, L.L.C., a Louisiana limited liability company having its principal place of business at 2121 N. Causeway Blvd., Suite 200, Mandeville, LA 70471 (“Franchisor” or “Painting with a Twist”), and \_\_\_\_\_, a \_\_\_\_\_ limited liability company/corporation, with an address of \_\_\_\_\_ (“Developer”).

**RECITALS**

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

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

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

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

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

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

## **SECTION 1. GRANT OF DEVELOPMENT RIGHTS.**

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

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

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

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

## **SECTION 2. DEVELOPMENT FEE AND INITIAL FRANCHISE FEES.**

2.1 Upon execution of this Development Agreement, Developer shall pay to Franchisor \_\_\_\_\_ (\$\_\_\_\_\_) (“Development Fee”), which shall be deemed fully earned by Franchisor upon execution of this Agreement. The Development Fee shall be proportionally applied to reduce the initial franchise fee required under the Franchise Agreement executed for each additional Franchised Business after the first agreement (“Additional Franchised Business”) authorized pursuant to this Agreement. For example, an executed Agreement authorizing the purchase of franchises for two (2) Franchised Businesses would require a total development fee of Twelve Thousand Five-Hundred Dollars (\$12,500), which equals a development fee of Twelve Thousand Five-Hundred Dollars (\$12,500) for the additional franchise after the first one purchased; therefore, the initial franchise fee (as set forth in Section 2.3) for the Additional Franchised Business would be reduced by the Twelve Thousand Five Hundred Dollar (\$12,500) development fee.

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

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

### **SECTION 3. DEVELOPMENT AREA; OPTIONS.**

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

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

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

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

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

### **SECTION 4. TERM AND DEVELOPMENT SCHEDULE.**

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

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

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

4.2.2 Thereafter, Developer shall exercise its options to purchase the remaining number of franchises as agreed upon in Section 3.2 to be located in the Development Area and



execute the respective franchise agreements at least six (6) months before each particular Franchised Business must be open and in operation under the Schedule or upon signing a lease for the Franchised Business, whichever occurs first. Notwithstanding the terms of the franchise agreements, Developer shall open each Franchised Business for business by the date set forth in the Development Schedule.

4.3 Except as provided in Section 9.3, failure to have Franchised Businesses open and in operation in the Development Area in accordance with the Schedule shall constitute a material default under this Agreement. Upon such default, unless timely cured by Developer within sixty (60) days after receipt of written notice, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder.

## **SECTION 5. OBLIGATIONS OF FRANCHISOR AND DEVELOPER.**

### **5.1 Obligations of Franchisor.**

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

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

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

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

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

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

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

### **5.2 Obligations of Developer.**

5.2.1 Except as Franchisor may otherwise expressly permit in writing, Developer (or, if Developer is a legal entity, a principal of Developer) and/or its designee shall devote full time, energy, and best efforts to the development and operation of Franchised

Businesses in the Development Area. In particular, but without limiting the foregoing, Developer shall cooperate in accordance with the following:

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

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

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

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

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

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

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

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

## **SECTION 6. DEVELOPER'S FORM OF ORGANIZATION.**

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

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

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

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

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

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

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

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

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

## **SECTION 7. CONFIDENTIAL INFORMATION.**

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

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

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

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

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

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

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

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

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

## **SECTION 8. TRANSFER OF INTEREST.**

8.1 Developer understands and acknowledges that the rights and duties of Developer set forth in this Agreement are personal to Developer and that Franchisor has granted this development agreement in reliance on the business skill, financial capacity, and personal character of Developer and Developer's principals. Accordingly, Developer agrees that Franchisor's express

prior written consent shall be a necessary condition precedent to the sale, assignment, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation of any of the following:

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

8.1.2 Any direct or indirect interest in Developer; and

8.1.3 All or substantially all of the assets of Developer.

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

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

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

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

8.4 Any person ("Seller") who receives and desires to accept a bona fide offer from a third party to purchase fifty percent (50%) or more of Seller's interest in (a) Developer's voting securities or voting interests, if Developer is a corporation, partnership or limited liability company, or (b) this Agreement or, (c) the franchise, shall notify Franchisor in writing of each such offer. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notice, to send written notice to Seller that Franchisor intends to purchase Seller's interest on the same terms and conditions offered by the third party. To enable Franchisor to determine whether it will exercise its option, Developer and Seller shall provide such information and documentation, including financial statements, as Franchisor may require. If the consideration, terms, or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same, Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, Franchisor and Developer may appoint an independent appraiser, whose determination shall be binding, and the costs of such appraisal shall be divided equally between Franchisor and Developer. If Developer and Franchisor cannot agree on an appraiser, each party

shall designate an appraiser and both appraisers will agree on and designate a third independent appraiser to make the determination of fair market value, whose determination shall be binding. If Franchisor does not exercise its option as provided hereunder, Seller may sell the interest, subject to Franchisor's consent as otherwise required under this Section 8. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. This Section 8.4 shall apply to any transfer if such transfer, alone or together with other previous, simultaneous or proposed transfers would have the effect of transferring financial or management control of Developer.

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

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

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

8.5.3 If the obligations of Developer were guaranteed by the transferor(s), the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor, and Franchisor will not unreasonably withhold its consent to a release of the transferor(s) from the guarantee;

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

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

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

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

8.6.2 The transferee shall execute, for a term ending on the expiration date of this Agreement, the standard form of area development agreement then being offered by

Franchisor and such other ancillary agreements (including guaranty agreements provided under Section 6.4) as Franchisor may require, which agreements shall supersede this Agreement in all respects and the terms of which agreements may materially differ from the terms of this Agreement; provided, however, that no additional initial development fee shall be required; and

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

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

8.7.1 A fee not to exceed ten percent (10%) of the then-current initial franchise fee established by Franchisor for new franchises for the transfer of a controlling interest to a current Painting with a Twist developer who has satisfied all obligations and substantially complied with all material requirements under its agreements with Franchisor, its subsidiaries, affiliates, and divisions up to and including the time of the proposed transfer;

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

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

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

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

8.11 Except as specifically provided in this Article VIII, any purported assignment or transfer, by operation of law or otherwise, not having the express prior written consent of

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

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

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

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

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

## **SECTION 9. DEFAULT AND TERMINATION.**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **SECTION 10. OBLIGATIONS UPON TERMINATION OR EXPIRATION.**

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

10.1.1 Immediately deliver to Franchisor or its designee all materials provided by Franchisor relating to development of the Development Area, including, without limitation,

plans, specifications, designs, records, data, samples, models, programs, training tapes, handbooks, drawings, customer lists, files, invoices, instructions, correspondence, and all copies thereof, all of which are acknowledged to be Franchisor's property, and retain no copy or record of any of the foregoing except Developer's copy of this Agreement and such documents as Developer reasonably needs for compliance with any provision of law;

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

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

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

## **SECTION 11. COVENANTS NOT TO COMPETE.**

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

## **SECTION 12. TAXES, PERMITS, INDEBTEDNESS.**

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

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

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

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

## **SECTION 13. INDEPENDENT CONTRACTOR.**

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

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

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

## **SECTION 14. INDEMNIFICATION.**

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

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

14.3 If any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 14.1 be commenced or asserted (a "Claim"), in respect of which one or more Indemnitees proposes to demand indemnification from Developer, Developer will be given notice thereof as soon as practicable and shall have the right, exercisable by written notice to the Indemnitee delivered within ten days after Developer is notified of the Claim, to join in the defense, compromise, or settlement thereof through its own attorneys and at its own expense. If Developer exercises its right to join the defense, compromise, or settlement of a Claim as permitted above, decisions concerning strategy, procedure, defenses, cross-claims, counterclaims, compromise and settlement shall be made by mutual consent of the Indemnitee and Developer, provided that if such parties cannot agree between themselves on a decision that is material to the handling of the Claim, the Indemnitee shall have the option, exercisable by written notice to Developer, to either:

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

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

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

## **SECTION 15. APPROVALS AND WAIVERS.**

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

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

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

## **SECTION 16. NOTICES.**

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

## **SECTION 17. ENTIRE AGREEMENT.**

17.1 This Agreement contains the entire agreement of the parties. There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties. This Agreement may not be modified

except by a written document signed by both parties. Nothing in the Agreement or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document furnished to Developer.

## **SECTION 18. SEVERABILITY AND CONSTRUCTION.**

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

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

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

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

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

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

## **SECTION 19. DISPUTE RESOLUTION.**

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

19.2 Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing notice as set forth in Article 19.6 below. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's

dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

19.3 At Franchisor's option, all claims or disputes between Developer and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Article 19.2 above, must be submitted first to mediation, in Mandeville, Louisiana under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates in respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation, and Franchisor and Developer will share mediation costs equally. This agreement to mediate will survive any termination or expiration of this Agreement.

(i) The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Article 19.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

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

19.5 Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Article 19, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Developer.

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

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

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

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

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

19.11 THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS



ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESSES, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES / OFFICERS / EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19.12 If Developer is in breach or default of any monetary or non- monetary material obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

## **SECTION 20. ACKNOWLEDGEMENTS.**

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

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

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

*[Signatures appear on the following page.]*

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

**WITNESSES:**

\_\_\_\_\_  
  
\_\_\_\_\_

**DEVELOPER:**

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

**FRANCHISOR:**

**Painting with a Twist, L.L.C.**

\_\_\_\_\_  
  
\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Dev. Area \_\_\_\_\_

**PAINTING WITH A TWIST  
AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT AREA DESCRIPTION**

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

**The area defined at the date of this Agreement as:**

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

[or]

The area located within the boundaries of \_\_\_\_\_ County,  
\_\_\_\_\_.

Initial \_\_\_\_\_

Dev. Area \_\_\_\_\_

**PAINTING WITH A TWIST**  
**AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

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

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

Initial \_\_\_\_\_

**EXHIBIT C**

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

## **STATE ADMINISTRATORS**

California Department of Financial Protection  
and Innovation  
TOLL FREE 1-(866) 275-2677

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

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

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

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

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

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

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

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

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

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

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

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, NY 10005  
(212) 416-8222

North Dakota Securities Department  
State Capital, 14<sup>th</sup> Floor, Dept 414  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510  
(701) 328-2910

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

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

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

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

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

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

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

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

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

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

## **AGENTS FOR SERVICE OF PROCESS**

California Department of Financial  
Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013

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

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

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

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

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

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

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

North Dakota Securities Commissioner  
State Capitol – 14<sup>th</sup> Floor, Dept 414  
600 E. Boulevard Avenue  
Bismarck, ND 58505

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

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

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

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

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



**EXHIBIT D**  
**FINANCIAL STATEMENTS**



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**Painting With A Twist, LLC**

Financial Statements

**December 31, 2022 and 2021**

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**REAGAN & REAGAN**  
CPAs & Business Advisors

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

# Painting With A Twist, LLC

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December 31, 2022 and 2021

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The image is a report cover with a central panel featuring a green-to-blue gradient and a geometric pattern of overlapping triangles. On the left side of this panel are three horizontal, rounded rectangular bars in shades of blue. The word "REPORT" is centered in the right half of the panel in a bold, dark blue font. The top and bottom of the page are decorated with horizontal bands of blue, green, and dark blue, with a diagonal cutout at the bottom left.

# REPORT



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of Painting With A Twist, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, 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 Painting With A Twist, LLC as of December 31, 2022 and 2021, 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 Painting With A Twist, 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 Painting With A Twist, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be 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.randcpa.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 Painting With A Twist, 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 Painting With A Twist, 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  
February 24, 2023



# **FINANCIAL STATEMENTS**

# Painting With A Twist, LLC

Balance Sheets

December 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,503,110	\$ 2,177,144
Restricted cash	904,413	2,559,248
Investments	2,499,457	-
Accounts receivable:		
Royalties	104,138	82,470
Other	3,279	7,251
Due from affiliates	412,341	391,329
Prepays and other current assets	51,613	54,369
<b>Total current assets</b>	<u>5,478,351</u>	<u>5,271,811</u>
Property and equipment, less accumulated depreciation of \$204,560 and \$268,671, respectively	121,110	140,327
Intangible assets, less accumulated amortization of \$383,897 and \$343,343, respectively	71,531	104,080
Goodwill	558,235	558,235
Deposits	1,160	1,160
<b>Total assets</b>	<u>\$ 6,230,387</u>	<u>\$ 6,075,613</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 99,053	\$ 54,805
Accrued expenses	110,040	425,397
System-wide payables	2,413,064	2,226,181
Deferred revenue - current	107,919	102,854
Current maturities of notes payable	2,758	114,072
<b>Total current liabilities</b>	<u>2,732,834</u>	<u>2,923,309</u>
Notes payable	147,242	308,222
Deferred revenue - non-current	49,896	217,772
<b>Total liabilities</b>	<u>2,929,972</u>	<u>3,449,303</u>
<b>Members' Equity</b>	<u>3,300,415</u>	<u>2,626,310</u>
<b>Total liabilities and members' equity</b>	<u>\$ 6,230,387</u>	<u>\$ 6,075,613</u>

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



# Painting With A Twist, LLC

## Statements of Income

Years ended December 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
Revenues:		
Franchise fees	\$ 222,187	\$ 60,434
Royalties and other related fees	3,321,952	3,238,102
Advertising fees	984,232	900,702
Corporate studio sales	-	257,961
Total revenue	<u>4,528,371</u>	<u>4,457,199</u>
Costs and expenses:		
Studio operating costs:		
Cost of sales	-	94,223
Labor	-	111,484
Occupancy	-	91,713
General and administrative	1,319,287	986,757
Payroll and payroll taxes	1,757,183	2,067,529
Selling and marketing	1,040,628	716,704
Depreciation and amortization	59,771	79,144
Total costs and expenses	<u>4,176,869</u>	<u>4,147,554</u>
Income (loss) from operations	351,502	309,645
Other income (expense)		
Interest expense	(31,324)	(30,147)
Interest income	9,928	5,528
Loss on fixed asset disposals	-	(58,026)
Other income	359,319	611,306
	<u>337,923</u>	<u>528,661</u>
<b>Net income</b>	<u>\$ 689,425</u>	<u>\$ 838,306</u>

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

# Painting With A Twist, LLC

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 689,425	\$ 838,306
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Loss on fixed asset disposals	-	58,026
Depreciation and amortization	59,771	79,144
Changes in assets and liabilities		
Deferred revenue	(162,811)	44,965
Restricted cash	1,654,835	(703,815)
Accounts receivable	(21,668)	6,407
Other receivables	3,972	1,134
System-wide receivables	-	291
Due from/to affiliates	(21,012)	(391,258)
Prepaid and other current assets	2,756	35,465
Deposits and other assets	-	195,061
Accounts payable and accrued expenses	(271,109)	(340,727)
System-wide payables	186,883	446,252
<b>Net cash provided by operating activities</b>	<u>2,121,042</u>	<u>269,251</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	-	(4,450)
Purchase of investments	(2,499,457)	
Purchase of trademark and art copy rights, net	(8,005)	-
<b>Net cash used in investing activities</b>	<u>(2,507,462)</u>	<u>(4,450)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from PPP funding and EIDL loans	-	446,215
Repayments on line of credit	-	(150,000)
Forgiveness on PPP loans	-	(446,215)
Payments on long-term debt	(272,294)	(105,151)
Member distributions	(15,320)	(235,913)
<b>Net cash used in financing activities</b>	<u>(287,614)</u>	<u>(491,064)</u>
<b>Net increase (decrease) in cash</b>	(674,034)	(226,263)
<b>Cash, beginning of period</b>	2,177,144	2,403,407
<b>Cash, end of period</b>	<u>\$ 1,503,110</u>	<u>\$ 2,177,144</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ 17,239	\$ 30,374

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

# Painting With A Twist, LLC

Statement of Changes in Members' Equity  
Years ended December 31, 2022 and 2021

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	<b>Members'</b>
	<b>Equity</b>
<b>Balance at January 1, 2021</b>	\$ 2,023,917
Net income for the period	838,306
Member distributions	(235,913)
<b>Balance at December 31, 2021</b>	2,626,310
Net income for the period	689,425
Equity-based compensation	(15,320)
<b>Balance at December 31, 2022</b>	<u>\$ 3,300,415</u>

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

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

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

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

On October 1, 2018 the Company acquired certain assets of Bottle & Bottega, Inc., an Illinois corporation, which provides interactive art entertainment programs and private events to individuals and groups both in a studio and at off-site locations. As part of the acquisition, the Company acquired 2 corporate studio locations and 17 franchise agreements related to studios owned and operated by franchisees. The acquisition of the acquired Bottle & Bottega business was completed pursuant to an Asset Purchase Agreement dated October 1, 2018. In December 2021, the Company sold two corporate studio locations pursuant to an Asset Purchase Agreement and transferred the rights to a new franchisee.

### Basis of Accounting

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

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

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

### Accounting Estimates

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

### Cash and Restricted Cash

The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits and investments. As of December 31, 2022, and December 31, 2021, the Company maintained balances in various cash accounts in excess of federally insured limits. All highly liquid instruments purchased with an original maturity of three months or less are considered cash equivalents.

Cash held related to the advertising funds and the Company’s gift card programs are classified as restricted cash as there are certain legal restrictions on the use of these funds and as such, the Company intends to use

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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these funds in accordance with these obligations. Total cash balances related to the advertising funds and gift card programs as of December 31, 2022 and December 31, 2021 were \$904,413 and \$2,559,248, respectively.

## Investments

Investments are reported at fair value and consist of short-term United States Treasury Bills.

Investments classified as current investments made by the Company are expected to be converted into cash within one year or less.

## Concentration of Credit Risk

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

## Accounts Receivable

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

## Property and Equipment

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

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

## Goodwill

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

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

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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reasonably consistent results. Additionally, the Company evaluates the key input factors in the model used to determine whether a moderate change in any input factor or combination of factors would significantly change the results of the tests. Based on the Company's analysis, no impairment charges were recognized on goodwill for the years ended December 31, 2022 and December 31, 2021.

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

## **Intangible Assets**

Intangible assets consist of painting copyrights, trademarks and website and branding development. The Company owns the copyrights to paintings which are designed and painted by artists for use in its business. The art is displayed on the Company's internal website for use by its franchisees to present paintings which can be used for instruction in classes to the general public. The designs and paintings are stated at cost and amortized using the straight-line method over a five-year life. The Company's trademarks are stated at cost and amortized using the straight-line method over a ten-year life. The Company's website and branding development are stated at cost and amortized using the straight-line method over a five to seven-year life. The Company tests for impairment of its intangible assets at a minimum, on an annual basis. The Company does not believe that any impairment exists as of December 31, 2022 and December 31, 2021.

## **Deposits and Other Assets**

Deposits and other assets consist primarily of deposits and cash surrender values of life insurance policies where the Company is the owner and beneficiary of variable universal life insurance policies. During 2021, the Company transferred the life insurance policies to the members personally and recorded distributions to the members for the cash surrender value at the date of transfer.

## **Equity-Based Compensation**

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

## **Fair Value of Financial Instruments**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. At the balance sheet dates, the fair values of the Company's financial assets and financial liabilities (cash, investments, 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.

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

The Company sells individual franchises through franchise agreements with terms ranging from 7 to 10 years. These agreements also convey multiple extension terms of five years, depending on

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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contract terms if certain conditions are met. The Company provides its franchisees system training, preopening assistance, and general assistance in exchange for franchise fees, and royalties of 5%-6% of store sales.

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

The Company has determined that a portion of the initial franchise services are distinct from the continuing rights and services offered during the term of the franchise agreement and should not be treated as a single performance obligation; therefore, a portion of such fees are recognized upon the opening of the franchise location. See Note 9.

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

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

## *Corporate studio sales*

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

## *Advertising fees and related income*

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

## **Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the Painting With A Twist brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Painting With A Twist brand. The franchisee is required to operate its location in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company.

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

## **System-wide Payables**

During 2016, the Company started a system-wide gift card fund that consists of a cash balance, which is restricted to the funding of future gift card redemptions and gift card related costs, receivables from retail gift partners, and a corresponding liability for those outstanding gift cards which the Company believes will be redeemed in the future. As of December 31, 2022 and December 31, 2021, the gift card liability was \$2,413,064 and \$2,226,181, respectively.

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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

## Advertising Costs

Advertising costs are treated as period costs and expensed as incurred. During the years ended December 31, 2022 and December 31, 2021, advertising costs amounted to \$274,340 and \$232,136, respectively. See Note 9.

## Income Taxes

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

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

## Recently Issued Accounting Pronouncements

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 2022. 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 at the beginning of the first quarter of 2019 using the modified retrospective method. The primary impact of adoption was the enhancement of the Company’s disclosures related to contracts with customers and revenue recognized from those performance obligations, which includes revenue related to initial fees charged to franchisees and revenue recognized related to gift cards. See Note 9.

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

## NOTE 2 – INVESTMENTS

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.



# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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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.

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2022:

	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. government securities	\$ 2,499,457	2,499,457	-	-
Total investments	\$ <u>2,499,457</u>	<u>2,499,457</u>	<u>-</u>	<u>-</u>

At December 31, 2021, the Company did not have any financial assets or liabilities to value.

## NOTE 3 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2022 and December 31, 2021:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 51,326	\$ 66,342
Computers and equipment	17,186	85,498
Leasehold improvements	<u>257,158</u>	<u>257,158</u>
	325,670	408,998
Less: Accumulated depreciation	<u>(204,560)</u>	<u>(268,671)</u>
Property and equipment, net	\$ <u>121,110</u>	\$ <u>140,327</u>

The Company recorded depreciation expense related to these assets of \$19,217 and \$24,013 in 2022 and 2021, respectively.

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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## NOTE 4 – INTANGIBLE ASSETS

Following is a summary of intangible assets at December 31, 2022 and December 31, 2021:

	<u>2022</u>	<u>2021</u>
Art copy rights	\$ 184,177	\$ 176,172
Trademark	111,496	111,496
Intangibles - other	<u>159,755</u>	<u>159,755</u>
	455,428	447,423
Less: Accumulated amortization	<u>(383,897)</u>	<u>(343,343)</u>
Net Intangible assets	<u>\$ 71,531</u>	<u>\$ 104,080</u>

Amortization expense for the years ended December 31, 2022 and December 31, 2021 was \$40,554 and \$55,131 respectively. Estimated future amortization expense as of December 31, 2022 is as follows:

Year ending:	
2023	\$ 34,498
2024	24,579
2025	7,055
2026	1,391
2027	797
Thereafter	<u>3,211</u>
Total future amortization expense	<u>\$ 71,531</u>

## NOTE 5 – ACCRUED EXPENSES

Following is a summary of accrued expenses at December 31, 2022 and December 31, 2021:

	<u>2022</u>	<u>2021</u>
Legal and professional fees	\$ 26,645	\$ 51,469
Legal contingencies	-	250,000
State and local tax	21,816	18,600
Marketing and other fees	16,617	33,820
Accrued interest	13,354	-
Payroll expenses	<u>31,608</u>	<u>71,508</u>
Total accrued liabilities	<u>\$ 110,040</u>	<u>\$ 425,397</u>

## NOTE 6 – PAYCHECK PROTECTION PROGRAM PROCEEDS

For the year ending December 31, 2021, the Company received loan proceeds from Hancock Whitney Bank in the amount of \$446,215 under the 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.

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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Based on the Company's use of the PPP funding during 2021, the Company did qualify for the PPP loan and 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.

For the year ending December 31, 2021, the Company reduced the PPP advance account and recognized \$446,215, in income and is recorded in other income on the Statements of Income.

On January 20, 2022, the Company received a Notice of Paycheck Protection Program Forgiveness Payment ("Notice") from the Small Business Administration ("SBA"), in the amount of \$446,215 in principal and \$4,363 in accrued interest. 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 7 – LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
Bank loan, payable in monthly installments of \$10,427, at a fixed rate of 5.95% per annum, secured by Company assets, maturing January 2024.	\$ -	\$ 272,294
Economic Injury Disaster Loan (EIDL), payable in monthly installments of \$695 at a fixed rate of 3.75% per annum, secured by Company assets, maturing June 2050.	<u>150,000</u>	<u>150,000</u>
	\$ <u>150,000</u>	\$ <u>422,294</u>
Less: Current portion of long-term debt	<u>(2,758)</u>	<u>(114,072)</u>
Long-term debt, net of current maturities	<u>\$ 147,242</u>	<u>\$ 308,222</u>

In connection with the acquisition of the acquired Bottle & Bottega, Inc. business (See Note 1), the Company entered into a promissory note with a local banking institution to fund the remaining amount due. The original amount of the note was \$540,000 with a maturity date of January 2024. During 2022, the Company paid the promissory note in full.

The following is a summary of principal maturities of long-term debt for each of the next five years and thereafter:

2023	\$ 2,758
2024	2,863
2025	2,973
2026	3,086
2027	3,204
Thereafter	<u>135,116</u>
	<u>\$ 150,000</u>

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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## NOTE 8 – RELATED PARTY TRANSACTIONS

The Company leased office space during part of 2021 from a related party entity. The properties were sold to an unrelated party in July 2021. Rent expense paid to this related party for the year ended December 31, 2021 was \$69,773 and is included in general and administrative expenses in the accompanying Statements of Income.

The Company occasionally pays money to entities under common control or ownership, for the purpose of funding operations of those entities. When the members have determined that these amounts cannot or will not be repaid to the Company, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. For the years ended December 31, 2022 and 2021, there was \$412,341 and \$391,329 due to the Company from entities under common control or ownership, respectively, and is included in Due From Affiliates on the balance sheet. These balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

As of December 31, 2022 and December 31, 2021, five of the franchise locations in operation were owned and operated by related parties.

## NOTE 9 – REVENUE RECOGNITION

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

### Franchise Fees

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

The Company recognized franchise fee revenue of \$222,187 and \$60,434 during 2022 and 2021, respectively. At December 31, 2022 and December 31, 2021, the balance of the deferred franchise fees was \$157,815 and \$320,626, respectively and is included in current and long-term deferred revenue on the Balance Sheets.

### Royalty and Other Related Fees

Royalties from franchise studios are based on a percentage of studio revenue and are recognized in the period the related franchised studios' sales occur. For the years ended December 31, 2022 and 2021, the Company recognized \$3,321,952 and \$3,238,102 in royalty and other related fee revenue, respectively.

Transfer fees of \$162,812 and \$285,625 were charged during the years ended December 31, 2022 and December 31, 2021, respectively and are included in royalties and other related fees.

### Advertising Fees

The adoption of the new guidance changed the reporting of advertising fund contributions from franchisees and the related advertising fund expenditures, which were not previously included in the Statements of

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2022 and 2021

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Income. The new guidance requires these advertising fund contributions and expenditures to be reported on a gross basis in the Statements of Income. The assets and liabilities held by the advertising funds, which were previously reported as restricted assets and liabilities of advertising funds, respectively, are now included within the respective Balance Sheet caption to which the assets and liabilities relate. Additionally, advertising costs that have been incurred by the Company outside of the advertising funds are also included within selling and marketing expenses in the Statements of Income.

## Gift Card Redemptions/Breakage Revenue

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

There are no expiration dates or service fees charged on the gift cards. While the franchisees continue to honor all gift cards presented for payment, the likelihood of redemption may be determined to be remote for certain cards due to long periods of inactivity. In these circumstances, the Company may recognize revenue from unredeemed gift cards (“breakage revenue”) if they are not subject to unclaimed property laws. The Company’s gift card breakage is estimated and recognized over time in proportion to actual gift card redemptions, based on historical redemption rates. Significant judgment is required in estimating breakage rates and in determining whether to recognize breakage revenue over time or when the likelihood of redemption becomes remote. The Company recognized gift card breakage income of \$359,319 and \$164,566 for the years ended December 31, 2022 and December 31, 2021, respectively and is included in other income on the Statements of Income.

## NOTE 10 – EQUITY-BASED COMPENSATION

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

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

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

An independent valuation was performed to estimate the fair value of the capital interest on the date the option was granted. The valuation utilized the Discounted Future Cash Flow Method of the Income Approach and the Guideline Transactions Method of the Market Approach to estimate enterprise value. When estimating the enterprise value at the valuation date and the corresponding value of the capital

# Painting With A Twist, LLC

Notes to Financial Statements  
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interest, an equal weight between the valuations derived from the market approach and the income approaches was utilized.

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

The non-employee was terminated by the Company in a prior year and settled a dispute during 2022 (See Note 13). The Company charged back compensation expense of \$15,320 that was incurred in a prior year related to the capital interest option and is included in general and administrative expenses in the accompanying Statement of Income for the year ended December 31, 2022.

The Company incurred no compensation expense related to the capital interest option for the year ended December 31, 2021.

## **NOTE 11 – LINE OF CREDIT**

The Company's line of credit agreement with a banking institution of \$150,000 matured on January 15, 2022 and was not renewed. At December 31, 2022 and 2021, the balance on the line of credit was \$0.

## **NOTE 12 – LEASE COMMITMENTS**

As of December 31, 2022, the Company had no future minimum rental payments for leased properties in excess of one year.

## **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.

During 2022, the Company settled a dispute with a former executive employee and related party supplier of art canvases related to a claim filed in a previous year seeking specific performance of certain ownership interests in the Company and breach of contract. The Company agreed to pay \$650,000 of which \$250,000 was accrued in a prior year as a potential settlement contingent liability (See Note 4). The remaining portion was expensed during 2022 and recorded in general and administrative expenses on the Statement of Income.

## **NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 24, 2023 and determined that there were no other items for disclosure.



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**Painting With A Twist, LLC**

Financial Statements

**December 31, 2021 and 2020**

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# Painting With A Twist, LLC

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The image is a report cover with a central graphic area. This area has a background of a light-to-dark green gradient with a faint, repeating geometric pattern of triangles. On the left side of this area, there are three horizontal, rounded rectangular bars in shades of blue and green. The word "REPORT" is centered in the right half of the graphic area in a bold, dark blue, sans-serif font. The entire graphic is framed by horizontal bands of blue, green, and dark blue at the top and bottom, and a diagonal split of blue, green, and dark blue at the bottom edge.

# REPORT



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of Painting With A Twist, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, 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 Painting With A Twist, LLC as of December 31, 2021 and 2020, 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 Painting With A Twist, 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 Painting With A Twist, 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.

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 Painting With A Twist, 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 Painting With A Twist, 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  
March 9, 2022



# **FINANCIAL STATEMENTS**

# Painting With A Twist, LLC

## Balance Sheets

December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,177,144	\$ 2,403,407
Restricted cash	2,559,248	1,855,433
Accounts receivable:		
Royalties	82,470	88,877
Other	7,251	8,385
System-wide receivables	-	291
Due from affiliates	391,329	71
Prepays and other current assets	54,369	89,834
<b>Total current assets</b>	<u>5,271,811</u>	<u>4,446,298</u>
Property and equipment, less accumulated depreciation of \$268,671 and \$322,089, respectively	140,327	217,912
Intangible assets, less accumulated amortization of \$343,343 and \$297,870, respectively	104,080	159,215
Goodwill	558,235	558,235
Deposits and other assets	1,160	196,221
<b>Total assets</b>	<u>\$ 6,075,613</u>	<u>\$ 5,577,881</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 54,805	\$ 307,744
Accrued expenses	425,397	513,185
System-wide payables	2,226,181	1,779,929
Line of credit	-	150,000
Deferred revenue	320,626	275,661
Current maturities of notes payable	114,072	106,772
<b>Total current liabilities</b>	<u>3,141,081</u>	<u>3,133,291</u>
Notes payable	308,222	420,673
<b>Total liabilities</b>	<u>3,449,303</u>	<u>3,553,964</u>
<b>Members' Equity</b>	<u>2,626,310</u>	<u>2,023,917</u>
<b>Total liabilities and members' equity</b>	<u>\$ 6,075,613</u>	<u>\$ 5,577,881</u>

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

# Painting With A Twist, LLC

## Statements of Income

Years ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
Revenues:		
Franchise fees	\$ 60,434	\$ 121,691
Royalties and other related fees	3,238,102	2,909,202
Advertising fees	900,702	699,239
Corporate studio sales	257,961	202,791
Total revenue	<u>4,457,199</u>	<u>3,932,923</u>
Costs and expenses:		
Studio operating costs:		
Cost of sales	94,223	326,982
Labor	111,484	109,056
Occupancy	91,713	81,557
General and administrative	986,757	1,398,162
Payroll and payroll taxes	2,067,529	2,460,239
Selling and marketing	716,704	667,047
Depreciation and amortization	79,144	89,767
Total costs and expenses	<u>4,147,554</u>	<u>5,132,810</u>
Income (loss) from operations	309,645	(1,199,887)
Other income (expense)		
Interest expense	(30,147)	(24,436)
Interest income	5,528	26,236
Loss on fixed asset disposals	(58,026)	-
Other income	611,306	2,916,356
	<u>528,661</u>	<u>2,918,156</u>
<b>Net income</b>	<u>\$ 838,306</u>	<u>\$ 1,718,269</u>

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

# Painting With A Twist, LLC

## Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 838,306	\$ 1,718,269
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Loss on fixed asset disposals	58,026	-
Depreciation and amortization	79,144	89,767
Changes in assets and liabilities		
Deferred revenue	44,965	(138,340)
Restricted cash	(703,815)	2,172,196
Accounts receivable	6,407	76,716
Other receivables	1,134	2,855
System-wide receivables	291	40,982
Due from/to affiliates	(391,258)	(71)
Prepaid and other current assets	35,465	98,907
Deposits and other assets	195,061	(7,715)
Accounts payable and accrued expenses	(340,727)	160,044
System-wide payables	446,252	(2,277,085)
<b>Net cash provided by operating activities</b>	<u>269,251</u>	<u>1,936,525</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(4,450)	-
Purchase of trademark and art copy rights, net	-	(23,825)
<b>Net cash used in investing activities</b>	<u>(4,450)</u>	<u>(23,825)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from PPP funding and EIDL loans	446,215	638,915
Repayments on line of credit	(150,000)	-
Forgiveness on PPP loans	(446,215)	(488,915)
Payments on long-term debt	(105,151)	(74,933)
Advances on line of credit	-	150,000
Member distributions	(235,913)	(59,750)
<b>Net cash (used in) provided by financing activities</b>	<u>(491,064)</u>	<u>165,317</u>
<b>Net (decrease) increase in cash</b>	(226,263)	2,078,017
<b>Cash, beginning of period</b>	2,403,407	325,390
<b>Cash, end of period</b>	<u>\$ 2,177,144</u>	<u>\$ 2,403,407</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ 30,374	\$ 24,489

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

# Painting With A Twist, LLC

Statement of Changes in Members' Equity  
Years ended December 31, 2021 and 2020

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	<b>Members'</b>
	<b>Equity</b>
<b>Balance at January 1, 2020</b>	\$ 365,398
Net income for the period	1,718,269
Member distributions	(59,750)
<b>Balance at December 31, 2020</b>	2,023,917
Net income for the period	838,306
Member distributions	(235,913)
<b>Balance at December 31, 2021</b>	<u>\$ 2,626,310</u>

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



# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2021 and 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

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

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

### Considerations Related to COVID-19

In December 2019, an outbreak of illness caused by a novel coronavirus called COVID-19 (“COVID-19”) was identified in Wuhan, China. On January 31, 2020, the United States declared a public health emergency related to COVID-19 and, on March 11, 2020, the World Health Organization declared that the spread of COVID-19 qualified as a global pandemic. In an attempt to minimize transmission of COVID-19, significant social and economic restrictions have been imposed in the United States and abroad. Though various areas have begun relaxing such precautions, varying levels of restrictions remain in many places and may be increased. In the preparation of these financial statements and related disclosures the Company has assessed the impact that COVID-19 has had on the Company’s estimates, assumptions, forecasts, and accounting policies and made additional disclosures, as necessary. As COVID-19 and its impacts are unprecedented and ever evolving, future events and effects related to the pandemic cannot be determined with precision and actual results could significantly differ from estimates or forecasts.

### Basis of Accounting

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

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

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

### Accounting Estimates

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

### Cash, Cash Equivalents and Restricted Cash

The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits and investments. As of December 31, 2021, and December 31, 2020, the

# Painting With A Twist, LLC

Notes to Financial Statements  
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Company maintained balances in various cash accounts in excess of federally insured limits. All highly liquid instruments purchased with an original maturity of three months or less are considered cash equivalents.

Cash held related to the advertising funds and the Company's gift card programs are classified as restricted cash as there are certain legal restrictions on the use of these funds and as such, the Company intends to use these funds in accordance with these obligations. Total cash balances related to the advertising funds and gift card programs as of December 31, 2021 and December 31, 2020 were \$2,559,248 and \$1,855,433, respectively.

## Concentration of Credit Risk

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

## Accounts Receivable

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

## Property and Equipment

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

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

## Goodwill

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

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

# Painting With A Twist, LLC

Notes to Financial Statements  
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change the results of the tests. Based on the Company's analysis, no impairment charges were recognized on goodwill for the years ended December 31, 2021 and December 31, 2020.

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

## Intangible Assets

Intangible assets consist of painting copyrights, trademarks and website and branding development. The Company owns the copyrights to paintings which are designed and painted by artists for use in its business. The art is displayed on the Company's internal website for use by its franchisees to present paintings which can be used for instruction in classes to the general public. The designs and paintings are stated at cost and amortized using the straight-line method over a five-year life. The Company's trademarks are stated at cost and amortized using the straight-line method over a ten-year life. The Company's website and branding development are stated at cost and amortized using the straight-line method over a five to seven-year life. The Company tests for impairment of its intangible assets at a minimum, on an annual basis. The Company does not believe that any impairment exists as of December 31, 2021 and 2020.

## Deposits and Other Assets

Deposits and other assets consist primarily of deposits and cash surrender values of life insurance policies where the Company is the owner and beneficiary of variable universal life insurance policies. During 2021, the Company transferred the life insurance policies to the members personally and recorded distributions to the members for the cash surrender value at the date of transfer.

The total cash surrender value, net of surrender charges, at December 31, 2021 and 2020 was \$0 and \$187,491 respectively.

## Equity-Based Compensation

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

## Fair Value of Financial Instruments

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

## Revenue Recognition

Revenue is recognized 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.

# Painting With A Twist, LLC

Notes to Financial Statements  
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## *Franchise fees and royalties and other related fees*

The Company sells individual franchises through franchise agreements with terms ranging from 7 to 10 years. These agreements also convey multiple extension terms of five years, depending on contract terms if certain conditions are met. The Company provides its franchisees system training, preopening assistance, and general assistance in exchange for franchise fees, and royalties of 5%-6% of store sales.

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

The Company has determined that a portion of the initial franchise services are distinct from the continuing rights and services offered during the term of the franchise agreement and should not be treated as a single performance obligation; therefore, a portion of such fees are recognized upon the opening of the franchise location. See Note 8.

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

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

## *Corporate studio sales*

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

## *Advertising fees and related income*

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

## **Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the Painting With A Twist brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Painting With A Twist brand. The franchisee is required to operate its location in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company.

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

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2021 and 2020

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## System-wide Payables

During 2016, the Company started a system-wide gift card fund that consists of a cash balance, which is restricted to the funding of future gift card redemptions and gift card related costs, receivables from retail gift partners, and a corresponding liability for those outstanding gift cards which the Company believes will be redeemed in the future. As of December 31, 2021 and December 31, 2020, the gift card liability was \$2,226,181 and \$1,779,929, respectively.

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

## Advertising Costs

Advertising costs are treated as period costs and expensed as incurred. During the years ended December 31, 2021 and December 31, 2020, advertising costs amounted to \$232,136 and \$365,143, respectively. See Note 8.

## Rent Expense

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

## Income Taxes

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

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

## Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the lease guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

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

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2021 and 2020

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## Recently Adopted Accounting Pronouncements

The Company adopted ASC 606 Revenue from Contracts with Customers at the beginning of the first quarter of 2019 using the modified retrospective method. The primary impact of adoption was the enhancement of the Company's disclosures related to contracts with customers and revenue recognized from those performance obligations, which includes revenue related to initial fees charged to franchisees and revenue recognized related to gift cards. See Note 8, Revenue Recognition.

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

## Business Acquisitions

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

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

The acquisition of the acquired Bottle & Bottega business was completed pursuant to an Asset Purchase Agreement dated October 1, 2018. Under the Asset Purchase Agreement, the Company acquired the net assets of the acquired business, other than certain excluded assets and liabilities. See Note 6 for discussion relating to the promissory note entered into by the Company on January 26, 2019.

In December 2021, the Company sold two corporate studio locations pursuant to an Asset Purchase Agreement and transferred the rights to a new franchisee.

Following is a summary of the assets acquired:

Estimated fair value of assets acquired:

Property and equipment	\$	24,757
Intangible assets		17,008
Goodwill		<u>558,235</u>
Total assets acquired	\$	<u><u>600,000</u></u>

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

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2021 and 2020

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## NOTE 2 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 66,342	\$ 122,030
Computers and equipment	85,498	106,966
Leasehold improvements	<u>257,158</u>	<u>321,005</u>
	408,998	550,001
Less: Accumulated depreciation	<u>(268,671)</u>	<u>(332,089)</u>
Property and equipment, net	<u>\$ 140,327</u>	<u>\$ 217,912</u>

The Company recorded depreciation expense related to these assets of \$24,013 and \$30,858 in 2021 and 2020, respectively.

## NOTE 3 – INTANGIBLE ASSETS

Following is a summary of intangible assets at December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Art copy rights	\$ 176,172	\$ 170,172
Trademark	111,496	111,496
Intangibles - other	<u>159,755</u>	<u>175,417</u>
	447,423	457,085
Less: Accumulated amortization	<u>(343,343)</u>	<u>(297,870)</u>
Net Intangible assets	<u>\$ 104,080</u>	<u>\$ 159,215</u>

Amortization expense for the years ended December 31, 2021 and December 31, 2020 was \$55,131 and \$58,909 respectively. Estimated future amortization expense as of December 31, 2021 is as follows:

Year ending:		
2022	\$	39,756
2023		33,696
2024		23,597
2025		6,438
2026		593
Thereafter		<u>-</u>
Total future amortization expense	<u>\$</u>	<u>104,080</u>

# Painting With A Twist, LLC

Notes to Financial Statements  
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## NOTE 4 – ACCRUED EXPENSES

Following is a summary of accrued expenses at December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Legal and professional fees	\$ 51,469	\$ 53,650
Legal contingencies	250,000	250,000
State and local tax	18,600	9,669
Marketing and other fees	33,820	21,268
Payroll expenses	<u>71,508</u>	<u>178,598</u>
Total accrued liabilities	<u>\$ 425,397</u>	<u>\$ 513,185</u>

## NOTE 5 – PAYCHECK PROTECTION PROGRAM PROCEEDS

For the years ending December 31, 2021 and December 31, 2020, the Company received loan proceeds from Hancock Whitney Bank in the amount of \$446,215 and \$488,915 under the 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 during 2021 and 2020, 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.

For the years ending December 31, 2021 and December 31 2020, the Company reduced the PPP advance account and recognized \$446,215 and \$488,915, respectively, in income and is recorded in other income on the Statements of Income.

On January 25, 2021, the Company received a Notice of Paycheck Protection Program Forgiveness Payment (“Notice”) from the Small Business Administration (“SBA”), in the amount of \$488,915 in principal and \$3,789 in accrued interest. 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. See Note 14.



# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2021 and 2020

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## NOTE 6 – LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</u>
Bank loan, payable in monthly installments of \$10,427, at a fixed rate of 5.95% per annum, secured by Company assets, with a final estimated last payment equal to the remaining balance due, maturing January 2024.	\$ 272,294	\$ 377,445
Economic Injury Disaster Loan (EIDL), payable in monthly installments of \$695 at a fixed rate of 3.75% per annum, secured by Company assets, with a final estimated last payment equal to the remaining balance due, maturing June 2050.	<u>150,000</u>	<u>150,000</u>
	<u>\$ 422,294</u>	<u>\$ 527,445</u>
Less: Current portion of long-term debt	<u>(114,072)</u>	<u>(106,772)</u>
Long-term debt, net of current maturities	<u>\$ 308,222</u>	<u>\$ 420,673</u>

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

On July 6, 2020, the Company received loan proceeds of \$150,000 from the U.S. Small Business Administration through the COVID-19 Economic Injury Disaster Loans (“EIDL”) program. The EIDL program is designed to provide economic relief to businesses experiencing a temporary loss of revenue due to COVID-19.

The following is a summary of principal maturities of long-term debt for each of the next five years and thereafter:

Year ending:

2022	\$ 114,072
2023	122,448
2024	44,476
2025	3,154
2026	3,264
Thereafter	<u>134,880</u>
	<u>\$ 422,294</u>

The bank loan includes a debt service coverage covenant that requires the Company maintain a minimum annual debt service coverage of not less than 1.50 to 1.00 each fiscal year. In addition, the Company must maintain a minimum net worth of not less than \$750,000 as of the end of each fiscal year. At December 31, 2021 and December 31, 2020, the Company was in compliance with all loan covenants.

# Painting With A Twist, LLC

Notes to Financial Statements  
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## NOTE 7 – RELATED PARTY TRANSACTIONS

The Company leased office space during 2020 and part of 2021 from a related party entity. The properties were sold to an unrelated party in July 2021. Rent expense paid to this related party for the years ended December 31, 2021 and December 31, 2020 was \$69,773 and \$118,604, respectively, and is included in general and administrative expenses in the accompanying Statements of Income.

The Company occasionally pays money to entities under common control or ownership, for the purpose of funding operations of those entities. When the members have determined that these amounts cannot or will not be repaid to the Company, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. For the years ended December 31, 2021 and 2020, there was \$391,329 and \$71 due to the Company from entities under common control or ownership, respectively, and is included in Due From Affiliates on the balance sheet. These balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

As of December 31, 2021, five of the franchise locations in operation were owned and operated by related parties.

As of December 31, 2020, three of the franchise locations in operation were owned and operated by related parties.

## NOTE 8 – REVENUE RECOGNITION

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

### Franchise Fees

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

The Company recognized franchise fee revenue of \$60,434 and \$121,691 during 2021 and 2020, respectively. At December 31, 2021 and December 31, 2020, the balance of the deferred franchise fees was \$320,626 and \$275,661 respectively and is included in deferred revenue on the Balance Sheets.

### Royalty and Other Related Fees

Royalties from franchise studios are based on a percentage of studio revenue and are recognized in the period the related franchised studios' sales occur. For the years ended December 31, 2021 and December 31, 2020, the Company recognized \$3,238,102 and \$2,909,202 in royalty and other related fee revenue, respectively.

Transfer fees of \$285,625 and \$208,450 were charged during the years ended December 31, 2021 and December 31, 2020, respectively and are included in royalties and other related fees.

# Painting With A Twist, LLC

Notes to Financial Statements  
December 31, 2021 and 2020

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## Advertising Fees

The adoption of the new guidance changed the reporting of advertising fund contributions from franchisees and the related advertising fund expenditures, which were not previously included in the Statements of Income. The new guidance requires these advertising fund contributions and expenditures to be reported on a gross basis in the Statements of Income. The assets and liabilities held by the advertising funds, which were previously reported as restricted assets and liabilities of advertising funds, respectively, are now included within the respective Balance Sheet caption to which the assets and liabilities relate. Additionally, advertising costs that have been incurred by the Company outside of the advertising funds are also included within selling and marketing expenses in the Statements of Income.

## Gift Card Redemptions/Breakage Revenue

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

There are no expiration dates or service fees charged on the gift cards. While the franchisees continue to honor all gift cards presented for payment, the likelihood of redemption may be determined to be remote for certain cards due to long periods of inactivity. In these circumstances, the Company may recognize revenue from unredeemed gift cards (“breakage revenue”) if they are not subject to unclaimed property laws. The Company’s gift card breakage is estimated and recognized over time in proportion to actual gift card redemptions, based on historical redemption rates. Significant judgment is required in estimating breakage rates and in determining whether to recognize breakage revenue over time or when the likelihood of redemption becomes remote. The Company recognized gift card breakage income of \$164,566 and \$2,427,001 for the years ended December 31, 2021 and December 31, 2020, respectively and is included in other income on the Statements of Income.

## NOTE 9 – EQUITY-BASED COMPENSATION

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

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

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

An independent valuation was performed to estimate the fair value of the capital interest on the date the

# Painting With A Twist, LLC

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

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

During 2018, the non-employee was terminated by the Company. See Note 12.

The Company has incurred no compensation expense related to the capital interest option for the years ended December 31, 2021 and December 31, 2020.

## **NOTE 10 – LINE OF CREDIT**

The Company has a line of credit agreement with a banking institution of \$150,000. At December 31, 2021 and 2020, the outstanding balance on the line of credit was \$0 and \$150,000, respectively. Bank advances on the line of credit are payable on demand and bears interest at the Wall Street Journal Prime Index rate plus 1.0%. The line is reviewed annually and is due on demand.

## **NOTE 11 – LEASE COMMITMENTS**

As of December 31, 2021, the Company had no future minimum rental payments for leased properties in excess of one year.

## **NOTE 12 – LEGAL PROCEEDINGS AND CONTINGENCIES**

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

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

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

During 2018, a former executive employee with a capital interest option agreement, filed a claim against the Company seeking specific performance of certain ownership interests in the Company and seeks an order declaring such option agreement valid and that all prerequisites necessary to exercise said option, and for equitable relief, including, but not limited to, the transfer of certain interests in the Company. The Company has not reached a settlement with this former employee, and the claim remains pending, however the Company has accrued a potential settlement contingent liability based on management's estimate of possible loss. See Note 4.

On January 4, 2019, a former executive employee amended its originally filed Petition for Damages, expounding on the original claim, adding facts regarding the termination and the internal operation of the

# Painting With A Twist, LLC

## Notes to Financial Statements

December 31, 2021 and 2020

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Company as well as Louisiana Art Supply, LLC, the Company's largest supplier of art canvases and art supplies to franchisees. In addition, the claim alleges that the Company and Louisiana Art Supply, LLC should be deemed a single business enterprise. The Company intends to vigorously defend this lawsuit and does not believe the ultimate disposition of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

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

### NOTE 13 – FAIR VALUE

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

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

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

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

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

At December 31, 2021 and 2020, the Company did not have any financial assets or liabilities to value.

### NOTE 14 – SUBSEQUENT EVENTS

On January 20, 2022, the Company received a Notice of Paycheck Protection Program Forgiveness Payment ("Notice") from the Small Business Administration ("SBA"), in the amount of \$446,215 in principal and \$4,363 in accrued interest. 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.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 9, 2022 and determined that there were no other items for disclosure.

**EXHIBIT E**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

## OPERATIONS MANUAL TABLE OF CONTENTS

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**EXHIBIT F**  
**GENERAL RELEASE**

**GENERAL RELEASE**

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

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

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

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

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

**{SIGNATURES BEGIN ON NEXT PAGE}**

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

**FRANCHISEE(S):**

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

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

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

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

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

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

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

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

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

**EXHIBIT G**  
**FRANCHISE COMPLIANCE CERTIFICATION**

**FRANCHISEE COMPLIANCE CERTIFICATION**

\* \* \* \*

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

\* \* \* \*

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

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

Yes \_\_\_\_\_ No \_\_\_\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?

Yes \_\_\_\_\_ No \_\_\_\_\_ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

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

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

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

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

Yes \_\_\_\_\_ No \_\_\_\_\_ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the Proprietary Marks or any other mark at any location outside your (a) Protected Territory under the Franchise Agreement and (b) Development Area if you have entered into a Development Agreement, without regard to the proximity of these activities to the premises of your Franchised Business(es)?

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

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

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

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

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

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

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

Yes \_\_\_\_\_ No \_\_\_\_\_ 16. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a

Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

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

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

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

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

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_



**EXHIBIT H**

**LIST OF CURRENT FRANCHISEES AND FRANCHISEES WHO LEFT THE SYSTEM**

## **Franchisees in Operation as of December 31, 2022 (1)**

Franchisee	Contact	Address	City	State	Zipcode	Phone
Brookman & Associates LLC	Glennis Tillman	701 Doug Baker Blvd #106,	Birmingham	AL	35242	(205) 637-7777
Art Life, LLC	Brittany Ford Wolfe John Wolfe Tyler (Seth) McMurry	400 N. Bowman Rd. Suite 32	Little Rock	AR	72211	(501) 410-4422
N and K at Play LLC	Katie Collins Christopher Collins	1401 SE Walton Blvd. Suite 111	Bentonville	AR	72712	(479) 254-1997
Creative Artists Group	Victor Cisneros Amber Cisneros	1094 South Gilbert Road	Gilbert	AZ	85296	(480) 798-1715
Paint and Sip LLC	Nir Katararu	219 E Baseline Rd, Suite H3	Tempe	AZ	85283	(602) 758-7928
Tangerine 8 LLC	Dale Ah Tye Laura Ah Tye	1538 El Camino Real, Suites E&F	Belmont	CA	94002	(650) 645-9353
HJR Enterprise, LLC	Heidi J Ralphs	2298 E. Ventura Blvd	Camarillo	CA	93010	(805) 484-4444
S & E Artistry, LLC	Stacy Khanishian	2125 S. Winchester Blvd., Suite 110	Campbell	CA	95008	(408) 831-3528
JShelby Enterprises	Jigger Ong	21425 Devonshire St.	Chatsworth	CA	91311	(818) 282-3625
Elias & Ethan Art Studios	Maria Beaini	4008 Hardwick Street	Lakewood	CA	90712	(562) 232-3352
	Iilena Handy Jolene Dreo	548 Contra Costa Blvd. Suite E	Pleasant Hill	CA	94523	(925) 349-9360
Visconti Brothers, LLC	Bobette Laureano Joseph Visconti III	19115 Golden Valley Road	Santa Clarita	CA	91387	(661) 414-6454
Trident Arts, LLC	Rebeca Flott	14132 East Cedar Avenue	Aurora	CO	80012	(303) 343-2826
Artful Living Investments, LLC	Starla Steinbach	2834 N Powers Blvd	Colorado Springs	CO	80922	(719) 591-2455
Get To The Paint II, LLC	Amanda Jean Matchette (AJ) & Melvin Matchette	1045 Garden of the Gods Rd, #150	Colorado Springs	CO	80907	(719) 358-7758
Get to the Paint, LLC	Amanda Jean (AJ) Matchette	115 North Tejon Street	Colorado Springs	CO	80903	(719) 473-8663
Art Girls, LLC	Laura Foy	9475 Briar Village Point Suite 105	Colorado Springs	CO	80920	(719) 375-0553
Twisting the Rockies, LLC	Carolyn Anne Barnes	1962 Blake Street	Denver	CO	80202	(720) 598-5755
Art Mouth, LLC	Brian Posen	7134 W Alaska Dr,	Denver	CO	80226	(720) 508-3645
Angy with a Twist LLC	Angela Robbins	1112 Oakridge Dr, #107	Fort Collins	CO	80525	(970) 825-5131
5 to 1 Enterprises, LLC	Joe Alviar Marianne S. Alviar	7600 E. Park Meadows Drive, Suite 950	Lone Tree	CO	80124	(303) 955-0362
The Khan Artist Co.	Stephen Richmond	45 Pratt Street	Hartford	CT	06103	(860) 970-1819
Team Rhodi Studios, LLC	Stephanie Rhodes William Rhodes	400 Suburban Drive	Newark	DE	19711	(302) 660-1200
Two Winey Sisters Too, LLC	Lesley Vitel Libbi Poole	104 Bartram Oaks Walk, Ste 105	Fruit Cove	FL	32259	(904) 518-4932
Y&Y Painting, LLC	Alex Marban Yirka Marban	15100 NW 67 <sup>th</sup> Ave, #111	Miami Lakes	FL	33014	(786) 542-0149
YJCP CORP	Pooja Patel	851 W State Rd. 436, #1013	Altamonte Springs	FL	32714	(407) 347-2900
Gabric, LLC	Gabriele (Gaby) Clark Richard Clark	2288 N. Congress Ave.	Boynton Beach	FL	33426	(561) 736-5770
Penney Uncorked, LLC	Sheri Penxa	5917 Manatee Ave. W, Suite 209	Bradenton	FL	34209	(941) 795-7928

Franchisee	Contact	Address	City	State	Zipcode	Phone
Tuten Enterprise's Of Brandon, LLC	Todd Owen Gina Tuten	1993 W Lumsden Rd	Brandon	FL	33511	(813) 655-0931
Leroga III, LLC	Marvin Gay Leslie Gay	1570 N McMullen Booth Rd, Unit H2	Clearwater	FL	33759	(727) 797-7928
Empire Seven Investments Inc	Berbino J. Lahens Jr. and Jouberte Lahens	2411 S Hwy 27	Clermont	FL	34714	(407) 414-1903
Viva La Pintura LLC	Rocky Leroy Jones Chanson Heber Jones	109 King St.	Cocoa	FL	32922	(321) 339-8851
Twisted Miami LLC	Jadelyn Ortiz	2399 SW 22 <sup>nd</sup> Street	Coral Gables	FL	33145	(305) 204-6964
Pro-Care Home Solutions, Inc.	Matthew Santangelo Jr. Holly Fuente	720 Riverside Dr	Coral Springs	FL	33071	(954) 227-2468
Magic Art Painting, LLC	Christian Dodard Elisa Rusciani	5810 S. University Drive, Ste 106	Davie	FL	33328	(954) 773-3284
Phantom Cow, LLC	Thomas McDonnell (TJ) Greg Goff	1808 W International Speedway Blvd., Suite 205	Daytona Beach	FL	32114	(386) 248-1600
LIAM13 LLC	Lisa Sarno & Amy Thomas	1185 S Federal Hwy	Deerfield	FL	33441	(954) 482-0515
Athena Art Collective LLC	Jana Konkel & Krista Hawkins	255 Miracle Strip Pkwy Unit B-8	Fort Walton Beach	FL	32548	(850) 226-7218
Studio G Holdings, LLC	Gina Pelliccia	9902 Gulf Coast Main St, Suite D-130	Ft. Meyers	FL	33913	(239) 267-7928
Gator Studios, LLC	Dino DeLeo Monica DeLeo	618 NW 60 <sup>th</sup> St., Suite B	Gainesville	FL	32607	(386) 965-7066
Trendle, LLC	Geri & Joshua Bernard	1525 San Marco Blvd.	Jacksonville	FL	32207	(904) 399-8399
Empire Seven Investments Inc.	Berbino Lahens Jr. & Julie Lahens	3579 NW Federal Hwy	Jensen Beach	FL	34957	(772) 210-5305
Vortex Funding LLC	Pedro Lopez & Jadelyn Ortiz	12582 SW 88 <sup>th</sup> Street	Kendall	FL	33196	(305) 209-7880
Colbee LLC	Rick Tomb Patti Tomb Melissa Schneider John Schneider	3038 Dyer Blvd.	Kissimmee	FL	34741	(407) 785-2038
Artsy Party, LLC	Kelli Daughtry Kevin Roberts	1009 SW Main Blvd Suite 135	Lake City	FL	32025	(386) 438-8782
FOXCASE, LLC	Rick Tomb Patti Tomb	101 N. Country Club Rd. Suite 130	Lake Mary	FL	32746	(407) 878-5245
Transun II, LLC	Bert Adams Kari Dennis	3670 Harden Blvd	Lakeland	FL	33803	(863) 646-0238
PEPPER ARTS LLC	Rick Tomb Patti Tomb	702 E. New Haven Ave	Melbourne	FL	32901	(321) 698-7928
Legacy REI FL Investment Group LLC	Michelle L. Adkins- Maddy	16844 US Hwy 441, Tri- Cities Shopping Plaza	Mount Dora	FL	32757	(352) 383-7928
UNIQUEKJL, LLC.	Kerrie Sanchez Craig Moeller Julie Moeller	4414 SW College Rd, Unit # 370	Ocala	FL	34474	(352) 368-7928
Empire Seven Investments Inc.	Berbino Lahens Jr. Jouberte Lahens	6700 Conroy- Windermere Rd. Suite 125	Orlando	FL	32835	(407) 601-7800
Twist Pines Inc	Christian Dodard Elisa Rusciani	15971 Pines Blvd.	Pembroke Pines	FL	33027	(954) 829-4070
A Proper Shoppe LLC	Suzanne Day	4771 Bayou Blvd	Pensacola	FL	32503	(850) 471-1450
Legimato	Dometrice (Dee) Clemmons-Lassiter	5625 Park Blvd	Pinellas Park	FL	33781	(727) 800-2537

Franchisee	Contact	Address	City	State	Zipcode	Phone
PAINT4FUN, LLC	Jay Golden	302 South University Drive	Plantation	FL	33324	(954) 706-5552
Two Winey Sisters, LLC	Lesley Vitel Libbi Poole	268 Solana Rd	Ponte Vedra Beach	FL	32082	(904) 687-4307
Twisted Escape LLC	Annette Whiting	18700 Veterans Blvd, Suite #8	Port Charlotte	FL	33954	(941) 623-4411
Penney Uncorked, LLC	Sheri Penxa	5543 Palmer Crossing Cir	Sarasota	FL	34233	(941) 822-0357
Leroga, LLC	Dometrice (Dee) Clemmons-Lassiter	2527 Central Ave	St. Petersburg	FL	33713	(727) 327-4488
Beauclair & Thompson, LLC	Joanna Thompson	1660 North Monroe St. Ste 8	Tallahassee	FL	32303	(850) 222-1385
Leroga II, LLC	Todd Owen Gina Tuten	2821 S MacDill Ave	Tampa	FL	33629	(813) 839-2409
Artsy Girlz II, LLC	Sharon Reis Michelle Beres	12926 N. Dale Mabry Hwy	Tampa	FL	33618	(813) 944-0038
Business Management World Corp.	Michael Williams Billie Williams	5537 Sheldon Road, Suite U	Tampa	FL	33615	(813) 749-7955
ARTSY GIRLZ LLC	Sharon Reis Michelle Beres	8351 State Road 54, Ste 112.	Trinity	FL	34655	(727) 376-1112
Chmura Enterprises of Winter Haven	Taylor Lemonds George (Joe) Lemonds Dale Congdon	6264 Cypress Gardens Blvd	Winter Haven	FL	33884	(863) 875-5190
	Stefen Jones	11770 Haynes Bridge Rd, #801	Alpharetta	GA	30009	(470) 294-0051
Big Peach Enterprises, LLC	Amanda Dossey	2140 Peachtree Rd NW Suite 305	Atlanta	GA	30309	(404) 975-3423
Business Management World Corp.	Michael Williams Billie Williams	1230 Caroline Street NE #230	Atlanta	GA	30307	+1 470-575-7400
Artsy, LLC	Tammy T. Henry	6298 Veterans Pkwy Suite 2N	Columbus	GA	31909	(706) 221-6642
Brookman & Associates LLC	Glennis Tillman	9453 Highway 5	Douglasville	GA	30135	(678) 324-8315
Swanky ART, LLC	Wendy Beverly Riley	178 E Crogan St, Suite 230	Lawrenceville	GA	30046	(678) 226-4970
Just Entertainment, LLC	Dometrice (Dee) Clemmons-Lassiter	1867 Jonesboro Rd., Suite 2	McDonough	GA	30253	(678) 884-6444
Paint My Dreams, LLC	Christopher Hamel	107 Grand Central Blvd, Ste 205	Pooler	GA	31322	(912) 737-2151
Paint, Create, & Party, LLC	Mia Amodio	6780 Roswell Road Suite D-120	Sandy Springs	GA	30328	(470) 294-2926
Paint My Dreams, LLC	Christopher Hamel Jessica Hamel	513 E. Oglethorpe Ave.	Savannah	GA	31401	(912) 349-4234
Neely UnLimited Inc	James Neely	1301 Locust St., Suite E	Des Moines	IA	50309	(515) 393-2822
Pioneer Studios, LLC	Andrea Kline	3701 86 <sup>th</sup> Street Suite 3753	Urbandale	IA	50322	(515) 252-6311
Eclectic Time Studio LLC	Christopher Bonk	10 W. Campbell Street	Arlington Heights	IL	60005	(847) 457-4718
PT Lakeview, INC.	Christopher Bonk Alice Kulisiewicz	2900 N. Lincoln Ave.	Chicago	IL	60657	(773) 570-7596
Fiveloud, Inc.	Greg Loudon Darcie Loudon	1241 S. Michigan Ave.	Chicago	IL	60605	(773) 985-8860
Fiveloud, Inc.	Greg Loudon Darcie Loudon	2009 Ridge Road	Homewood	IL	60430	(708) 887-2502
LeFaivre Limited	Paul LeFaivre Meg LeFaivre	1 West Harris Ave.	La Grange	IL	60525	(708) 315-6573
Inspire One Inc.	Neenu Gupta	424 W. Touhy Ave.	Park Ridge	IL	60646	(847) 979-4320
Red Dogs Painting, LLC	Robert Laux III Peggy Hufford	8804 N Michigan Rd	Indianapolis	IN	46268	(317) 228-4300

Franchisee	Contact	Address	City	State	Zipcode	Phone
Be Infinite Inc	Kerry Sawyer	301 E Carmel Dr. Building A-500	Carmel	IN	46032	(317) 810-1335
Brush Mileage, LLC	Mihir Paranjape	5625 E. Virginia St., Ste A	Evansville	IN	47715	(812) 437-7788
Red Dogs Painting Fort Wayne LLC	Robert Laux III Peggy Hufford	6425 West Jefferson Blvd.	Fort Wayne	IN	46804	(260) 434-8642
Be Infinite Inc.	Kerry Sawyer	2049 Veterans Memorial Parkway,Suite 13	Lafayette	IN	47909	(765) 269-7221
Strokes of Genius, LLC	Allyson McMillin	2573 Richmond Road, Suite 385	Lexington	KY	40509	(859) 309-2701
PWAT STUDIO #363, LLC	Johanna Natale	711 Jefferson Hwy, Ste 3A	Baton Rouge	LA	70806	(225) 927-7077
Twisted3 LLC	Johanna Natale Amy Reggio	1900 Lafayette St Suite 2A	Gretna	LA	70053	(504) 361-0574
SWAT Hammond, LLC	Nicholas Soileau	204 E Thomas St	Hammond	LA	70401	(985) 345-3747
Get Splattered, LLC	Gordon Jefferyes Nichole Jefferyes	107 Energy Parkway, Ste B.	Lafayette	LA	70508	(337) 234-9783
BAA Studio, Inc.	Ashley Hebert	611 West Prien Lake Road	Lake Charles	LA	70601	(337) 478-0955
PWAT STUDIO #364,LLC	Johanna Natale	4931 W. Esplanade Ave, Ste D	Metairie	LA	70006	(504) 832-5536
Ladelle Properties, LLC	Robert Harris Loretta Harris	1818 Tower Dr.	Monroe	LA	71201	(318) 654-4800
Human Code, LLC	Michael Foresta	10 High Street	North Andover	MA	01845	(978) 258-4204
V&V, LLC	Vladimir Segel	1134 York Road Suite 101	Baltimore	MD	21093	(443) 652-3710
THORNTON'S MOSCATO & MEMORIES, INC.	Patrice Thornton Ashley Thornton	1420 Washington Blvd.	Detroit	MI	48226	(313) 960-4793
Sunkiss Enterprise, LLC	Michelle Lewis	33033 Grand River Ave.	Farmington	MI	48336	(248) 476-7928
EMC Studio, LLC	Elizabeth Canever	17155 Silver Pkwy	Fenton	MI	48430	(810) 354-7139
Sunkissbiz, LLC	Michelle Lewis	200 W. 9 Mile Rd.	Ferndale	MI	48220	(248) 850-7182
ART STUDIO ONE, LLC	Cindy Giacomazza	3320 S Rochester Rd	Rochester	MI	48307	(248) 289-6507
Ellis Artistic Creations, LLC	Carl Ellis	29004 Gratiot Avenue	Roseville	MI	48066	(586) 204-5406
Three Little Ladies Corporation	Kimberly Pennefather	50336 Schoenherr Road	Shelby Township	MI	48315	(586) 488-1983
CGNME, LLC	Carolyn Geile	#28 & #30 The Boulevard Saint Louis	Richmond Heights	MO	63117	(314) 727-7928
Fun Art Studios LLC	Dustin Dasal Rachel Dasal	3444 S Campbell Ave, Suite G	Springfield	MO	65807	(417) 755-7760
Brass & Bristles LLC	Haden Hinton Deborah Hinton	6555 US Hwy 98 West, Ste 4	Hattiesburg	MS	39402	(601) 264-0074
Painted Tree LLC	Samantha West Christopher West	5338 Goodman Rd., Ste. 107	Olive Branch	MS	38654	(662) 996-8111
Red Don, LLC	Tyra McDonald	2100 Stephens Ave.	Missoula	MT	59801	(406) 540-4105
Social Butterfly Studios, LLC	Eddie Marrocco Amanda Summerall	6461 Old Monroe Road	Indian Trail	NC	28079	(704) 635-8352
Perfect Stroke, LLC	Chad Weatherford	633 St George Square Ct	Winston-Salem	NC	27103	(336) 448-0474
EFF CUBED, LLC	John Freeman	3525 N. 147 <sup>th</sup> Street Suites 101-102	Omaha	NE	68116	(402) 934-0909
Alice Frieda Enterprises LLC	Sherry M. Dolan	127 Ark Road, suite 18	Mt.Laurel	NJ	08054	(856) 793-7025
Show Me the Monet, LLC	Kyle Russell	440 Main Road	Towaco	NJ	07082	(973) 794-6390
Come & Van Gogh, LLC	Kim Berg Michael Berg	8510 Montgomery Blvd., NE Suite A5	Albuquerque	NM	87111	(505) 867-2468

Franchisee	Contact	Address	City	State	Zipcode	Phone
KT Paints LLC	Katherine Marie Bove	855 Merrick Road	Baldwin	NY	11510	(516) 401-8846
Hummingbird Honeys, LLC	Lisa Scibetta Mary Grupka	3735 Union Road	Cheektowaga	NY	14225	(716) 391-1956
Paisley Paints LLC	Krista Hyatt	899 New Loudon Road	Latham	NY	12110	(518) 608-1268
SEFstudios, LLC	Susan Forster-DiMartino	1100 Jefferson Road Suite 10	Rochester	NY	14623	(585) 321-5577
LKA Enterprises NY, LLC	Susan Gentry Lisa Gentry Kelly Gentry	1586 West Ridge Road	Rochester	NY	14615	(585) 623-8979
Amorelle Blake Corporation	Bertha Portalatin	331 Middle Country Rd Selden Plaza	Selden	NY	11784	(631) 736-0017
Inspire Paintbar, LLC	Felecia Singh	97-14 Metropolitan Ave	South Ozone Park	NY	11375	(929) 354-0001
Hummingbird Honeys, LLC	Lisa Scibetta Mary Grupka	1054 Union Rd at The Southgate Plaza	West Seneca	NY	14224	(716) 675-6000
Mona Lisas & Madhatters, LLC	Theresa Clark	8014 McEwen Road	Dayton	OH	45458	(937) 331-8340
Venus De Wino, LLC	Jean Kelly	2955 W. Market Street, Suite J	Fairlawn	OH	44333	(330) 867-7928
Low Country Studio Inc.	Patrick & Renee Wallace	6196 Tylersville Rd,	Mason	OH	45040	(513) 229-7700
Meg's Twist LLC	Meagan Shoop	4400 Portage Street NW	North Canton	OH	44720	
smARTk & SIP, LLC	Vickie Prete	25102 Brookpark Rd., Suite 116	North Olmsted	OH	44070	(216) 220-4102
Calnic Company	Daniela Christopher David (Dave) Christopher	15225 Pearl Road	Strongsville	OH	44136	(440) 783-1417
Right Brain Studios-OKC, Inc.	Hugh & Leah Maguire	9217 N Pennsylvania Ave	The Village	OK	73120	(405) 286-5549
Yellow Spot Studio, LLC	Holly Moxley	1406 SW Broadway	Portland	OR	97201	(503) 741-2237
Willow Art LLC	Dawn Imparato Jon Roe	1515 Lehigh Street	Allentown	PA	18103	(610) 351-3266
Dippin' & Sippin' LLC	Denise Todd Susan Gallagher	2337 Street Rd	Bensalem	PA	19020	(215) 633-7928
Joe Art, LLC	Christopher Hatten	3650 Nazareth Pike, Unit 4	Bethlehem	PA	18020	(610) 419-0572
JuJenn, LLC	Judy Ridilla Jennifer Helferstay	1020 Towne Square Dr	Greensburg	PA	15601	(724) 221-6527
Twist Jenkintown LLC	John Wilkens	209 Leedom Street	Jenkintown	PA	19046	(267) 225-2442
GS & Family, Inc.	Gary Griffith Susan Griffith	Woods Edge Plaza 124 South Centerville Road	Lancaster	PA	17603	(717) 947-7864
Twist Media LLC	John Wilkens III	300 W State St Suite 100	Media	PA	19063	(610) 565-9100
Carson's Creative Spiritz LLC changed to Kimberly's Creative Spirits S Corp	Kimberly S. Carson	11643 Penn Hills Dr.	Penn Hills	PA	15235	(412) 824-7928
Healing Hues 1213, Inc.	Jan Larson	611 South Street	Philadelphia	PA	19147	(215) 278-7761
Jobkens International, LLC	John Wilkens	8500 Henry Avenue	Philadelphia	PA	19128	(267) 331-8212
Paint to Prosperity, LLC	Deborah S. Kronz, John F. Kronz II	2603 E Carson St	Pittsburgh	PA	15203	(412) 488-7928
Twist Exeter LLC	John Wilkens III	4500 Perkiomen Avenue	Reading	PA	19606	(610) 572-2956
My Painted Horse, LLC	Billie Athanas	5994 Steubenville Pike, Suite G	Robinson Township	PA	15136	(412) 787-7928
4HG LLC	John Wilkens	1240 Bridge Rd, Ste C.	Skippack	PA	19474	(610) 584-4232
LLM Enterprises, Inc.	Lisa Mangle	632 Easton Road	Warrington	PA	18976	(267) 483-5887

Franchisee	Contact	Address	City	State	Zipcode	Phone
BHG of PA, LLC	John Wilkens Linda Joblings	1502 West Chester Pike	West Chester	PA	19382	(484) 313-4059
Dukemeister LLC	Ronald Lane Katherine Lane	275 Harbison Blvd., Suites R&S	Columbia	SC	29212	(803) 661-9711
Twisted Wolfe 303, LLC	William Wolfe Donna Wolfe	115 Pelham Rd., Suite 20	Greenville	SC	29615	(828) 695-8273
Painting Ohana, LLC	Aubrie (Brie) Pfeiffer Smith	2511 North Main Street	Summerville	SC	29486	(843) 695-8273
loveyourself LLC	Christine Thompson	1309 Panorama Drive, Suite 111	Chattanooga	TN	37421	(423) 892-4228
The Master's Art LLC	Sasha Blackburn Anthony Blackburn	1202 S James Campbell Blvd, Suite 14	Columbia	TN	38401	(931) 388-0222
C & K Ashcar, LLC	Kim Webb	3116 Village Shops Drive, Suite 22	Germantown	TN	38138	(901) 457-9962
Vigneronne, LLC	Lara Riley Cassidy Riley	206 Indian Lake Blvd Suite 9	Hendersonville	TN	37075	(615) 447-3526
The Twist, LLC	Juliana Hammett	11000 Kingston Pike	Knoxville	TN	37934	(865) 675-2500
Weasels with Easels	James (Jim) Freels Lee Jenkins-Freels Patrick Jenkins	2415 Callahan Drive	Knoxville	TN	37921	(865) 947-7360
Paint on Canvas 101, LLC	Teresa Johnson	2615 Medical Center Pkwy, Suite 1750	Murfreesboro	TN	37129	(615) 895-8181
Paint on Canvas 201	Teresa Johnson	4009 Charlotte Ave	Nashville	TN	37209	(615) 982-8320
PWT ABL, a protected series of Carrasco Business Ventures, LLC	Enrique (Henry) Carrasco Daniel Carrasco Joel Carrasco	4102 Buffalo Gap Rd suite M	Abilene	TX	79605	(325) 704-5115
Altex Ventures Corp.	Doug Horrey Amy Horrey	4001 W Green Oaks Blvd.	Arlington	TX	76016	(682) 888-7352
Brushes-N-Beverages, LLC	Julie Maloney Craig Maloney	8820 Burnet Road, Ste. 507	Austin	TX	78757	(512) 371-9488
PWAT SG SPM, LLC	Jennifer Galan Mark Galan	9600 S IH 35 Frontage Rd, #600	Austin	TX	78748	(512) 710-7928
Harvey Cat Corporation	Geraldine Niess & Jonathan Miess	407 West Baker Rd., Suite S	Baytown	TX	77521	(281) 628-7665
Brushes and Bottles, LLC	Ashley Hebert	229 Dowlen Rd, Ste 3B	Beaumont	TX	77706	(409) 866-0399
WWMW LLC	Michelle Watkins William Watkins	1424 Airport Fwy, #M	Bedford	TX	76022	(817) 915-0709
Epic Redheads, Inc	Brian and Lisa Ransom	105 E Belt Line Rd, Ste 700	Cedar Hill	TX	75104	(972) 637-4445
Enabling Memories LLC	Patrick & Melanie Lugo	12129 Ranch Road 620 N, #401	Cedar Park	TX	78750	(512) 258-7928
DenTex Ventures, LLC	Kim Augsburger Dan Augsburger	1643 Texas Ave S	College Station	TX	77840	(979) 485-9838
Art With Friends Inc. changed to Conroe Paint, LLC	Denise Norman Nicholas Dillard	1402 North Loop 336 W	Conroe	TX	77304	(936) 242-0047
Making Art Last, LLC	Malerie Crow	5425 South Padre Island Drive #142	Corpus Christi	TX	78411	(361) 288-2507
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	12344 Barker Cypress Rd. Ste. 200	Cypress	TX	77429	(281) 256-8383
Vino Picasso, LLC	Cathy Deano Judy Pfister	5202 W. Lovers Lane	Dallas	TX	75209	(214) 350-9911
Golden Twist LLC	Jacobi Roberts Trey Suire	208 W Oak St.	Denton	TX	76201	(940) 535-8205
PaintNPaws, LLC	Jerry Morales Debby Morales	607 S Friendswood Dr	Friendswood	TX	77546	(832) 569-2339

Franchisee	Contact	Address	City	State	Zipcode	Phone
Painting with a Twich, LLC	Lauren Twichell	4112 Legacy Dr, Ste 306	Frisco	TX	75034	(469) 362-6636
Artsy Enterprises, L.L.C.	Kimberly L Glenn & Jerry Glenn	2605 S Cherry Ln	Ft. Worth	TX	76116	(817) 886-0515
Painting with a Twich, LLC	Harryette (Lauren) Twichell	330 N 6 <sup>th</sup> St, Suite F	Garland	TX	75040	(972) 468-9370
Tansei, LLC	Colleen Coppenger	203 E. Worth St, Suite 100,	Grapevine	TX	76051	(817) 328-8788
FAT CAT ART LLC	Joshua & Heather Wilson Jesse Bright	716 Indian Trail, Suite 220	Harker Heights	TX	76548	(254) 393-0182
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	10001 Westheimer Rd, Suite 1110	Houston	TX	77042	(713) 609-9509
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	728 W 19 <sup>th</sup> St	Houston	TX	77008	(281) 888-7047
Coco Bean II, LLC	Algy Irwin Kermie Irvin	10961 North Freeway	Houston	TX	77037	(281) 816-3609
	Quanilla Strong	16927 El Camino Real	Houston	TX	77058	(281) 488-0009
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	1111 Holman St	Houston	TX	77004	(832) 476-0996
Artist at Heart, LLC	Onedia Gage	6850-A FM 1960 Rd East	Humble	TX	77346	(281) 812-0770
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	2020 S Fry Rd, Suite E	Katy	TX	77450	(281) 578-8862
Shreeji Painting, LLC	Hina Wani	101 Town Center Ln, #107	Keller	TX	76248	(817) 627-4121
HMJ LLC	Hina Wani Akshay Wani	420 E Round Grove Road #110	Lewisville	TX	75067	(469) 316-1940
PB & JK Enterprises, LLC	Priscilla Mitchell Jack Karam	8206 Agora Pkwy, Ste 100,	Live Oak	TX	78154	(210) 659-9090
Right Brain Studios-Longview, Inc	Kimberly Wells	100 Tall Pines Ave, Suite 5	Longview	TX	75605	(903) 236-8585
PWT LBB, a protected series of Carrasco Business Ventures, LLC	Enrique (Henry) Carrasco Daniel Carrasco Joel Carrasco	6816 Slide Road, Ste. 6	Lubbock	TX	79424	(806) 794-7928
K&M Garrison Investments, LLC	Kimberly L. Garrison	2851 Matlock Rd #442	Mansfield	TX	76063	(817) 225-4302
Kelley Family Biz, LLC	Tamara Kelley Christopher Kelley	3201 Hardin Blvd., Ste. 204 or 2116 Grayson Rd,	McKinney	TX	75070	(972) 542-1883
Painting with a Twich, LLC	Lauren Twichell	3220 Gus Thomasson Rd, Ste 219	Mesquite	TX	75150	(972) 613-4419
Stricker & Young, LLC	Kristy Young Walter Stricker	1551 N. Walnut Ave, Suite 20	New Braunfels	TX	78130	(830) 620-7928
Harvey Cat Corporation	Geri & Jon Niess	4912 Fairmont Pkwy	Pasadena	TX	77505	(281) 487-2468
The Gage Consulting Group, LLC	Onedia Gage	9223 W. Broadway St., Ste 101	Pearland	TX	77584	(281) 485-3300
Taking Flight LLC	Jason Winter Kerri Winter	1713 Preston Road #B	Plano	TX	75093	(469) 814-0050
K&M Garrison Investments	Kimberly L. Garrison	819 West Arapaho	Richardson	TX	75080	(469) 802-6333
Painting with a Twich, LLC	Lauren Twichell	513 E. Interstate 30	Rockwall	TX	75087	(469) 314-8110
Brushes-N-Beverages, LLC	Julie Maloney Craig Maloney	1401 S Interstate 35, Suite 140	Round Rock	TX	78664	(512) 502-5885



Franchisee	Contact	Address	City	State	Zipcode	Phone
Enabling Memories, LLC	Patrick & Melanie Lugo	555 W Bitters Rd	San Antonio	TX	78216	(210) 495-7928
Bella Mark, LLC	Jennifer Galan Mark Galan	8910 Bandera Rd, Ste 205	San Antonio	TX	78250	(210) 520-6282
PB&JK Enterprises, LLC	Priscilla Mitchell Britt Mitchell Jack Karam	1248 Austin Hwy Suite 216	San Antonio	TX	78209	(210) 462-1397
Savoy Galan LLC	Jennifer Galan Mark Galan	11019 Culebra Rd, #118	San Antonio	TX	78253	(210) 688-7928
Carbarrol, LLC	Carly Risacher Loretta Reader Raborn Reader	16740 Champion Forest Dr.	Spring	TX	77379	(346) 808-7106
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	8408 Katy Fwy, #216	Spring Valley	TX	77024	(713) 999-9323
Papas-Haddad Ventures, LLC	Dimitri Papakyriacou Alberto Haddad	3569 Texas 6	Sugarland	TX	77478	(281) 491-9200
Campbell Holdings, LLC	Karen Campbell Robin RoyCampbell	403A Van Dyke Dr.	Temple	TX	76504	(254) 228-5548
Mandrill, LLC	Algy Irwin Kermie Irvin	570 Sawdust rd	The Woodlands	TX	77380	(281) 465-4995
DiRue Ventures, LLC	Diane Castello	1621 N Valley Mills Dr.	Waco	TX	76710	(254) 304-4727
Donna Forte Enterprises, L.L.C.	Ann Marie Natali	1645 W. Towne Center Dr. C-5	Jordon (South)	UT	84095	(801) 890-1941
Adrienne & Jack, LLC	Adrienne Hartvigsen	258 E Winchester St	Murray	UT	84107	(801) 305-4115
Overman 8pportunities, LLC	Lauren Marie Overman Braden Lee Overman	1437 Sam's Drive Suite 104	Chesapeake	VA	23320	(757) 214-9022
Arraydiance, LLC	Anita Ray	1230 Merchant Lane	Hampton	VA	23666	(757) 827-2999
Domsen	Shauna Hansen	201 Towne Center West Blvd., Suite 710	Richmond	VA	23233	(804) 447-2491
Amore Shenanigans, Inc.	Ann Marie Natali	920 15 <sup>th</sup> Street SW	Auburn	WA	98001	(253) 735-0308
Cue Nirvana, LLC	Brendan Makarewicz	155 East Silver Spring Drive, Suite 201	Whitefish Bay	WI	53217	(414) 988-5050

(1) There were no area developers as of December 31, 2022.

### **Franchisees Signed but Not Yet Operating as of December 31, 2022**

Franchisee	Owner Names	Studio Address	City	State
Twist at Colonnade LLC	Nir Katularu	TBD	Phoenix	AZ
Canvas & Conversations (H & H Enterprise) LLC	Reginald Hester	TBD	New Orleans	LA
Clarity Art Studios LLC	Alaina Turner	TBD	Grand Rapids	MI
Twisted3, LLC	Johanna Natale, Amy Reggio & Armando Natale	TBD	Kansas City	MO
Danforth Designs, LLC	James & Ashley Danforth	TBD	Raleigh Durham	NC
Penelope Paints, LLC	Laura Barnett	TBD	Las Vegas	NV

## Transferred Units During 2022

Former franchisee	Contact	City	State	Phone number
Shri Rama, LLC	Hemen Patel, Sachin Patel & Samir Patel	Birmingham	AL	(832) 492-0040
Artful Living Trois, LLC	Starla Steinbach	Denver - Lakewood	CO	(720) 318-7234
Art by Jasmine, LLC	Jasmine Henley	Fort Collins	CO	(720) 288-8210
Two M's, LLC	Jenny Muller	Pensacola	FL	(985) 264-1014
Generations With A Twist, LLC	Christine White Barry White	Fort Myers	FL	(847) 951-4080
Nan & Man, LLC	Barbara Dean	Fort Walton Beach	FL	(850) 380-4489
Mythen, LLC	Gabriele (Gaby) Clark Richard Clark	Stuart	FL	(772) 245-9424
Wine & Design LLC	Matt Santangelo Jr & Holly Fuente	Deerfield Beach	FL	(954) 562-7436
Partners 37, LLC	Abby O'Neill Oliver Beers	Lafayette	IN	(765) 418-6212
Lagniappe Studios, LLC	Steve Gallant Cheree' Gallant	Mason	OH	(513) 304-2244
CCTRMJ, LLC	Regina Jackaki & Christine Trapagna	Jenkintown	PA	(215) 350-1555
Robbins Blessed Art, LLC	Bethany Robbins	Columbia	TN	(931) 384-0015
NOLA Melissa, LLC	Melissa Sutherland	San Antonio	TX	(210) 452-2022
Royal Horizons, LLC	Jim Holloway	Frisco	TX	(214) 763-8144
Rodrigomos Studios LLC	Jesse Moseley Jeston Rodriguez	Baytown	TX	(281) 707-9700
Epic Redheads, Inc	Brian and Lisa Ransom	Mesquite	TX	(972) 613-4419
Kacada Champions LLC	Kim Augsburger Dan Augsburger	Austin - Cedar Park	TX	(979) 777-1422
A Paint Above, LLC	Joanne Bove	Baldwin	NY	(917) 306-3957

## Closed Units During 2022

Former Franchisee	Contact	City	State	Phone
CLS & Monet LLC	Najat Dahbane	Miami	FL	(786) 334-7880
Blackcat Bay, LLC	Christen Hauenstein Jane Hauenstein David Sexton	Miami Beach	FL	(305) 815-1710
Artsy Girlz III, LLC	Sharon Reis Michelle Beres	Wesley Chapel, FL	FL	(727) 460-6597
Gracious Gatherings LLC	John Day Lynn Day	Glen Ellyn	IL	(630) 337-0234
Twisted Wolfe, LLC	William Wolfe Donna L. Wolfe Jimmy ODonnell	Asheville	NC	(828) 712-9557
Wall-berry LLC	Zina Berry Terri Wall	New Hartford	NY	(315) 314-7253
Beach Life With a Twist, LLC	Chris Heatherman Mike Heatherman	Myrtle Beach	SC	(330) 212-3808
Bellasni, LLC	Ashley Nicole Bell	Knoxville	TN	(865) 406-4270
	Ashley Willis	Jackson	TN	(731) 487-5117
Jolie Alexander, LLC	Jennifer Galan Mark Galan	Austin	TX	(210) 520-6282
Four Oaks, LLC	Heather Beaty Larry Beaty	Texarkana	TX	(903) 280-5338
Finstad Design, LLC	John Finstad	Weatherford	TX	(817) 925-3093
Showmaker Productions, LLC	Richard Showmaker, Cynthia Redd, L. Hugh Redd	Saginaw	TX	(571) 201-2103
Deb, Bob & Ervin, LLC	Deborah Jirasek Daniel (Bob) Jirasek	Spokane Valley	WA	(254) 709-1712

**EXHIBIT I**  
**CONTINGENT ASSIGNMENT OF LEASE**

## CONTINGENT ASSIGNMENT OF LEASE

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

**LESSOR:**

**LESSEE:**

**FRANCHISOR:**

Painting with a Twist, L.L.C. (“Painting with a Twist”)  
2121 N. Causeway Blvd., Ste. 200  
Mandeville, LA 70471

**PREMISES STREET ADDRESS:**

In consideration of the lease agreement entered into between Lessor and Lessee (“Lease”) and mutual covenants herein contained and other good and valuable consideration, including the acceptance by Painting with a Twist of the Premises as a location for a Painting with a Twist Franchised Business, the parties agree as follows:

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

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

(a) Painting with a Twist shall notify Lessee and Lessor in writing (the “Election Notice”) within fifteen (15) days after termination or expiration of the Franchise Agreement, or Painting with a Twist’s receipt of any notice of default by Lessee under the Lease, if Painting with a Twist elects to accept assignment of the Lease. Upon receipt of an Election Notice by Lessee and Lessor, Painting with a Twist shall have the right as between Lessee and Painting with a Twist to the Premises. Upon receipt of an Election Notice by Lessee from Painting with a Twist, Lessee hereby grants, assigns, transfers and sets over to Painting with a Twist all rights, title and interest in and to the Lease and the Premises leased thereunder and abandons any existing leasehold improvements. Painting with a Twist’s failure to accept assignment of the Lease upon any default of Lessee under the Lease which has been subsequently cured by Lessee shall not be deemed a waiver of Painting with a Twist’s future right to accept such assignment in the event of any future default of Lessee;

(b) If Painting with a Twist elects to accept assignment of the Lease, Painting with a Twist shall (i) cure any monetary defaults and take possession of the Premises as soon as reasonably possible, but no later than thirty (30) days after receipt of the Election Notice by Lessor, and (ii) promptly commence the cure of all non-monetary defaults and diligently pursue such cure until completion. Painting with a Twist shall thereafter commence payment of rent and other customary and reasonable charges and comply with all other obligations under the Lease;

(c) Nothing herein shall affect Lessor's right to require Lessee to remain liable as a guarantor for the remaining term of the Lease, to recover from Lessee any and all amounts due under the Lease or to exercise any rights of Lessor against Lessee as provided under the Lease; provided, that Painting with a Twist's leasehold interest shall not be subject to any claims that may exist between Lessor and Lessee; and

(d) Lessee agrees to take any and all actions under the Lease to effectuate assignment of the Lease to Painting with a Twist. Lessor agrees to the assignment of the Lease from Lessee to Painting with a Twist upon Lessor's receipt of an Election Notice and agrees to take any and all present and/or future action reasonably necessary to assist Painting with a Twist, when and as requested, in effecting the assignment of the Lease to Painting with a Twist; provided, however, that Lessor shall not be required to bear any expense thereof.

3. Assignment to Third Party. At any time after receipt of the Election Notice by Lessor, Painting with a Twist may request to assign its Lease, pursuant to provisions of the Lease concerning lease assignment, or sublease of the Premises, to a third party franchisee of Painting with a Twist for the purpose of continuing to operate the Painting with a Twist Franchised Business at the Premises. Lessor agrees not to unreasonably withhold its consent to any such assignment or sublease.

4. De-Identification. Lessee acknowledges that in the event the Lease or the Franchise Agreement expires or is terminated; Lessee is obligated under the Franchise Agreement to take certain steps to de-identify the Premises as a Painting with a Twist Franchised Business operated by Lessee. Lessor agrees to cooperate with Painting with a Twist in allowing Painting with a Twist to de-identify the Premises, including allowing Painting with a Twist and its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Painting with a Twist; provided, however, that Painting with a Twist shall immediately repair all damage caused by such de-identification and Lessor shall not be required to bear any expense thereof. Painting with a Twist shall indemnify, defend, and hold Lessor harmless from and against any and all loss, damage, claim, demand, liability, or expense (including reasonable attorneys' fees) resulting from claims by third parties and based on any actor or omissions of Painting with a Twist and its employees and agents arising out of Painting with a Twist's entry and de-identification of the Premises. Lessee agrees that if Lessee fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, Painting with a Twist may cause all required de-identification to be completed at Lessee's expense.

5. General Provisions.

(a) This Agreement is directed to a specific Lease set forth herein but the Lessee, Lessor and Painting with a Twist agree that this Agreement is applicable to any extensions,

renewals or other options of Lessee with respect to the Lease and the Premises, as well as being applicable to any subsequent lease agreements between Lessee and Lessor concerning the Painting with a Twist Franchised Business with respect to the Premises;

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

(c) This Agreement shall be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The prevailing party in any action shall be entitled to recover its legal fees together with court costs and expenses of litigation; and

(d) In the event of any conflict or inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement shall prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this \_\_\_\_ of \_\_\_\_\_, 20\_\_\_\_.

**WITNESSES:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**LANDLORD:**

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

Print Name: \_\_\_\_\_

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

**TENANT:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

Print Name: \_\_\_\_\_

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

**FRANCHISOR:**

**PAINTING WITH A TWIST, L.L.C.**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

Print Name: \_\_\_\_\_

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_



**EXHIBIT J**  
**STATE SPECIFIC ADDENDA**

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

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

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

This Addendum shall pertain to residents of the State of California or franchisees to be located in the State of California and shall be for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

1. Articles 3.2(vii) and 13.2(iv) of the Franchise Agreement require Franchisee to sign a general release of claims. This provision may not be enforceable under California Law.
2. Article 12 of the Franchise Agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California Law.
3. Article 19.1 of the Franchise Agreement requires application of the laws of Louisiana. This provision may not be enforceable under California Law.
4. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):
  - A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”
  - B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.
  - C. In Article 22.10 of the Franchise Agreement, the language, “read and.”
  - D. Paragraph C of the Background of Attachment D (Successor Addendum).
5. 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.
7. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

[signature page follows]

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Franchisor: Painting with a Twist, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF CALIFORNIA**

This Addendum shall pertain to residents of the State of California or franchises to be located in the State of California and shall be for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement shall be amended as follows:

1. Section 8.5.4 of the Development Agreement requires Developer to sign a general release of claims. This provision may not be enforceable under California Law.
2. Section 19.1 of the Development Agreement requires application of the laws of Louisiana. This provision may not be enforceable under California Law.
3. The following language and Sections are removed from the Development Agreement:
  - A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”
  - B. Section 20 of the Development Agreement.
4. 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.
5. Except as amended herein, the Development Agreement will be construed and enforced with its terms.

[signature page follows]

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

Franchisor

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

Print Name: \_\_\_\_\_

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

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

Developer

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

Print Name: \_\_\_\_\_

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

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

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

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

The following risk factors are added to the Special Risks to Consider About *This* Franchise state cover page and are stated as follows:

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.

Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

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

Neither the franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Item 17 of the FDD shall be supplemented to include the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A Sec. 101 *et seq.*).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur at American Arbitration Association's office in New Orleans, Louisiana, with each party bearing its own costs (including, but not limited to, attorney's fees, expert witness fees, and other costs incurred in connection with arbitration).

The franchise agreement requires application of the laws of Louisiana. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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.

OUR WEBSITE 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).

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

Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.



**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF ILLINOIS**

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

**\*\*\*\*\***

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

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

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**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

This Addendum shall pertain to franchises sold in the State of Illinois and shall be for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement (“Agreement”) to the contrary, the Agreement shall be amended as follows:

1. Article 19, in its entirety, and Article 20.1 of the Agreement shall be supplemented as follows:

Any provision of the Franchise Agreement which designates jurisdiction or venue outside of Franchisee’s state is void with respect to any cause of action which otherwise is enforceable in Franchisee’s state, provided that a Franchise Agreement may provide for arbitration outside Franchisee’s state.

2. Article 19.5 of the Agreement shall be supplemented as follows:

However, the choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. As required under Illinois law, the laws of the State of Illinois will govern.

3. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

4. The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 7051-44. To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

5. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

- A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

- B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

- C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

- D. Paragraph C of the Background of Attachment D (Successor Addendum).

6. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.    Franchisee:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

The following language and Sections are removed from the Development Agreement:

1. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

2. Section 20 of the Development Agreement.

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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.**

**Developer:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

For franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987 and the Illinois General Rules and Regulations under the Franchise Disclosure Act, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Illinois Franchise Disclosure Document.

The State Cover Page and/or Item 17 shall be supplemented to include the following disclosure:

Any provision of the Franchise Agreement which designates jurisdiction or venue outside of Franchisee's state is void with respect to any cause of action which otherwise is enforceable in Franchisee's state, provided that a Franchise Agreement may provide for arbitration outside Franchisee's state.

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 7051-44.

The Franchise Agreement provides that Louisiana law applies. However, the foregoing choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. As required under Illinois law, the laws of the State of Illinois will govern.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF INDIANA**

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

**\*\*\*\*\***

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

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

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DOCUMENT REQUIRED BY THE STATE OF INDIANA



**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF INDIANA**

This Addendum shall pertain to franchises sold in the State of Indiana and shall be for the purpose of complying with Indiana statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement (“Agreement”) to the contrary, the Agreement shall be amended as follows:

1. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

2. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.      Franchisee:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF INDIANA**

This Addendum pertains to franchises sold in the State of Indiana and is for the purpose of complying with Indiana statutes and regulations. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Area Development Agreement is amended as follows:

1. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

2. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.**

**Developer:**

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

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

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

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

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

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

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

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

This Addendum pertains to franchises sold in the State of Indiana and is for the purpose of complying with Indiana statutes and regulations. For franchises and franchisees subject to Indiana statutes and regulations, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Franchise Disclosure Document.

1. 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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF MARYLAND**

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

**\*\*\*\*\***

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

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

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DOCUMENT REQUIRED BY THE STATE OF MARYLAND

**AMENDMENT TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

This Addendum shall pertain to residents of the State of Maryland or franchises to be located in the State of Maryland and shall be for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

1. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
5. A provision in the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101.
6. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):
  - A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”
  - B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.
  - C. In Article 22.10 of the Franchise Agreement, the language, “read and.”
  - D. Paragraph C of the Background of Attachment D (Successor Addendum).
7. 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.

[signature page follows]

Dated this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Franchisor: Painting with a Twist, L.L.C.

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

Print Name: \_\_\_\_\_

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

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

Franchisee:

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

Print Name: \_\_\_\_\_

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

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

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

This Addendum shall pertain to residents of the State of Maryland or franchises to be located in the State of Maryland and shall be for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement shall be amended as follows:

1. The general release required as a condition of sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
3. A developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
4. A provision in the Development Agreement which terminates the Development Agreement upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101.
5. The following language and Sections are removed from the Development Agreement:
  - A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”
  - B. Section 20 of the Development Agreement.
6. 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.
7. 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.

[signature page follows]



Dated this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Franchisor: Painting with a Twist, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Developer:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

For franchises and franchisees subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces or supplements, as the case may be the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Franchise Disclosure Document:

Item 17.

The Summary of the “Cause” Defined—Non Curable Defaults (provision (h.)) is amended to provide that provisions allowing termination on bankruptcy may not be enforceable under Title 11, United States Code Section 101 *et seq.*

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF MICHIGAN**

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

**\*\*\*\*\***

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

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

This Addendum shall pertain to franchises sold in the State of Michigan and shall be for the purpose of complying with Michigan statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement (“Agreement”) to the contrary, the Agreement shall be amended as follows:

1. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

2. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.    Franchisee:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MICHIGAN**

This Addendum pertains to franchises sold in the State of Michigan and is for the purpose of complying with Michigan statutes and regulations. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Area Development Agreement is amended as follows:

1. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

2. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.**

**Developer:**

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

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

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

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

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

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

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

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

This Addendum pertains to franchises sold in the State of Michigan and is for the purpose of complying with Michigan statutes and regulations. For franchises and franchisees subject to Michigan statutes and regulations, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Franchise Disclosure Document.

1. 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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF MINNESOTA**

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

**\*\*\*\*\***

**THE INFORMATION CONTAINED HEREIN MUST BE  
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**PAINTING WITH A TWIST, L.L.C.  
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**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

This Addendum shall pertain to those franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows.

1. Minn. Stat. Sec. 80.C.21 and Minn. Rule 2860.4400J prohibit Painting with a Twist, L.L.C. from requiring litigation to be conducted outside of Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, Painting with a Twist, L.L.C. will comply with Minnesota Statute Section 80C.14. Subd. 3 – 5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (within 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.
3. Painting with a Twist, L.L.C. will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expense arising out of any claim, suit or demand regarding the use of the name.
4. Minnesota considers it unfair to not protect the franchisee’s rights to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
5. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.
6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
7. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5
8. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):
  - A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”
  - B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

9. 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.

\_\_\_\_\_  
Franchisee’s Initials/ Date

\_\_\_\_\_  
Franchisor’s Initials/Date

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

This Addendum shall pertain to those franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement shall be amended as follows.

1. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit Painting with a Twist, L.L.C. from requiring litigation to be conducted outside of Minnesota, requiring waiver of jury trial, or requiring the developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, Painting with a Twist, L.L.C. will comply with Minnesota Statute Section 80C.14. Subd. 3 – 5, which require (except in certain specified cases) that a developer be given 90 days’ notice of termination (within 60 days to cure).
3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a developer to assent to a general release. To the extent that any provision of the Development Agreement imposes a different limitations period, the provision of the Act shall control.
4. The Developer cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
5. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5
6. The following language and Sections are removed from the Development Agreement:
  - A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”
  - B. Section 20 of the Development Agreement.
7. 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.

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Developer’s Initials/ Date

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Franchisor’s Initials/Date

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

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Franchise Disclosure Document.

**Item 13**

Painting with a Twist, L.L.C. will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expense arising out of any claim, suit or demand regarding the use of the name.

**Item 17**

With respect to franchises governed by Minnesota law, Painting with a Twist, L.L.C. will comply with Minnesota Statute Section 80C.14. Subd. 3 – 5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (within 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of Sections 80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit Painting with a Twist, L.L.C. from requiring litigation to be conducted outside of Minnesota, requiring waiver of jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5

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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF NEW YORK**

**PAINING WITH A TWIST, L.L.C.  
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)  
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**PAINTING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
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**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached Painting with a Twist, L.L.C. Franchise Agreement agree as follows:

1. Articles 3.2(vii) and 13.2(iv) of the Agreement with respect to your execution of a general release is revised to include the following provision:

Provided, however, that all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the GBL of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the nonwaiver provisions of Sections 687.4 and 687.5 of New York's GBL be satisfied.

2. Article 18.1 of the Agreement shall be supplemented to include the following provision:

Notwithstanding the above, you shall indemnify Painting with a Twist, L.L.C. and hold Painting with a Twist, L.L.C. harmless from liabilities resulting from your breaches and civil wrongs only.

3. Article 13.1(i) of the Agreement shall be supplemented to include the following provision:

In the event of such an assignment, Painting with a Twist, L.L.C. will ascertain that its assignee, in Painting with a Twist, L.L.C.'s reasonable judgment, possesses the economic resources to fulfill Painting with a Twist, L.L.C.'s obligations to its franchisees.

4. Article 19.5 of the Agreement shall be supplemented to include the following provision:

However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law.

5. Franchisee's consent in the Franchise Agreement to Painting with a Twist, L.L.C.'s right to obtain injunctive and other relief in the event of franchisee's breach of covenants not to compete and non-disclosure covenants contemplates only Painting with a Twist, L.L.C.'s right to obtain injunctive and other relief only after the proper proofs are made and the appropriate judicial or arbitratative authority grants such relief. Nothing within said provisions shall constitute a waiver by Franchisee of Franchisee's right to defend any action.

6. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under New York law.

7. Painting with at Twist, L.L.C.'s termination of the Franchise Agreement because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)



8. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

9. 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.

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Franchisee’s Initials/ Date

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Franchisor’s Initials/Date

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached Painting with a Twist, L.L.C. Area Development Agreement agree as follows:

1. Section 8.5.4 of the Development Agreement with respect to your execution of a general release is revised to include the following provision:

Provided, however, that all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the GBL of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the nonwaiver provisions of Sections 687.4 and 687.5 of New York's GBL be satisfied.

2. Section 14.1 of the Development Agreement shall be supplemented to include the following provision:

Notwithstanding the above, you shall indemnify **PAINTING WITH A TWIST, L.L.C.** and hold **PAINTING WITH A TWIST, L.L.C.** harmless from liabilities resulting from your breaches and civil wrongs only.

3. Section 8.10 of the Development Agreement shall be supplemented to include the following provision:

In the event of such an assignment, Painting with a Twist, L.L.C. will ascertain that its assignee, in Painting with a Twist, L.L.C.'s reasonable judgment, possesses the economic resources to fulfill Painting with a Twist, L.L.C.'s obligations to its franchisees.

4. Section 19.1 of the Development Agreement shall be supplemented to include the following provision:

However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Developer by the provisions of Article 33 of the New York State General Business Law.

5. Developer's consent in the Development Agreement to Painting with a Twist, L.L.C.'s right to obtain injunctive and other relief in the event of franchisee's breach of covenants not to compete and non-disclosure covenants contemplates only Painting with a Twist, L.L.C.'s right to obtain injunctive and other relief only after the proper proofs are made and the appropriate judicial or arbitral authority grants such relief. Nothing within said provisions shall constitute a waiver by Franchisee of Franchisee's right to defend any action.

6. Painting with at Twist, L.L.C.'s termination of the Agreement because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)

7. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

8. 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.

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Developer’s Initials/Date

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Franchisor’s Initials/Date

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

In recognition of the requirements of the New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 200.16 the Franchise Disclosure Document for Painting with a Twist, L.L.C. for use in the State of New York shall be amended as follows:

1. The following is added to the Cover Page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR, 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 at 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 language replaces the “Summary” section of Item 17, titled, *Requirements for franchisee to renew or extend*, section “c” and *Conditions for franchisor approval of transfer*, section “m”

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 the General Business Law Section =s 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17, titled, *Termination by franchisee*, section “d”:

The franchisee may terminate the agreement on any grounds available by law.

5. The following language is added to the end of the “Summary” section of Item 17, titled, *Choice of forum*, section (v) and *Choice of law*, section w:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. 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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF NORTH DAKOTA**

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

**\*\*\*\*\***

**THE INFORMATION CONTAINED HEREIN MUST BE  
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**PAINING WITH A TWIST, L.L.C.  
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REQUIRED BY THE STATE OF NORTH DAKOTA**

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**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

This Amendment pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Article 12 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants not to compete may not be enforceable under North Dakota law.

2. Articles 3.2(vii) and 13.2(iv) of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to sign a general release of claims if you renew or transfer your franchise may not be enforceable under North Dakota law.

3. Article 12.1 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to termination or liquidated damages may not be enforceable under North Dakota law.

4. Article 19.1 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants specifying that the agreement is governed by the laws of a state other than North Dakota may not be enforceable in North Dakota.

5. Article 19.3 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring mediation at a location that is remote from the site of the franchisee's business may not be enforceable in North Dakota.

6. Article 19.4 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota may not be enforceable under North Dakota law.

7. Article 19.9 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:



Covenants requiring North Dakota franchisees to consent to a limitation of claim within one year may not be enforceable under North Dakota law.

8. Article 19.10 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages may not be enforceable under North Dakota law.

9. Article 19.11 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to waiver of trial by jury may not be enforceable under North Dakota law.

10. Article 19.12 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement may not be enforceable under North Dakota law. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

11. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, "There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement."

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, "read and."

D. Paragraph C of the Background of Attachment D (Successor Addendum).

12. 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.

[signature page follows]

Franchisor: Painting with a Twist, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Area Development Agreement is amended as follows:

1. Section 8.5.4 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to sign a general release of claims if you transfer your area development agreement may not be enforceable under North Dakota law.

2. Section 19.1 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants specifying that the agreement is governed by the laws of a state other than North Dakota may not be enforceable in North Dakota.

3. Section 19.3 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring mediation at a location that is remote from the site of the developer's business may not be enforceable in North Dakota.

4. Section 19.4 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota may not be enforceable under North Dakota law.

5. Section 19.9 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota franchisees to consent to a limitation of claim within one year may not be enforceable under North Dakota law.

6. Section 19.10 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota developers to consent to a waiver of exemplary and punitive damages may not be enforceable under North Dakota law.

7. Section 19.11 of the Development Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota developers to consent to waiver of trial by jury may not be enforceable under North Dakota law.

8. Section 19.12 of the Franchise Agreement is hereby amended by the addition of the following language to the original language that appears therein:

Covenants requiring North Dakota developers to pay all costs and expenses incurred by the franchisor in enforcing the Agreement may not be enforceable under North Dakota law. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney’s fees.

9. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

10. 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.

Franchisor: Painting with a Twist, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Developer:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

For franchises and franchisees subject to the North Dakota Franchise Investment Law Act, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Franchise Disclosure Document.

Item 17 of the FDD shall be supplemented to include the following:

1. Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable, except in certain instances as provided by law.
2. Any provision in the Franchise Agreement which requires a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
3. Any provision in the Franchise Agreement and/or Development Agreement which designates that the agreement is governed by the laws of a state other than North Dakota is void.
4. Any provision in the Franchise Agreement/Development Agreement which designates jurisdiction or venue or requires the franchisee/developer to agree to a jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.
5. Any provision in the Franchise Agreement/Development Agreement which requires a franchisee/developer to consent to a waiver of exemplary and punitive damages has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Any provision in the Franchise Agreement/Development Agreement which requires a franchisee/developer to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. 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.

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF RHODE ISLAND**

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

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**PAINTING WITH A TWIST, L.L.C.  
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AGREEMENT REQUIRED BY THE STATE OF RHODE ISLAND

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

This Addendum relates to franchises sold in Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. The Rhode Island Franchise Investment Act (the “Act”) at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
2. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):
  - A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”
  - B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.
  - C. In Article 22.10 of the Franchise Agreement, the language, “read and.”
  - D. Paragraph C of the Background of Attachment D (Successor Addendum).
3. 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.
4. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this Amendment.

[signature page follows]



Dated this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Franchisor: Painting with a Twist, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

This Addendum relates to franchises sold in Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Area Development Agreement, Franchisor and Franchisee agree to amend the Area Development Agreement as follows:

1. The Rhode Island Franchise Investment Act (the “Act”) at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
2. The following language and Sections are removed from the Development Agreement:
  - A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”
  - B. Section 20 of the Development Agreement.
3. 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.
4. Except as amended herein, the Development Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this Amendment.

[signature page follows]

Dated this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Franchisor: Painting with a Twist, L.L.C.

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

Print Name: \_\_\_\_\_

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

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

Developer:

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

Print Name: \_\_\_\_\_

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

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

**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF SOUTH DAKOTA**

**PAINING WITH A TWIST, L.L.C.  
FRANCHISE DISCLOSURE DOCUMENT (“FDD”)  
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**PAINTING WITH A TWIST, L.L.C.  
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DOCUMENT REQUIRED BY THE STATE OF SOUTH DAKOTA

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF SOUTH DAKOTA**

This Addendum shall pertain to franchises sold in the State of South Dakota and shall be for the purpose of complying with South Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement (“Agreement”) to the contrary, the Agreement shall be amended as follows:

1. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

2. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.    Franchisee:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF SOUTH DAKOTA**

This Addendum pertains to franchises sold in the State of South Dakota and is for the purpose of complying with South Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Area Development Agreement is amended as follows:

1. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

2. 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.

Dated this \_\_\_\_\_ day of 20\_\_\_\_

**Franchisor: Painting with a Twist, L.L.C.**

**Developer:**

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

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

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

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

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

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

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

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

This Addendum pertains to franchises sold in the State of South Dakota and is for the purpose of complying with South Dakota statutes and regulations. For franchises and franchisees subject to South Dakota statutes and regulations, the following information supersedes and supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C. Franchise Disclosure Document.

1. 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.



**PAINING WITH A TWIST, L.L.C.  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
CONTAINING ADDITIONAL INFORMATION  
REQUIRED BY THE STATE OF VIRGINIA**

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

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF VIRGINIA**

This Addendum to the Painting with a Twist, L.L.C. Franchise Agreement dated \_\_\_\_\_ (“Addendum”) between Painting with a Twist, L.L.C. (the “Franchisor” or “Painting with a Twist”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of Franchise Agreement (“Franchise Agreement” or “Agreement”).

1. The provision of this Addendum forms an integral part of, and is incorporated into, the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the Commonwealth of Virginia; and/or (b) part or all of the Territory is located in the Commonwealth of Virginia.

2. The following is added to the Franchise Agreement:

Pursuant to Section §13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground 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.

3. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

4. 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.

5. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of the Virginia Securities and Retail Franchising Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified in full force and effect.

The undersigned does hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Franchisor: Painting with a Twist, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF VIRGINIA**

This Addendum to the Painting with a Twist, L.L.C. Area Development Agreement dated \_\_\_\_\_ (“Addendum”) between Painting with a Twist, L.L.C. (the “Franchisor” or “Painting with a Twist”) and \_\_\_\_\_ (“Developer”) is entered into simultaneously with the execution of Development Agreement (“Development Agreement” or “Agreement”).

1. The provisions of this Addendum form an integral part of, and is incorporated into, the Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the Commonwealth of Virginia; and/or (b) part or all of the Territory is located in the Commonwealth of Virginia.

2. The following is added to the Development Agreement:

Pursuant to Section §13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the development agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. Section §13.1-564 of the Virginia Retail Franchising Act, which may supersede the development agreement in your relationship with the franchisor regarding the area of cross default terminations. There may also be court decisions which may supersede the development agreement in your relationship with the franchisor including the area of cross default terminations.

4. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

5. 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.

6. This Addendum will have effect only if the Development Agreement and/or the relationship between Franchisor and Developer satisfy all of the jurisdictional requirements of the Virginia Securities and Retail Franchising Act, without considering this Addendum. Except as expressly modified by this Addendum, the Development Agreement remains unmodified in full force and effect.

The undersigned does hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Franchisor: Painting with a Twist, L.L.C.

Developer

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

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

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

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

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

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

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

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

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Painting with a Twist, L.L.C. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to 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 ground 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.

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.

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

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

**\*\*\*\*\***

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



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

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

THE WASHINGTON ADDENDUM ALSO APPLIES TO EXHIBIT G, FRANCHISE  
COMPLIANCE CERTIFICATION.

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WASHINGTON**

This Addendum relates to franchises sold in Washington and is intended to comply with Washington statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. 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.
3. 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.

8. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

9. 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.

10. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_ day of \_\_\_\_\_, 20\_\_

Franchisor: Painting with a Twist, L.L.C. Franchisee:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF WASHINGTON**

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.

The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

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: Painting with a Twist, L.L.C. Developer:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

This Addendum relates to franchises sold in Washington and is intended to comply with Washington statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. 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.
3. 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.
8. 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.

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

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

**\*\*\*\*\***

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



PAINTING WITH A TWIST, L.L.C.  
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DOCUMENT REQUIRED BY THE STATE OF WISCONSIN

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WISCONSIN**

This Addendum shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with the Wisconsin Fair Dealership Law. Notwithstanding anything which may be contained in the body of the Franchise Agreement to be contrary, the Franchise Agreement shall be amended as follows:

1. Article 14 of the Franchise Agreement pertaining to Defaults and Terminations is amended as follows:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisor and Franchisee inconsistent with the Law.

3. The following language and Sections are removed from the Franchise Agreement and Attachment D (Successor Addendum):

A. In Article 21.3 of the Franchise Agreement, the language, “There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement.”

B. Articles 22.1 through 22.5, and 22.7 of the Franchise Agreement.

C. In Article 22.10 of the Franchise Agreement, the language, “read and.”

D. Paragraph C of the Background of Attachment D (Successor Addendum).

4. 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.

5. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

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Franchisee's Initials/Date

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Franchisor's Initials/Date

**ADDENDUM TO PAINTING WITH A TWIST, L.L.C.  
AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF WISCONSIN**

This Addendum shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with the Wisconsin Fair Dealership Law. Notwithstanding anything which may be contained in the body of the Development Agreement to be contrary, the Development Agreement shall be amended as follows:

1. Section 9 of the Development Agreement pertaining to Defaults and Terminations is amended as follows:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Development Agreement or a related document between Franchisor and Developer inconsistent with the Law.

3. The following language and Sections are removed from the Development Agreement:

A. In Section 17 of the Development Agreement, the language, “There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties.”

B. Section 20 of the Development Agreement.

4. 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.

5. Except as amended herein, the Development Agreement will be construed and enforced with its terms.

\_\_\_\_\_  
Developer’s Initials/Date

\_\_\_\_\_  
Franchisor’s Initials/Date

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

For franchises and franchisees subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Painting with a Twist, L.L.C.'s Wisconsin Franchise Disclosure Document.

1. Item 17

(a) For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

(b) For Wisconsin Franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and Franchisee inconsistent with the Law.

2. 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.

## STATE EFFECTIVE DATES

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

This 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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	Pending
Wisconsin	

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.

**EXHIBIT K**

**RECEIPTS**

## ITEM 23 - RECEIPT

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

If Painting with a Twist, L.L.C. offers you a franchise, Painting with a Twist, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make payment to the franchisor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that Painting with a Twist, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or payment of any consideration that relates to the franchise relationship. Michigan requires that Painting with a Twist, L.L.C. gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Painting with a Twist, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit C.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: Todd Owen, Katie Richard, Brittany Graff, Mary Mierl, and Joshua Bergeron, 2121 N. Causeway Blvd., Suite 200, Mandeville, Louisiana 70471 (985) 626-3292.

The issuance date of this Franchise Disclosure Document is April 12, 2023.

I received a Disclosure Document from Painting with a Twist, L.L.C. dated April 12, 2023, that included the following Exhibits:

- |  |  |
|--|--|
| A. Franchise Agreement   | E. Operations Manual Table of Contents                                   |
| a. Guaranty Agreement  | F. General Release   |
| b. Confidentiality Agreement                                       | G. Franchisee Compliance Certification                                   |
| c. ACH Service Agreement   | H. List of Current Franchisees &<br>Franchisees Who Have Left the System |
| d. Successor Addendum  | I. Contingent Assignment of Lease  |
| B. Area Development Agreement                                      | J. State Specific Addenda Agents for<br>Service of Process               |
| C. List of State Administrators & Agents<br>for Service of Process | K. Receipts  |
| D. Financial Statements  |  |

Date: \_\_\_\_\_  
(Do Not Leave Blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

**YOUR COPY- RETAIN FOR YOUR FILES**



## ITEM 23 - RECEIPT

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If Painting with a Twist, L.L.C. offers you a franchise, Painting with a Twist, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make payment to the franchisor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that Painting with a Twist, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or payment of any consideration that relates to the franchise relationship. Michigan requires that Painting with a Twist, L.L.C. gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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| d. | Successor Addendum  | I. | Contingent Assignment of Lease  |
| B. | Area Development Agreement                                      | J. | State Specific Addenda Agents for<br>Service of Process               |
| C. | List of State Administrators & Agents<br>for Service of Process | K. | Receipts  |
| D. | Financial Statements  |    |   |

Date: \_\_\_\_\_  
(Do Not Leave Blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

### **COPY FOR PAINTING WITH A TWIST, L.L.C.**

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to the Painting with a Twist, L.L.C. Franchise Development Department by email to [franchising@paintingwithatwist.com](mailto:franchising@paintingwithatwist.com).