

## FRANCHISE DISCLOSURE DOCUMENT



### FRANCHISOR

GFH PINOT'S PALETTE, LLC  
A Texas limited liability company  
2880 Broadway Bend, Bldg. #1,  
Pearland, Texas 77584  
franchise@pinotspalette.com

As a franchisee, you will operate a location offering customers artistic and creative classes, including painting classes, with the opportunity to enjoy food, wine or other beverages under the name "Pinot's Palette."

The total investment necessary to begin operation of a Pinot's Palette franchised business is from \$101,466 to \$250,599 for a location. This includes \$48,915 to \$61,285 that must be paid the franchisor or its affiliate(s).

We may offer to enter into an area development agreement to establish and operate a certain number of Pinot's Palette franchises at specific locations pursuant to individual franchise agreements. Your estimated initial investment will vary based on the number of locations to be developed. If you obtain development rights to open and operate multiple Pinot's Palette outlets, you will pay an Initial Franchise Fee of \$30,000 for your first outlet plus a development fee of \$20,000 for each additional outlet that you agree to open (minimum of 1 additional outlet is required), which we will credit towards the franchise fee for each additional outlet that you open. You will pay these fees at the same time you sign the Initial Franchise Agreement and the Area Developer Agreement. The total estimated amount necessary to begin operation of a Pinot's Palette franchised Area Developer business for two (2) Outlets is between \$121,466 to \$270,599. This includes between \$68,915 and \$81,285 that must be paid to us and/or our affiliates. The total estimated amount necessary to begin operation of a Pinot's Palette franchised Area Developer business for four (4) Outlets is between \$161,466 to \$310,599. This includes between \$108,915 and \$121,285 that must be paid to us and/or our affiliates.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive the Disclosure Document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 development team at [franchise@pinotspalette.com](mailto:franchise@pinotspalette.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 contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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 visit your public library for other sources of information on franchising.

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

**Issuance Date: June 8, 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 Exhibits G & 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 I includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Pinot’s Palette 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 Pinot’s Palette franchisee?</b>	Item 20 or Exhibits G & H lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration or litigation in Texas. Out of state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may cost you more to mediate, arbitrate or litigate in Texas than in your home state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
4. **Purchase of Inventory and Supplies.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from us, our affiliates, or from suppliers that we designate at prices that we or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

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 THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

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

(A) A PROHIBITION ON 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 PROVISIONS 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 FRANCHISED 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 FRANCHISEE 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.

\* \* \* \*

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

\* \* \* \*

**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.**

\* \* \* \*

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU, 2407 N. GRAND RIVER AVE., LANSING, MICHIGAN 48906.

\* \* \* \*

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:  
STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL  
G. MENNEN WILLIAMS BUILDING  
525 W. OTTAWA STREET  
LANSING, MICHIGAN 48909  
TELEPHONE NUMBER: (517) 335-7622

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## **EXHIBITS**

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- Exhibit C Franchise Agreement
- Exhibit D Area Development Agreement
- Exhibit E Non-Use and Non-Disclosure Agreement
- Exhibit F List of Franchisees and Area Developers
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- Exhibit H Financial Statements
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- Exhibit J General Release
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- Exhibit N Receipts



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

**The Franchisor**

GFH Pinot's Palette, LLC, a Texas limited liability company ("we" or "us" or "our" or "GFH Pinot's Palette"), is the franchisor. We and our parent and affiliates have our principal place of business at 2880 Broadway Bend, Bldg #1, Pearland, TX 77584. We were formed on December 21, 2022. We conduct business under the name and mark "Pinot's Palette" and related names, marks and slogans.

We are a franchising company which promotes and sells franchises for the operation of Pinot's Palette locations. We do not own or operate a location of the type being franchised. We have not offered franchises in any other line of business, and we are not engaged in any business other than selling franchises for Pinot's Palette locations. We have been offering franchises since June 8, 2023.

Our agent for service of process is David Graham. His principal business address is 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

**Our Parents, Affiliates and Predecessors**

We are owned by our parent, GFH PP, LLC ("GFH PP"), whose principal place of business is the same as ours. GFH PP is owned by its parent, FranchiCzar Holdings, LLC ("FranchiCzar Holdings"). FranchiCzar Holdings is owned by its parent, Graham Ventures, Inc., all with the same principal business address as ours.

GFH PP purchased the assets of Pinot's Palette Franchise, LLC, now known as 2406 Franchise LLC, located at 10333 Harwin Dr., Suite 500, Houston, TX 77036-1571 in February 2023. That entity offered franchises from October 2010 until GFH PP acquisition of its franchising and intellectual property rights in February 2023. The assets we acquired included an assignment of the rights held by that entity in Franchise Agreements awarded by that entity and its franchising and intellectual property rights. GFH PP has exclusively licensed PINOT'S PALETTE franchising and intellectual property rights to us.

We have the following affiliates:

Valhallan Esports League, LLC, ("Valhallan Esports") is a Texas limited liability company formed on May 12, 2022. Valhallan Esports, is a subsidiary of Valhallan, LLC and the principal place of business is the same as ours. Valhallan Esports is the designated exclusive provider of esports leagues to our franchisees.

FranchiCzar, LLC is a Texas limited liability company formed October 5, 2016 ("FranchiCzar"). FranchiCzar, whose principal place of business is the same as ours, is the designated supplier of certain products and services to our franchisees, including the FranchiCzar operating system that you are required to use, as well as digital marketing services that you may purchase, among others that we may designate. FranchiCzar may in the future offer other services to our franchisees, such as call center services. A copy of the agreement that you must sign with FranchiCzar for its services is attached as Exhibit J to this Disclosure Document.

Fundio, LLC is a Texas limited liability company formed June 26, 2020 ("Fundio"). Fundio, whose principal place of business is the same as ours, is the designated supplier of certain payment processing services that you are required to use.

FranPerform LLC ("FranPerform") is a Texas limited liability company that was formed on January 30, 2020. FranPerform has the same principal business address as we do. As of the date of this Disclosure Document,

FranPerform does not offer any franchises in any line of business, but it will offer certain services to our franchisees, including digital marketing services and franchise development services.

Our affiliate, Thrifty Gear, LLC, (“Thrifty Gear”) is a Texas limited liability company formed on September 28, 2016, and may be used as a designated supplier of certain business and promotional items to our Franchisees.

Additionally, on August 9, 2021, FranchiCzar Holdings formed a subsidiary, Iron 24 Holdings, LLC, which in turn has a subsidiary, Iron 24 Franchising, LLC (“Iron 24 Franchising”), which is an affiliate of ours. Iron 24 Franchising, which was formed on August 18, 2021, has the same principal business address as we do. Iron 24 Franchising started offering for sale, ‘boutique fitness center franchises, in 2022. Iron 24 Franchising has never operated franchises in any other line of business, except as described above.

Additionally, on September 14, 2021, FranchiCzar Holdings formed a subsidiary, Math Reactor Holdings, LLC, which in turn has a subsidiary, Math Reactor Franchising, LLC (“Math Reactor”), which is an affiliate of ours. Math Reactor, which was formed on September 14, 2021, has the same principal business address as we do. Math Reactor offers for sale mathematical learning centers and studios for children featuring math-based competitions and fund raisers. Math Reactor has never operated an esports franchise, or a franchise in any other line of business, except as described above.

Except as stated above, our parent and affiliates are not offering, and have never offered, franchises in this or any other line of business. We have no other affiliates required to be disclosed in this Disclosure Document.

## **The Franchise Offered**

We are offering franchises for locations that operate under the name “Pinot’s Palette,” (each a “Pinot’s Palette Location”). Each Pinot’s Palette Location is established and operated using the format and system we developed (the “System”), and operate at retail locations displaying our interior and exterior trade dress. Pinot’s Palette Locations operate from retail locations ranging from 1,200 to 3,000 square feet, although we may designate alternative designs for Locations to accommodate different sized spaces. Pinot’s Palette Locations feature and operate under the Proprietary Marks (as described below). Pinot’s Palette Locations offer customers entertaining artistic and creative classes, including painting classes, with the opportunity to enjoy food, wine or other beverages. Our upscale interior trade dress is designed to make Pinot’s Palette Locations welcoming, comfortable, and easily identifiable for customers. All products and services offered for sale at a Pinot’s Palette Location are subject to our approval.

Pinot’s Palette Locations are characterized by our System, which have features to include: (a) exterior and interior design standards and specifications; (b) uniform standards, specifications, and procedures for operations; (c) training and assistance; and (d) marketing and promotional programs. We may periodically change and improve the System.

You must operate your Pinot’s Palette Location in accordance with our standards and procedures, as set out in our Confidential Operations Manuals (the “Manuals”). We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use our marks, including the mark “Pinot’s Palette” and any other trade names and marks that we designate in writing for use with the System (the “Proprietary Marks”). We may modify the Proprietary Marks or substitute new Proprietary Marks. See Items 13 and 14 for additional information regarding the Proprietary Marks and the Manuals.

## **Franchise Agreement**

We offer to enter into a franchise agreement (“Franchise Agreement”) (included as Exhibit C to this

Disclosure Document) with qualified legal entities and persons (“you”) that wish to establish and operate Pinot’s Palette Locations. (In this Disclosure Document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, or limited liability company that signs a Franchise Agreement as the “franchisee”.)

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Pinot’s Palette Location at an agreed-upon specified location (the “Approved Location”). (In this Disclosure Document, the term “Franchised Location” means the Pinot’s Palette Location franchised to you under a Franchise Agreement.)

### **Area Development Agreement**

We may also offer to enter into an area development agreement (the “Area Development Agreement”) (included as Exhibit D to this Disclosure Document) with qualified legal entities and persons (an “Area Developer”), which grants the right to establish and operate a specified number of Pinot’s Palette Locations in a specified area (the “Development Area”) at specific locations that must be approved by us, each under a separate Franchise Agreement, which may contain differing terms than previous Franchise Agreements signed. We will enter into Area Development Agreements under which at least two Pinot’s Palette Locations will be developed by an Area Developer.

Area Developers must sign a Franchise Agreement, sign a lease, and open each Pinot’s Palette Location in accordance with an agreed upon schedule (the “Development Schedule”). The Development Schedule will be set forth in Exhibit A of the Area Development Agreement. The Area Developer exercises its right to open Pinot’s Palette Locations by entering into a separate Franchise Agreement for each Franchised Location opened. The Franchise Agreement for each subsequent Franchised Location to be developed under the Area Development Agreement will be Franchisor’s then-current form of Franchise Agreement, the terms of which may differ from the terms of the first Franchise Agreement signed simultaneously with the Area Development Agreement.

### **Non-Use and Non-Disclosure Agreement**

You will be required to sign a Non-Use and Non-Disclosure Agreement prior to receiving information from us we deem to be confidential. This Non-Use and Non-Disclosure Agreement is included as Exhibit E to this Disclosure Document.

### **The Market and Competition**

The customers for Pinot’s Palette Locations are the general public. Your Pinot’s Palette Location may offer special events for corporations and target professional event planners and key administrators within such organizations. Additionally, your Pinot’s Palette Location may offer events for children’s parties, which targets the market segment of parents. The market for art, specifically artistic, creative, and painting classes is well developed and intensely competitive. The market for artistic, creative, and painting classes in a venue such as a Pinot’s Palette Location is also very competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain businesses. These businesses compete on the basis of factors such as price, service, and location. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, population size and density and travel patterns.

We may establish other Pinot’s Palette Locations in your area (if permitted under the Franchise Agreement). See Items 12 and 16 for a description of your permitted and restricted activities and rights, as well as our permitted and restricted activities and rights. To the extent your Franchised Location may be located near another Franchised Location, you may appear to or actually compete with other Pinot’s Palette Locations.

## **Industry Specific Regulations**

You will be required to obtain all necessary and applicable alcoholic beverage permitting and licensing or any other permitting or licensing that will allow your customers to bring (and consume) their own beer, wine or spirits to the Franchised Location. In the event such licensing or permitting is not available in your jurisdiction, in the alternative we will require you to obtain all necessary and applicable alcoholic beverage permitting and licensing to offer beer, wine and spirits for sale and consumption at the Franchised Location. In any case, you are responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to the sale and/or consumption of alcohol and liquor that may apply to your Franchised Location.

## **ITEM 2 BUSINESS EXPERIENCE**

### **David Graham: Chairman of the Board**

Mr. Graham has been our Chairman of the Board since December 21, 2022. He also serves as Chairman of the Board of our affiliate FranchiCzar, LLC, a position he has held since October 2016; as Chief Executive Officer of our affiliate Math Reactor, a position he has held since September 2021; as Chief Executive Officer of our affiliate Valhallan since December 2021, and as Chairman of the Board of our affiliate Iron 24 Franchising, a position he has held since August 2021. Previously, Mr. Graham served as Chairman of the Board of XP League, LLC from June 2020 to December 2021, as Chairman of the Board of Code Ninjas, LLC from August 2020 to September 2021, and as Chief Executive Officer of Code Ninjas, LLC from August 2016 until August 2020. Mr. Graham serves in his present capacities in Pearland, Texas.

### **Shauna Garner: President of FranchiCzar, LLC**

Ms. Garner has been the President of Pinto's Palette parent company, FranchiCzar, since December 21, 2022. She has served as President of FranchiCzar, LLC since October 2021. She has also served as Brand President for our affiliate Math Reactor Franchising, LLC, since September 2021, and previously as Brand President for Valhallan from December 2021 until June 2022. She was Executive Vice President of FranchiCzar from June 2019 to October 2021. Previously, she worked for Code Ninjas, LLC as its Vice President of Franchise Support from July 2019 to September 2019, as Director of Support from August 2017 to July 2019, and as Center Director from April 2017 to August 2017. She serves in her capacities in Pearland, Texas.

### **Michael Hataway: Executive Vice President**

Mr. Hataway has been our Executive Vice President since March 2023. He currently owns a Valhallan esports franchise. Prior to that time he served in an independent franchise development role with our affiliate FranchiCzar from February 2022 to February 2023. He was also the West Coast Regional Director for Anytime Fitness from 2014 to 2019, and previously he owned and operated several Anytime Fitness health clubs and a Complete Nutrition location from 2005 to February 2022. He serves in his current capacities in the Reno, Nevada and greater Houston, Texas areas.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5**  
**INITIAL FEES**

**Franchise Agreement**

When you sign the Franchise Agreement you must pay us an initial franchise fee of \$30,000 (the “Franchise Fee”). The Franchise Fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunities to enter into the Franchise Agreement with others.

You must pay the Franchise Fee in full at the time you sign the Franchise Agreement. Additionally, as described below, if you signed an Area Development Agreement, we will credit a portion of the Area Development Fee you paid toward the Franchise Fee under the conditions described below.

The Franchise Fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunities to enter into the Franchise Agreement with others.

During our fiscal year ending December 31, 2022, actual Initial Franchise Fees paid were uniform for all franchisees.

**Area Development Fee**

If you are going to be an Area Developer, then you will sign an Area Development Agreement and pay us an area development fee (the “Area Development Fee”). The amount of the Area Development Fee will be calculated by multiplying \$20,000 times the number of Pinot’s Palette Locations to be developed under the Area Development Agreement. The Area Development Fee will be due in a lump sum payment upon the signing of an Area Development Agreement. We will enter into Area Development Agreements under which at least two Pinot’s Palette Locations will be developed by an Area Developer.

If you meet your obligations under the Area Development Agreement and are not otherwise in default under any other agreement with us, as you sign Franchise Agreements for each Franchised Location developed under the Area Development Agreement, we will credit \$20,000 of the Area Development Fee that you paid towards the Franchise Fee due for each Franchised Location. However, under no circumstances will we grant credits in excess of the total amount of the Area Development Fee you paid under the Area Development Agreement. Additionally, if you are in compliance with the Area Development Agreement, then as you sign a Franchise Agreement for each Franchised Location that you develop to satisfy the Development Schedule, the Franchise Fee for those Franchised Locations will be the amount specified in the Area Development Agreement (currently for your first Pinot’s Palette Location the Franchise Fee is \$30,000), regardless of whether our standard Franchise Fee is higher at the time you sign the Franchise Agreements for each Franchised Location.

The Area Development Fee is fully earned and non-refundable in consideration of administrative and other expenses we incur in entering into the Area Development Agreement, and for our lost or deferred opportunities to enter into the Area Development Agreement with others, regardless of whether you enter into any Franchise Agreements for Franchised Locations to be developed.

The Franchise Fee and Area Development Fee are uniform for all franchisees.

**Other Initial Fees**

You will pay us an “Electronic Systems Fee” each month during the term of your Franchise Agreement, which includes your email, website hosting, and access to our electronic support systems and operating software (as further described in Item 6 and Item 11), as well as access to the customer payment processing services provided by Fundio. This monthly fee is currently \$250 for your Franchised Location. You will begin paying this fee on the first day of the month after you sign your Franchise Agreement, and each first of the month thereafter. The amount of this fee that you pay to us before opening your Pinot’s Palette Location will range from \$1,000 to \$1,750 depending on when you open your Location.

Currently, prior to opening your Pinot’s Palette Location, you may be required to purchase the following Location Items from our affiliate, Thrifty Gear, or our approved supplier: (1) all branded material and apparel, including glassware, marketing collateral and gift certificates at a cost in the range of approximately \$900 to \$2,100 (these products may be purchased through an approved third-party vendor which inventories such items on behalf of Thrifty Gear ); (2) certain furniture, fixtures, equipment and supplies, including easels, tables, seating, frames and canvases at a cost in the range of approximately \$11,375 to \$19,212; (3) Computer System at a cost in the range of approximately \$3,016 to \$3,399; and (4) audio/video equipment at a cost in the range of approximately \$2,624 to \$4,824. You may be required to replenish such items from our affiliate, Thrifty Gear, on an ongoing basis.

**ITEM 6  
OTHER FEES**

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty (“ <b>Royalty Fee</b> ”)	The greater of (i) 7% of Net Sales or (ii) the Minimum Royalty Fee of \$500 per month.  See Note 3.	On Monday after the close of each week, based on the Net Sales for that week.  See Note 2.	“ <b>Net Sales</b> ” means all revenue related to the operations of the Franchised Center (excluding customer refunds made in good faith and sales taxes collected and remitted to the proper authorities). We provide for remit of this Royalty Fee and other fees due to us from the collection of all your customer payments through our online designated payment processing website portal operated by FranchiCzar that we have currently designated, but reserve the right to change our method of collection.

Type of Fee (Note 1)	Amount	Date Due	Remarks
System Marketing Fund	We do not currently charge this fee. However, we may impose a General Advertising Fee of up to 5% of Net Sales.	On Monday after the close of each week, based on the Net Sales for that week. See Note 2.	This is a fee that you pay to us in consideration of marketing and promotional efforts that we undertake which benefit the System. This fee is not a contribution to an independent advertising fund or a pooled advertising program. As of the date of this Disclosure Document, we have not instituted this fee; however we reserve the right to do so upon thirty (30) days' notice to you.
Local Advertising and Promotion	You must directly spend \$1,000 per month, on your local advertising and promotion.	As incurred.	You must spend this local advertising requirement in compliance with our current policies. We currently require you to spend this on digital marketing of your Franchised Center. We have the right to require you to provide proof that these funds were spent, and spend them on your behalf should you fail to do so. We currently require that you spend these funds with one of our designated digital marketing vendor(s) to satisfy this requirement.
Call Center Fees	As of the date of this Disclosure Document, we do not charge this fee. However, if we or our affiliates do so, the base service fees will range from \$200 to \$1,000 per month, plus a commission of a percentage of any customer acquisitions that we or our affiliates make for you.	Monthly, on or before the 1 <sup>st</sup> day of each month.	If we or our affiliates operate a centralized customer service or call center, you may utilize its services to make incoming and outgoing calls to potential customers for you. See Note 4.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Electronic Systems Fee	\$250-\$550 per month. Currently at \$250 per month.	You begin paying this fee on the first of the month following the signing of your Franchise Agreement, and on the first of each month thereafter.	We reserve the right to charge this fee for products and services related to informational technology, including email, website management, security and access control systems, marketing programs, and access to our electronic systems and operating software in connection with the Franchised Location and System. See Note 5.
Additional on-site training and assistance	\$500 per additional person to attend our initial training program; and our per-diem charge for additional training (which is currently \$500, plus our out-of-pocket costs), per trainer.	Upon demand.	You must pay our then-current fee to send more than three individuals to our initial training program. If we require, in our sole discretion, that additional training from us is required or if you ask that we (a) provide additional training, or (b) conduct any training session outside of our standard training programs described in this Disclosure Document, and we do so, then you will have to pay our then-current per-diem charge for extra training plus expenses that we incur. See Note 7.
Product and Services Purchases	Estimated at \$17,915 to \$29,535 Prior to opening. Ongoing costs will vary upon future quantities ordered.	As incurred.	You may be required to purchase all or some of the following items from our affiliates Thrifty Gear, or approved vendors: branded material and apparel, marketing collateral, gift certificates, easels, seating, frames, point of sale computer system, and audio/video equipment, among other products and supplies. We may add or delete items you must purchase from our affiliates



Type of Fee (Note 1)	Amount	Date Due	Remarks
			Thrifty Gears and vendors in our sole discretion.
Product/Supplier Testing and Evaluation Costs	Varies – the costs of testing and evaluation.	Upon demand, if incurred.	If you desire to purchase unapproved products or equipment, supplies, or (other than Proprietary Products) from other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge not to exceed the reasonable cost of the evaluation and testing.
Transfer Fee	\$5,000  An Area Developer will pay a transfer fee equal to \$10,000 for each Pinot's Palette Location not developed, but not less than 50% of the Area Development Fee.	At time of transfer.	Payable only if you make a transfer (as defined in the Franchise Agreement) of an open Franchised Location, which includes any sale or assignment of your franchise or your company. You may not make a transfer if your Pinot's Palette Location is not open and operating under the Franchise Agreement. We do not impose a fee for a transfer to an entity you form for the convenience of ownership. This fee is subject to state law. See Note 9.
Renewal Fee	\$2,000.	Before renewal.	The Franchise Agreement may be renewed after an initial

Type of Fee (Note 1)	Amount	Date Due	Remarks
			term of 10 years. You will only need to pay this fee if you renew the Franchise Agreement. There is no renewal under the Area Development Agreement.
Charges for “mystery customer” quality control evaluation	Will vary under circumstances.	Upon demand, if incurred.	The mystery customer program will be separate from our programs for customer surveys and customer satisfaction audits (which may require you to accept coupons from participating customers for discounted or complimentary items). See Note 10.
Late Fee and Interest on Overdue Payments	A late fee equal to 5% of your overdue amount, and interest equal to 1.5% per month (but not more than any maximum rate set by law).	At time the Overdue Payments are paid.	Only due if you don’t pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due. Subject to state law.
Annual Convention Registration	If we hold an annual convention, \$799 per attendee based on early bird pricing. We may increase this fee annually.	When you register for the annual convention; provided that we will bill you for one registration fee prior to the convention.	You pay this fee once a year in which a convention is scheduled, for one Franchised Location, even if you do not register for our convention. It gives you a registration for one person to attend our convention. The person holding a controlling interest in your business and your Designated Principal (if different) are required to attend.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Gift Card Program	An amount equal to the actual cost of the Gift Cards.	If incurred	You must participate in our Gift Card program. Gift Cards will be available for sale on the Pinot's Palette public website and redemption at any Pinot's Palette Location in the System.
Location Refurbishment	Will vary under circumstances.	As agreed	We may require you to refurbish your Franchised Location to meet our then-current requirements for décor, layout, etc. We will not require you to refurbish the Franchised Location more frequently than every five years.
Prohibited Product, Service or unapproved Advertisement Fine	\$250 per day of use of unauthorized products, services or unapproved advertisement	If incurred	In addition to other remedies available to us, if you use or offer any unapproved or unauthorized product or service, or you use any unapproved or unauthorized supplier or advertising, you must pay us this fee to offset the costs associated with your unauthorized use. This may not be enforceable under state law.
Audit Expenses	An amount equal to the actual costs and expenses associated with the audit, including reasonable accounting and legal costs.	Upon demand.	Payable only if we audit and the audit discloses an understatement in any statement or report of 3% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).)

Type of Fee (Note 1)	Amount	Date Due	Remarks
Insurance Procurement	An amount equal to our actual cost to obtain insurance coverage for you if you fail to obtain the required insurance coverage under your Franchise Agreement.	Upon demand.	We have the right (but not obligation) to buy insurance coverage if you do not do so.
Relocation Expenses	\$2,000, provided that if our actual expenses exceed this amount, you must pay the amount which exceeds the fee.	Upon demand.	Payable only if you relocate your Franchised Location, in order to reimburse us our costs and expenses related to an approved relocation of your Franchised Location.
Securities Offering	Our actual expenses.	Upon demand.	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Tax Assessment	Our actual expenses.	Upon demand.	Payable only if there is a sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed against us with respect to any payments you make to us under the Franchise Agreement.
Costs and Attorneys' Fees	Will vary under circumstances.	Upon demand.	Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the Franchise Agreement.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Indemnification	All amounts we are held liable for claims arising from your operation of the Franchised Location, as well as your use of the Proprietary Marks.	Upon demand.	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Location, your use of any approved or required software, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose.
Standard Default Fee	Up to \$500 per month per violation.	Upon demand.	In addition to any rights and remedies we may have under the Franchise Agreement, if you breach certain provisions of your Franchise Agreement and fail to cure the default during the applicable cure period, you must pay us up to \$500 per month until the default is cured to offset our expenses incurred to address the default.
Additional Cure Expenses, Collection Costs, and Post Termination / Expiration Expenses	Our cost and expense if we take action to cure any default by you under the Franchise Agreement, including costs of collection for unpaid amounts.	Upon demand.	Due only if you are in default under your Franchise Agreement, in which case you must reimburse us for the additional expenses we incur (including reasonable attorneys' and other legal fees) as a result of your default and to enforce and terminate your Franchise Agreement if necessary. This also applies if your Franchise Agreement terminates or expires and we incur expenses in ensuring your compliance with the post-termination and post-expiration

Type of Fee (Note 1)	Amount	Date Due	Remarks
			provisions. See Note 11.
Liquidated Damages	\$500 per month for each month remaining in the Franchise Agreement had it not been terminated.	Within 15 days of termination of your Franchise Agreement or Area Development Agreement for cause.	You must pay this fee if we terminate your Franchise Agreement or Area Development Agreement for cause. This may not be enforceable under state law.

**Explanatory Notes to Item 6 Table**

1. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. None of these fees are refundable. All of the fees described above in this Item 6 are uniform for all franchisees, although, we reserve the right to reduce the royalty fee, or charge a fixed royalty fee, in certain circumstances, in our sole discretion. None of the amounts above include any applicable taxes, which taxes are your responsibility unless otherwise indicated.
2. We will provide for collection of all your customer payments through our online payment processing website portal run by our parent, FranchiCzar, at [app.franchiczar.com](http://app.franchiczar.com), that we have currently designated, but reserve the right to change, or otherwise through another electronic funds transfer. You must establish an arrangement for electronic funds transfers (“EFT”), as well as authorize us to charge your credit card with all amounts due to us and our affiliates, including, the signing of our current form of pre-authorized debit agreement and credit card authorization, copies of which are attached to the Franchise Agreement as Exhibit D. You must comply with all payment and reporting procedures specified by us. No later than Monday of each week we will calculate the amount of cleared customer payments received in connection with your Franchised Location for the preceding week, and shall remit such amount to you via EFT, less amounts representing the Royalty Fee, Electronic Systems Fees, General Advertising Fees, Call Center Fees, annual convention registration fees, EFT fees and merchant services and other processing fees, and all other fees that we require, in addition to any and all other amounts owed to us or any affiliate under the Franchise Agreement and all agreements between us and our affiliates and you and your affiliates. Each weekly payment by us to you will be accompanied by a digital statement setting forth the amount of customer payments received in connection with your Franchised Location and payments remitted to us. Your use of the online payment processing portal run by FranchiCzar is included in the monthly Electronic Systems Fee, but you must pay the then-current processing cost charged by our affiliate Fundio for the provision of credit card processing and bank ACH bank transfer services, which is currently 2.9% of the amount processed plus \$0.30 per transaction; the current fee for ACH transfers is 2.0% of the amount processed. A copy of the agreement that you must sign with FranchiCzar for these services is attached as Exhibit K to this Disclosure Document.

With respect to credit card merchant services processing fees, in the event we or our affiliates pay these fees on your behalf, we will collect such fees from you. You must agree that we may retain any amount of customer payments as remittance of any amounts owed to us or our affiliates. Payments by you of any and all amounts under the Franchise Agreement are considered fully earned upon receipt and non-refundable.

You must agree that we may directly charge and collect from any customer (including any of your customers) certain fees in connection with our online registration process and payment system that are in addition to payment for products and services provided by your Franchised Location. Such fees charged and collected by us will be fully earned by us.

Corporate and affiliate-owned Pinot's Palette Locations are not required to pay Royalty Fees, Electronic Systems Fees, General Advertising Fees, or Call Center Fees. Corporate and affiliate owned Pinot's Palette Locations will pay the then-applicable Software Licensing Fee for the license of any required software. Corporate and affiliate-owned Pinot's Palette Locations do not have a specific local advertising requirement, however, they will make expenditures in local advertising programs as appropriate.

3. The Minimum Royalty Fee is \$500 per month and will begin on the earlier of (a) the first day of the calendar month following the date your Pinot's Palette Location opens, or (b) the first day of the calendar month following the date which is (i) eight (8) months from the execution of your Franchise Agreement for a Pinot's Palette Location. If you are an Area Developer, you will be required to execute a Franchise Agreement for your first Franchised Location at the time you execute the Area Development Agreement. The Franchise Agreement for each subsequent Franchised Location to be developed under the Area Development Agreement will be our then-current form of the Franchise Agreement, which may have a higher Royalty Fee.
4. We or our affiliates may, in the future, operate a centralized call center to take inbound and make outbound calls to your customers and/or potential customers. If established, you may choose to participate in, or we may require your participation in, the call center services, and you will pay this fee in addition to any Royalty Fees you must pay.
5. As of the date of this Disclosure Document, the monthly Electronic Systems fee is \$250. This fee includes services related to informational technology, including email, website management, security, marketing programs, and access to our electronic systems and operating software in connection with the Franchised Location.
6. We require you to use certain software, hardware and/or support services in connection with the operation of the Franchised Location. We may require you to pay us an up-front licensing fee as well as ongoing software maintenance fees for any proprietary software that we develop and require you to use. We may increase this fee during the term upon notice to you to cover additional costs for the license and support of required software, digital applications and successor technology and replacements thereto.
7. As part of the opening of your Franchised Location, we will conduct pre-opening and opening training and assistance at our Pearland, Texas headquarters or virtually. We will bear the costs associated with providing this training, not including your expenses related to transportation, lodging, meals, wages, and worker's compensation insurance which you will be responsible for. However, if you request on-site training or assistance in connection with your opening after we have concluded our pre-opening and opening training, or at a later time, we will charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. Additionally, we may require that you complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Franchised Location rather than at our headquarters or our pre-arranged trainings at Pinot's Palette Location(s), and we do so, then we will charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out of pocket costs and expenses described above. Our current per diem charge is \$500 per trainer (we reserve the right to change our per diem rate in the future). See Item 11 under the heading "Training" for more detailed information.

8. If you desire to purchase unapproved products or equipment, supplies, services, or products (other than Proprietary Products) from other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay us an evaluation fee not to exceed the reasonable cost of the evaluation and testing.
9. You may not transfer the Franchise Agreement if your Pinot's Palette is not open and operating in compliance with that agreement. If you are an Area Developer, you may not transfer your area development rights unless your first Pinot's Palette Location is open and operating under your first Franchise Agreement and you are in compliance with your Development Schedule (in addition to all other terms of all agreements with us).
10. We may ourselves, or through an independent service, conduct inspections or a "mystery customer" quality control and evaluation program. You must participate in any such program, and we may require that you pay the then-current costs for the provision of this program, or the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).
11. Reimbursement to us of all costs and expenses associated with your default of the Franchise Agreement, including but not limited to, collections costs, costs and commissions paid or due to a collection agency, reasonable legal fees, costs incurred in creating or replicating reports demonstrating Net Sales or other aspects of your business, court costs, expert witness fees, discovery costs and reasonable legal fees and costs on appeal, together with interest charges on all of the foregoing. In addition, if you breach the Franchise Agreement, we have the right (but not the obligation), to take such action as we deem appropriate to cure the breach on your behalf.
12. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to \$500 per month for each month remaining in the Franchise Agreement had it not been terminated. If we terminate your Area Development Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to \$500 per month for the number of months remaining in each Franchise Agreement Area Developer is required to sign with us under the Area Development Agreement had the Area Development Agreement not been terminated.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**Estimated Initial Investment for a Single Pinot's Palette Location**

Type of Expenditure (Note 1)	Amount (Low)	Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (Note 2)	\$30,000	\$30,000	Lump sum	When you sign the Franchise Agreement	Us



<b>Type of Expenditure (Note 1)</b>	<b>Amount (Low)</b>	<b>Amount (High)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Business Licenses & Permits (Note 3)	\$500	\$3,500	As arranged	As incurred	Local and other state government agencies
Leasehold Improvements (Note 4)	\$12,000	\$75,000	As arranged	As arranged	Us, Independent contractors, Lessor
Bar Build-Out (Note 5)	\$0	\$9,800	As arranged	As incurred	Independent contractors, Lessor
Fixtures, Furnishings & Equipment (Note 6)	\$20,000	\$40,000	As arranged	As incurred	Us and Approved Suppliers
External Signage (Note 7)	\$5,000	\$11,000	As arranged	As incurred	Suppliers
Computer System (Note 8)	\$4,516	\$5,399	As arranged	As incurred	Us and Approved Suppliers
Architect/ Engineering Fees (Note 9)	\$2,000	\$10,000	As arranged	As arranged	Independent contractors, Approved Suppliers
Rent, Security Deposits and Utility Deposits (Note 10)	\$4,500	\$10,500	As arranged	As arranged	Lessor, Utility companies
Other Professional Fees (Note 11)	\$550	\$3,000	As arranged	As arranged	Various service providers and contractors
Insurance Deposit (Note 12)	\$800	\$1,900	As arranged	As arranged	Insurance providers
Initial Inventory of General and Art Supplies (Note 13)	\$4,500	\$15,500	As arranged	As incurred	Us and Approved Suppliers

Type of Expenditure (Note 1)	Amount (Low)	Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Training Expenses (Note 14)	\$100	\$2,000	As arranged	Payment terms arranged with suppliers and your employees	Us and Approved Suppliers and your employees
Grand Opening Advertising (Note 15)	\$8,000	\$8,000	As arranged	As arranged	Approved Suppliers
Additional Funds (for the initial 3 months of operations) (Note 16)	\$9,000	\$25,000	As arranged	As needed	Us and/or affiliates, Approved Suppliers, employees and other creditors
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$101,466</b>	<b>\$250,599</b>			

**Explanatory Notes to the above Item 7 Tables:**

1. **General** – We do not impose or collect the fees or costs described in this Item 7, except for the items noted with “Us” in the column labeled “To Whom Paid.” Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third-party suppliers. We do not offer our franchisees financing for the initial investment. Our estimates in this Item 7 are based on our current Generation for Pinot’s Palette Locations, our experience in developing and operating our affiliate-owned Pinot’s Palette Locations, and our knowledge of business practices and conditions in the general marketplace. They are, however, only estimates and by their nature may change from time to time. The figures do not provide for your cash needs to cover financing incurred by you or your other expenses. Because the exact amount of reserves will vary and cannot be meaningfully estimated, we urge you to carefully review these figures and the figures you obtain from your own inquiries with an experienced business advisor, such as an accountant or consultant, or a legal advisor, before making any decision to purchase a Pinot’s Palette Location franchise or any other franchised business.

The above table describes the estimated initial investment for a Pinot’s Palette Location. We have not included a separate table for the initial investment if you sign an Area Development Agreement. As described in item 5, upon execution of an Area Development Agreement you must pay us \$20,000 multiplied by the number of Pinot’s Palette Locations to be developed under the Area Development Agreement, and you will receive a credit of \$20,000 toward the Franchise Fee each time you execute a Franchise Agreement for a Pinot’s Palette Location to be developed. Other than the Area Development Fee, the above listed estimated initial investment expenditures will apply, subject to potential increases over time and other changes in circumstances. If you sign an Area Development Agreement, your professional fees, such as in the category of legal and financial, may be higher and

cannot be predicted by us.

2. **Franchise Fee, Area Development Fee** – The Franchise Fees shown in the chart above are uniform for all franchisees and Franchised Location opened. In the event you sign an Area Development Agreement to develop multiple Pinot’s Palette Locations, the Franchise Fee for your second and subsequent Franchised Locations will be \$30,000. If you sign an Area Development Agreement, you will have to pay an Area Development Fee, which is described in Item 5. We will enter into Area Development Agreements under which at least two Pinot’s Palette Locations will be developed by an Area Developer. A portion of the Area Development Fee will be credited against the Franchise Fee for the Franchised Location to be developed in order to satisfy the Development Schedule. The Franchise Fee, and Area Development Fee (as described below) are non-refundable. See Item 5 for further details regarding the Franchise Fee, and Area Development Fee.

3. **Business Licenses and Permits** – These are general estimates for permits and licensing that may be required by local and state governments, including without limitation any water and sewer impact fees, health department fees, business license or permits or other city fees, as applicable. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Pinot’s Palette Location. You will pay these fees to governmental authorities before starting business. You are solely responsible for expediting, obtaining, and paying for all appropriate licenses and permits. You will be required to obtain all necessary and applicable alcoholic beverage permitting and licensing or any other permitting or licensing that will allow your customers to bring (and consume) their own beer, wine or spirits to the Franchised Location. In the event such licensing or permitting is not available in your jurisdiction, in the alternative we will require you to obtain all necessary and applicable alcoholic beverage permitting and licensing to offer beer, wine and spirits for sale and consumption at the Franchised Location. You are responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to the sale and/or consumption of alcohol and liquor that may apply to your Franchised Location.

4. **Leasehold Improvements** – You will need to employ a qualified licensed general contractor to construct the improvements to, or “build out,” the premises who is acceptable to us. Our estimates are based on the assumption that the location is in a retail strip or in-line shopping center approximately 1,200 to 3,000 square feet, and that your lessor will provide an existing storefront space to remain as is, where no demolition is needed and that includes, at a minimum, a level concrete floor suitable for floor covering, grid and tile ceiling structure and demising and interior partition walls in paint-ready condition, air-conditioning and HVAC system with adequate and functional ductwork, functional 200-amp electricity that will remain in its existing location, sewers, adequate and operational exit signs and emergency lighting, two ADA compliant bathroom facilities including restroom venting operational fixtures and ADA accessories, and water and plumbing suitable for a retail business, including an adequate and functioning hot water heater. The estimates do not include any estimates for removal of hazardous materials, such as asbestos or any fire alarm system or fire sprinkler work. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper electrical, audio-visual, and computer system wiring and plumbing, vinyl plank floor covering, wall covering, lighting and fixtures, storefront modifications, painting of the entire location, cabinetry, and the like and construction clean-up, removal of all construction related debris, and obtaining a certificate of occupancy. Generally, you must have electrical power available at the location to start any construction. These estimates assume that you will use non-union trades for construction work; if union trades are used or required, the related costs would likely increase. You are required to build out your location in accordance with specifications in the Manuals. Non-mandatory upgrades must be approved by us. Costs will vary depending upon various factors, including: the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of constructing or installing some of the improvements itself, provide you with credits towards your future rent payments and/or a tenant improvement allowance. Our estimates do not account for any rental credits or tenant improvement allowance which may vary widely from location to location and based upon negotiations with the landlord.

5. **Bar Build Out** – You will need to employ a qualified licensed general contractor to construct the improvements to, or “build out,” the bar area of your location who is acceptable to us. We may approve or disapprove adding a bar to your location. Our estimates are based on the assumption that the bar area will be approximately 7 feet by 11 feet, no special ceiling is required, and the floor should be the same as the current approved required buildout specifications unless local health regulations require otherwise. The estimate includes costs for the bar, bar die wall, bar cabinets, countertops, tile on bar walls, bar plumbing, bar and artist sinks and faucets, and electrical for the bar area.
6. **Fixtures, Furnishings & Equipment** – As described in Item 8, you must purchase all fixtures, furnishings, equipment, signage and supplies that we specify as required for a Pinot’s Palette Location. *Fixtures, Furnishings and Equipment*: This estimate includes fixtures and equipment required for a Pinot’s Palette Location, including (without limitation) a reception desk, cubbies, tables, chairs, paint stations, and lounge furniture, decorative wall frames, ice machine, dishwasher, lighting, audio/video equipment, among other fixtures, furnishings, and equipment, including smallwares. Lighting and lighting control must be Title 24 compliant, where applicable, including accommodation for black lights. This estimate also includes the cost of your office furniture, filing cabinet and miscellaneous office supplies, and equipment. *Signage*: This estimate also includes the costs for interior signage. The costs of optional items are not included in the line item total above.
7. **External Signage** – This estimate includes the costs for exterior signage and installation, which must be purchased from our required sign vendor. The cost of signage may vary significantly depending on the location of your Franchised Location, market conditions and local codes. In some instances, the use of additional or larger signage may be possible, with our prior written approval.
8. **Computer System** – You must purchase or lease specified computers and related hardware for your business operations and point of sale transactions, along with required third party software necessary to operate the Franchised Location. The estimate includes the costs for the items that we currently require. We may periodically require franchisees to update their computer systems to our then-current standards. This includes Electronic Systems Fees you will pay to us prior to your opening as described in Item 5.
9. **Architect/Engineering Fees** – For Pinot’s Palette Locations, you will be required to retain the services of a qualified architect and engineer, who we have approved or designated for use by our franchisees, to create plans based on our specifications for the remodeling or finish-out of your Pinot’s Palette Location (see Item 11 under the subheading “Construction and Layout of Location” for additional information). As described in Item 11, we may from time to time develop or approve variations with respect to our specifications for plans.
10. **Rent, Security Deposits and Utility Deposits** – If you do not own a location for your Franchised Location, you must lease a space. Locations for Pinot’s Palette Locations will typically need approximately 1,200 to 3,000 square feet. The estimate in the chart above includes your first month’s rent payment, security deposits and utility deposits (for example, telephone, electricity, and water). We have assumed the security deposit to your landlord will equal one month’s rent, although this may vary from landlord to landlord. The estimates assume that rent commences upon the Franchised Location’s opening. You, however, will need to lease a space in advance to build-out the Franchised Location. However, you may attempt to negotiate an abatement from the lessor for this period.

We anticipate that Pinot’s Palette Locations will typically be located in retail strip or in-line shopping centers in high traffic urban and suburban areas, preferably near large residential communities, office buildings and other commercial areas. Rent varies considerably from market to market, and from location to location within each market. Rents may vary, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Franchised Location, the terms of the lease, the desirability of the location, and your ability to negotiate with your lessor.

The estimates assume that you will lease the premises for your Franchised Location and, therefore, do not

include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Franchised Location, you will incur additional costs that we cannot estimate. The estimates do not include any performance bond or similar security deposits required by a lending or financing institution or by the landlord.

11. **Professional Fees** – The estimate assumes that you will employ an attorney to help you negotiate your lease for the Franchised Location premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Franchised Location. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially, for example, depending on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Franchised Location.

12. **Insurance Deposit** – The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately three months of coverage. Insurance costs will vary depending upon factors such as whether a location is BYOB or a bar and the size and location of the Franchised Location. Your obligations with respect to insurance are more fully described in Item 8.

13. **Initial Inventory of Art and General Supplies** – These expenses include an initial inventory of art supplies, as well as general supplies. You will need to replenish your initial inventory on an as needed basis as supplies are used. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume of your Franchised Location’s sales and the frequency of your orders.

14. **Training Expenses** – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge for up to three (3) persons, but you must pay for transportation, lodging, meals, wages, and worker’s compensation insurance (if you send any employees) for your trainees. As to the amounts shown, the low end of the estimate assumes mostly virtual training or one trainee within driving distance to the training location, and the high end assumes three trainees and that other travel will be needed, and includes travel expenses, although these may vary significantly depending upon factors such as the distance traveled and mode of transportation. Your costs will also vary depending on the nature and style of accommodation, and the number of persons who will attend training.

15. **Grand Opening Advertising** – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Franchised Location. You must spend a minimum of \$8,000 in the first 3 months of your location being open on the tactics prescribed in Integrated Marketing, Networking and Selling Plan, specifically with our approved digital advertising vendor. Additional details regarding advertising and promotion can be found in Item 11, under the heading “Advertising.”

16. **Additional Funds** – You will need additional capital to support on-going expenses, such as payroll, rent and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount shown in the chart above will be sufficient to cover on-going expenses for the start-up phase or initial period of the business, which we calculate to be three months. Such amounts are the minimum recommended levels and are only estimates. There is no assurance that additional working capital will not be necessary during this initial period or after. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for our product and service; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the “initial period” of your

business, which is defined as three months or a longer period if “reasonable for the industry.” We are not aware of any established longer “reasonable period” for our industry, so our disclosures cover a three-month period.

**YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT DEVELOPMENT AGREEMENT**  
(Note 1)

<b>Type of Expenditure</b>	<b>Amount for 2 Units (Low) – (High)</b>	<b>Amount for 4 Units (Low) – (High)</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Multi-Unit Development Fee (Note 2)	\$50,000	\$90,000	Lump sum	Upon signing First Franchise Agreement and Area Developer Agreement	Us
Initial Investment for 1st Unit (Note 3)	\$71,466 - \$220,599	\$71,466 - \$220,599	As indicated in Item 7 chart above	As indicated in Item 7 chart above	As indicated in Item 7 chart above
Initial Investment for each additional unit (Note 3)	\$819,466 - \$230,599	\$81,466 - \$230,599	As indicated in Item 7 chart above	As indicated in Item 7 chart above	As indicated in Item 7 chart above
<b>TOTALS (Note 4)</b>	<b>\$121,66 - \$270,599</b>	<b>\$161,466 –\$310,599</b>			

Notes:

1. This Chart is based on the estimated costs to purchase two (2) or four (4) Units under the Area Developer Agreement (“ADA”). You must sign our ADA at the same time you sign the Initial Franchise Agreement for the first Franchise and will pay the Initial Franchise Fee of \$30,000 for that Unit plus \$20,000 (ADA Fee) for each subsequent Unit that you agree to open according to the Development Schedule included as Exhibit A to the ADA. The Franchise Fee for those Franchised Locations will be the amount specified in the Area Development Agreement (currently for your first Pinot’s Palette Location the Franchise Fee is \$30,000,), regardless of whether our standard Franchise Fee is higher at the time you sign the Franchise Agreements for each Franchised Location, and we will credit the \$20,000 paid in the ADA Fee towards the Initial Franchise Fee for each subsequent unit you open at the time you sign the Franchise Agreement for that Unit. You will incur additional expenses if you purchase additional Units.
2. Area Developers will incur the expenses listed in the preceding Item 7 however, the Initial Investment for the First Unit does not include the Initial Franchise Fee as that is included in the ADA Fee in the row above.
3. Area Developers will incur the expenses listed in the preceding Item 7 chart for each Unit purchased under an ADA, except that we will credit \$20,000 towards the Initial Franchise Fee of \$30,000 for subsequent Units and as such, the balance of the Franchise Fee, or \$10,000 will be due upon signing the Franchise Agreement.
4. The Total Estimated Initial Investment for the ADA includes the Development Fee you must pay at the time you enter into the ADA for two (2) or four (4) units as an example, as well as estimated range of fees you will incur to open and operate your first Unit for a period of three (3) months. If you purchase a different number of units under the ADA, you expenses will be different then what is disclosed in this chart.

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

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised

Location in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

## **Products, Services and Other Purchases**

### **General**

All products and services sold or offered for sale at the Franchised Location must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs and materials as we may reasonably require in the Manuals or other written materials (collectively, “Location Items”). You must purchase all additional products and other Location Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer or sell any product or service, or use at your Franchised Location any product or service or Location Items that we have not previously approved as meeting our standards and specifications. We and our affiliates have the right to be an approved supplier of any Location Item. We may disapprove of product, service or supplier based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from us, our affiliate, or the designated supplier.

If you desire to purchase unapproved products or services (except for Proprietary Products, which are discussed below) or Location Items from other than approved suppliers or approved service providers, you must submit to us a written request to approve the proposed product, service or supplier, together with such evidence of conformity with our specifications as we reasonably require. We will have the right to require that our representatives be permitted to inspect the supplier’s facilities and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge, not to exceed the reasonable cost of the evaluation and testing. We will complete our review and provide our approval or disapproval within six months. We may, from time to time, revoke our approval of particular products or services, Location Items or suppliers if we determine, in our sole discretion, that the product, service or supplier no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product or service and/or cease to purchase from any disapproved supplier/service provider.

Our specifications either: (1) are contained in the Manuals; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specifications and whether they possess adequate quality controls and the capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that your purchases from approved suppliers will represent approximately 60% to 80% of your total purchases in establishing the Franchised Location, and approximately 60% to 80% in the continuing operation of the Franchised Location. We also estimate that your purchases that must conform to our specifications will represent approximately 80% to 90% of your total purchases in establishing the Franchised Location, and approximately 80% to 90% of your total purchases in the continuing operation of the Franchised Location.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Pinot’s Palette Locations in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best

interests of the System or the franchised network of Pinot's Palette Locations. There are currently no purchasing or distribution cooperatives in our System.

We and/or our affiliates reserve the right to receive rebates, payments or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Pinot's Palette Locations in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services, and other items at a price that will benefit us and our franchisees. These rebates will generally range from 5% to 15% of the purchases you make from the vendor. There also may be some vendors that may pay us fixed rebates on supplies and services. There are no caps or limitations on the maximum amount of rebates we may receive from our suppliers as the result of franchisee purchases.

We provide no material benefits to franchisees based on their use of suppliers or sources we approve.

With the exception of our officer's ownership interest in our affiliates FranchiCzar, Fundio, and Thrifty Gear, no officer of ours has an interest in any approved supplier.

### Proprietary Products

The "Proprietary Products" that are or may be offered and sold in Pinot's Palette Locations are manufactured in accordance with our proprietary specifications. In order to maintain the high standards of quality and uniformity associated with Proprietary Products sold at all Pinot's Palette Locations in the System, you must purchase Proprietary Products only from the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Franchised Location. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

Currently, prior to opening your Pinot's Palette Location, 2880 Broadway Bend, Bldg. # 1, Pearland, Texas 77584, telephone (866) 292-7247, you may be required to purchase all of the following Location Items from our affiliate, Thrifty Gear, or our approved supplier: (1) all branded material and apparel, including glassware, marketing collateral and gift certificates at a cost in the range of approximately \$900 to \$2,100 (these products may be purchased through a third-party vendor which inventories such items on behalf of Thrifty Gear); (2) certain furniture, fixtures, equipment and supplies, including easels, tables, seating, frames and canvases at a cost in the range of approximately \$11,375 to \$19,212; (3) Computer System at a cost in the range of approximately \$3,016 to \$3,399; and (4) audio/video equipment at a cost in the range of approximately \$2,624 to \$4,824. You may be required to replenish such items from our affiliate, Thrifty Gear, on an ongoing basis.

### Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer hardware and software system refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Location and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). The cost of licensing our Microsoft Office license and two individual email and one shared account is currently included as part of the Electronic Systems Fee, but we reserve the right to pass this fee on directly to our franchisees, or require our franchisees to pay this amount directly to the software provider. You will be required to use our payment processor and fee collection system from Fundio LLC. You will be required to use our affiliate FranchiCzar's, software platform called FranchiCzar Operating System (FCOS) for ticketing, point of sale, reporting, and more as features are available and required to operate your business.

### Insurance



You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Location. Required insurance will include, but not be limited to, comprehensive general liability coverage, including employment practices coverage; personal injury coverage; automobile coverage, including underinsured or uninsured coverage; business interruption insurance; and property damage coverage. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Pinot's Palette Locations. If we do so, we may require that you obtain your insurance through the designated carrier(s).

Presently we require you to maintain the following minimum insurance amounts: (1) builder's risk insurance during any periods of construction or renovation; (2) all risks coverage for full repair and replacement value of all of the equipment, fixtures and supplies used in your Franchised Location; (3) as any other insurance required by law, such as worker's compensation and employer's liability insurance. If you are permitted to and elect not to have worker's compensation insurance for your owners and officers, you must maintain coverage for these individuals at all times for work-related injuries; (4) comprehensive general liability insurance with limits of at least \$500,000 per occurrence, and \$1,000,000 general aggregate, including the following coverages: personal injury (employee and contractual inclusion deleted); employment practices; products/completed operation; and tenant's legal liability; (5) You must carry automobile liability insurance, and property damage liability, including non-owned, and hired vehicle coverage, with at least \$1,000,000 combined single limit; (6) liquor liability coverage for third party bodily injury and property damage arising out of the sale or distribution of liquor with limits of at least \$1,000,000 combined single limit, and \$1,000,000 general aggregate limit; (7) excess liability coverage over general liability, automobile liability, and employer's liability, with at least \$2,000,000 per occurrence; (8) insurance coverage required by your lease or sublease, or as we may otherwise require; and (9) business interruption insurance for actual sustained loss you sustain for 12 months or not less than fifty percent (50%) of annual Net Sales. We currently have a sole approved vendor for the provision of this insurance.

We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers. We provide no material benefits to franchisees based on their use of an approved insurance carrier.

### **Leases**

You will be required to find and obtain a suitable site for your Franchised Location. If you are opening a Pinot's Palette Location, and you will occupy the premises of your Franchised Location under a lease, then you must, before executing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. (If, however, pre-submission of the lease to us is not possible, then you may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if we do not approve it.) Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing. Our current required Lease Rider is included as Exhibit G to the Franchise Agreement. We do not typically own the premises of your Franchised Location and lease it to you.

### **Design and Construction**

We currently have designated a third-party supplier as our sole source of design services to prepare all designs and plans for Pinot's Palette Locations. This vendor is also currently the sole source of the required furniture and design elements for your Franchised Location (see Item 11 under the subheading "Construction and Layout of Location" for additional information). You must then hire a licensed architect to prepare all final required

construction plans and specifications to suit the shape and dimensions of your site.

We also currently have designated a third-party supplier to design, manufacture and supply the exterior signage for your Pinot's Palette Location in accordance with our brand standards and specifications. You must engage this designated supplier to manufacture and design all exterior signage for your Pinot's Palette Location, and such other signage that we may require (see Item 11 under the subheading "Construction and Layout of Location" for additional information).

You must hire a qualified licensed general contractor, who is acceptable to us, to construct your Pinot's Palette Location.

We also may require you to materially refurbish the premises of your Franchised Location to conform to the System's then-current design, trade dress, color schemes and presentation of the Marks. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to such standards, specifications and deadlines as we may specify as are standard to the System at the time. We may not require you to do so more than once every five years, unless sooner if required by your real estate lease. (Franchise Agreement, Section 8.22, Exhibit I)

We do not derive revenue or other material consideration as a result of our franchisees using a designated architect or contractor. We provide no material benefits to franchisees based on their use of a designated architect or contractor.

### **Advertising**

You are required to adopt a Grand Opening Advertising Program in compliance with our requirements. As part of this program, you are required to use our designated vendors to provide public relations services and digital marketing services consistent with our brand standards and other Pinot's Palette Locations in connection with the opening of your Franchised Location.

You are also required to spend a certain amount of local advertising and promotion per month in compliance with our current policies, which currently require you to spend it on digital marketing services with our designated vendor(s). We will have the right to review and approve all marketing plans and promotional materials that you propose to use, and we have certain digital marketing packages available that you may choose to purchase from us that count towards this requirement. You may not implement any marketing plan or use any promotional material without our prior written consent.

## **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>Section(s) in Franchise Agreement</b>	<b>Section(s) in Area Development Agreement</b>	<b>Disclosure Document</b>
a Site selection and acquisition / lease	Section 5	3.2, 3.3 and 5.1	7, 8 and 11
b Pre-opening purchases/leases	Section 5	3.2 and 3.3	7, 8 and 11
c Site development and other pre-opening requirements	Section 5	3	7, 8 and 11
d Initial and ongoing training	Section 6	5.5	6, 7 and 11
e Opening	Section 5	1.1, 3.1, 3.2, and Exhibit A	7, 8 and 11
f Fees	Sections 4 and 13	4 and 7.4	5 and 6
g Compliance with standards and policies/Operating Manual	Sections 8, 10, and 13	5	8, 11, and 14
h Trademarks and proprietary information	Sections 8.8, 8.11, 9, and 10.2	1.4	13 and 14
i Restrictions on products/services offered	Sections 1.3, 8.6, 8.7 and 8.8	1	5, 8 and 16
j Warranty and customer service requirements	Sections 8.9 and 23	None	16
k Territorial development and sales quotas	Section 1 and Exhibit A	1, 3.2 and Exhibit A	12
l On-going product/service purchases	Section 8	None	8
m Maintenance, appearance and remodeling requirements	Sections 5 and 8	None	8
n Insurance	Section 14	None	7 and 8
o Advertising	Section 13	None	6, 7, 8, and 11
p Indemnification	Section 21.4	12.4	None
Owner's participation / management and staffing	Sections 8.3 and 8.4	5.2	15
r Records/reports	Section 12	5.3 and 5.4	6

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Disclosure Document
s Inspections/audits	Section 8.10	5.4	6 and 11
t Transfer	Section 15	7	17
u Renewal	Section 2.2	None	17
v Post-termination obligations	Sections 17 and 18.3	6.6	17
w Non-competition covenants	Section 18	8	17
x Dispute resolution	Section 21.4 and 27	16	17
y Liquidated Damages	Section 17.7	6.7	17

## **ITEM 10** **FINANCING**

Except as described below, we do not provide direct or indirect financing and do not assist in providing financing for you. We do not guarantee any notes, leases or other obligations. Our current lender relationships, as of the date of this Disclosure Document, are as follows:

1. Guidant Financial Group, Inc. (“Guidant”) provides a service to our franchisees that may allow you to use your retirement funds to help you begin your business without incurring tax penalties or getting a loan. Guidant also can assist franchisees in applying for and packaging their Small Business Association (“SBA”) loans. Guidant’s products are available to single and multi-unit franchisees.

### 401(k) Business Financing

Guidant offers a service that may allow you to use your retirement funds to help you begin your business without incurring tax penalties or getting a loan. Known as 401(k) business financing or Rollovers for Business Start-Ups, Guidant charges a fee of \$4,995 for this service, which includes filing your business entity, designing a company 401(k) plan, helping you roll all (or a portion of) your existing retirement funds from your current retirement account to the new 401(k), and providing you with a consultation with a tax attorney to review the transaction. In addition, they provide ongoing, annual administration of your 401(k) plan. The form of agreement you would sign with them is attached as Exhibit L-1.

### SBA Loans

Guidant can also help you secure an SBA loan for your business. A fee of \$2,500 applies, however, this does come with a fully refundable guarantee should Guidant not be able to secure you funding. You may also use 401(k) business financing as the down payment for your SBA loan through Guidant.

Guidant further offers unsecured financing services. This program may allow you to secure capital pending credit score and debt utilization. Minimum credit score of 680 is required. There is a 9% fee of whatever amount you draw against for this service.

Guidant can also assist franchisees in equipment leasing. New locations require 10% down. Interest rates vary depending on credit score. Lease term up to 60 months. New businesses must have a credit score of 700 or higher while existing businesses are required to have a credit score of 650 or higher. There is a fee associated with this service and it can range from \$250 to \$500.

Guidant also can assist franchisees in seeking a Portfolio Loan. This is a way to leverage your non-retirement stocks, bonds and mutual funds up to 80% of their value. Your Portfolio must be worth at least \$85,000 but is generally not used unless there are non-retirement funds in excess of \$200,000. No minimum credit score required. The fee associated with this program is 2-3% of the value of the collateral. Start-up locations can also elect to defer payments for up to 2 years.

Loan terms for these programs, including interest rate, term, monthly payments, required collateral and penalties for default depend on credit income, loan maturity, the credit market and a variety of other factors as assessed by Guidant or individual lenders.

We have a separate agreement with Guidant whereby we are paid \$1,000 as a referral fee for each client we refer to Guidant that engages in their retirement rollover program. There is no direct affiliation between us and Guidant. We do not require you to use Guidant and do not make any guarantees or representations concerning Guidant or its services. Please consult with your independent financial advisor and compare them with alternative financial service providers.

2. Benetrends, Inc. (“Benetrends”) provides a program to our franchisees that may allow you to use your retirement funds to help you begin your business without incurring tax penalties or getting a loan. Benetrends also brokers (SBA loans. Benetrends’ products are available to single and multi-unit franchisees.

#### 401(k) Business Financing - Rainmaker Program

Benetrends offers a program (the “Rainmaker Program”) to our franchisees which may allow you to utilize the full value of your pre-tax retirement accounts for the purchase and capitalization of your business without tax or penalty consequences. The Rainmaker Program can also be used to make the necessary cash injections required by SBA lenders. However, unlike a loan, the retirement funds used to capitalize the business do not need to be paid back to the plan, and no term, interest rate, security, or default terms apply. Benetrends also offers an additional program called the (“Rainmaker Advantage Plan”) or RAP Program for short. This is a program designed for people funding the business primarily with cash (as opposed to retirement money) and potentially with SBA financing. You may be able to use up to the full value of an eligible account to finance your business. Benetrends charges a fee of \$4,995 for this service, which includes filing for your business entity and obtaining your FEIN number, setting up the proper legal documentation for your entity, plan, and adoption agreement, providing an initial stock valuation for the new entity, and unlimited consultation with a retirement plan analyst on the design and compliance requirements. Benetrends also provides ongoing retirement plan services designed to keep your plan in compliance for a fee of \$155 per month. The form of agreement you would sign with them is attached as Exhibit L-2.

We have a separate agreement with Benetrends which requires that we are paid \$1,000 as a referral fee for each client that engages in their retirement rollover program. There is no direct affiliation between us and Benetrends.

#### U.S. SBA 7(a) Loan Program (SBA)

Benetrends offers a program assisting franchisees in finding financing of up to \$5,000,000. Benetrends collects a consulting fee of \$6,950 for the SBA Elite Program, \$2,500 for the SBA Program, \$4,950 for the Fleet Program (Non-SBA Fleet and Vending Leasing) or 2% of the loan amount, whichever is less. The consulting fee

is refundable should Benetrends not be able to find funding. The financing includes furniture and fixtures, equipment, office equipment, supplies, signage, start-up working capital, owner occupied commercial real estate and leasehold improvements, based on credit approvals. Financing is offered as a loan that requires a range of down payment ranging from 15% to 30% of total project costs, depending on your credit strength. The length of the loan terms vary from 120 to 300 months. Interest rates typically vary up to a maximum of Wall Street Journal Prime Rate plus 2.75% per annum, based on your financial and credit worthiness. At a minimum the banks will require all business assets as collateral. Based on the banks' internal policies along with the SBA policies additional personal collateral may be required. The amount of your loan payments will depend on the amount financed, the term of the loan, and the interest rate. You have the ability to prepay your loan without penalty for loans with a term of less than 15 years. For loans with terms of 15 years or more the prepay penalty during years 1, 2, and 3 are 5%, 3% and 1% respectively.

Loan terms for this program, including penalties for default, depend on credit income, loan maturity, and a variety of other factors as assessed by Benetrends or individual lenders. We do not require you to use Benetrends and do not make any guarantees or representations concerning Benetrends or its services. Please consult with your independent financial advisor and compare them with alternative financial service providers.

## **ITEM 11**

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

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

#### **Pre-opening Obligations**

Under the Franchise Agreement. Before you open your Franchised Location:

1. We will approve or deny your proposed site for each Franchised Location according to our then current standards for sites. (Franchise Agreement, Section 5.1) We do not generally own the premises or lease locations to franchisees.
2. We will provide you with our standard initial training program for up to three (3) persons. (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. At our option, we may provide this training one time if you have multiple agreements with us or are an existing franchisee that has already completed our initial training program. (Franchise Agreement, Sections 3.2, 6)
3. If you purchase a Pinot's Palette Location, we will, at no charge to you, provide you or a design firm with our specifications for a Pinot's Palette Location, including the interior design elements, fixtures, equipment, furnishings, and signs. You will be responsible for engaging an architect to adapt the specifications to your site (with our approval as described below under the heading "Construction and Layout of Location"), and for hiring a contractor to build your Franchised Location in accordance with those approved plans. You are also responsible to engage our designated signage vendor to manufacture and supply the exterior signage for your Franchised Location. You are responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.3)
4. We have the right to inspect and approve the Franchised Location for opening before the initial opening. You may not start operation of your Franchised Location until receiving our approval to do so. (Franchise Agreement, Section 5.3, 5.4)
5. We will lend you, for the duration of the Franchise Agreement, copies of the Manual (which is more fully

described in Item 14 below). (Franchise Agreement, Section 3.3)

6. We will assist you in developing a Grand Opening Advertising Program (which is more fully described in Item 7 of this Disclosure Document and in this Item under “Advertising”); you will be responsible for the cost of this program, as well as engaging our designated vendors for public relations and digital marketing services as part of your Grand Opening Advertising Program. (Franchise Agreement, Sections 3.5, 13.3)
7. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.8)

Under the Area Development Agreement: Before you open the Franchised Location:

1. We will approve or deny your proposed site for each Franchised Location. (Area Development Agreement, Section 3.2)
2. We will provide you with site selection guidelines, including our minimum standards for location sites, and other site selection counseling and assistance as we deem appropriate. (Area Development Agreement, Section 5.1)

We are not required by the Franchise Agreement or Area Development Agreement to furnish any other service or assistance to you before the opening of your Franchised Location.

### **Continuing Obligations**

We are required by the Franchise Agreement to provide certain assistance and service to you.

During the operation of your Franchised Location:

1. We will conduct, as we deem advisable, periodic inspections of the Franchised Location and provide evaluations of the products and services rendered at the Franchised Location. (Franchise Agreement, Sections 3.7, 8.7.2, 8.7.3)
2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.5, 6.7)
3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Location, as we deem advisable. (Franchise Agreement, Section 3.6)
4. We will have the right, in our sole discretion, to establish and administer the System Marketing Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 13.2)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Location. As the Area Development Agreement relates to the development of Franchised Locations, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Franchised Location.

### **Site Selection**

Under the Franchise Agreement

If you will operate a Pinot’s Palette Location and you do not already possess a location that we find

acceptable when you sign our Franchise Agreement, we will provide you with procedures for locating, evaluating, and obtaining our approval of a site. We encourage you to work with our preferred vendor, who is familiar with the Pinot's Palette concept and requirements, in helping you locate a suitable location. You will be given up to four (4) months in which to find and secure a suitable site (through lease or purchase) for your Pinot's Palette Location within the area that we designate as your site selection area. Your Pinot's Palette Location must be opened and operating under our requirements within eight (8) months following the execution of the Franchise Agreement (the "Required Opening Date"). After eight (8) months from the date you sign the Franchise Agreement, you must begin paying the Minimum Royalty Fee to us, whether or not your Pinot's Palette Location is open.

If you do not comply with the requirements to find and secure a suitable site for your Pinot's Palette Location within four months or do not comply with your Required Opening Date for a Location, we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

In order for us to review a proposed site for approval, you must submit to us a completed site approval package in a form specified by us, which includes a trade area and site marketing research analysis (prepared by a company approved in advance by us), an option contract, letter of intent or other evidence satisfactory to us that describes your favorable prospects for obtaining such site, photographs of the site, demographic statistics, and other such other information or materials that we may reasonably require (collectively, the "SAP"). We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole discretion, the proposed location for the Franchised Location. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site. The lease or purchase agreement must be submitted to us for our approval prior to its signing.

You will be required to obtain all necessary and applicable alcoholic beverage permitting and licensing or any other permitting or licensing that will allow your customers to bring (and consume) their own beer, wine or spirits to the Franchised Location. In the event such licensing or permitting is not available in your jurisdiction, in the alternative we will require you to obtain all necessary and applicable alcoholic beverage permitting and licensing to offer beer, wine and spirits for sale and consumption at the Franchised Location. You are responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to the sale and/or consumption of alcohol and liquor that may apply to your Franchised Location.

#### Under an Area Development Agreement

Under the Area Development Agreement, you will have the right to develop, open, and operate multiple Pinot's Palette Franchised Locations. Each Franchised Location must be developed and opened according to our then-current system standards and other approval requirements. We will determine or approve the location of future Franchised Locations and any protected territories for those Franchised Locations based on our then-current system standards for sites and protected territories.

For each proposed site for a Franchised Location to be developed under the Area Development Agreement, you must also submit to us a completed SAP. We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole discretion, the location for the Franchised Location. You must, on terms that we deem acceptable, secure a lease for the approved site.

Under the Franchise Agreement and Area Development Agreement, we must approve a proposed location in writing. If we have not approved a proposed location in writing, the location will be deemed disapproved. In approving a location for a Franchised Location, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not locate and secure an acceptable site within the required time frames, you will be in default of your agreement with us for which we may terminate your agreement.

Under the Franchise Agreement and Area Development Agreement, our approval (or failure to disapprove)



of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Location or for any other purpose, or as to any expected level of sales, revenues or profits. Approval by us of the site indicates only that the site meets the minimum requirements for a Pinot's Palette Location.

### **Construction and Layout of Location**

You are responsible for developing your Franchised Location. If you are opening a Pinot's Palette Location, we will provide our standard specifications for a Location, including interior design elements, to you or to a design firm or architect that we have designated or approved (as described below). These specifications are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our specifications (including our specifications for the interior and exterior appearances) of Pinot's Palette Locations and develop or approve variations on our specifications to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

As of the date of this Disclosure Document, we have designated a supplier of design services to prepare designs and plans for Pinot's Palette Locations in accordance with our specifications. You must locate and employ a qualified architect who is licensed in your jurisdiction and who is reputable and experienced in providing architecture services to adapt these designs to final construction documents. You will be responsible for paying for all design and architecture services.

You will be solely responsible for ensuring that such plans and specifications comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for approval before construction of the Franchised Location begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of such plans to assess compliance with our design standards for Pinot's Palette Locations, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Pinot's Palette Locations. Additionally, prior to opening the Franchised Location (and prior to renovating it after the initial opening), you must sign and deliver to us an ADA certification certifying to us that the Franchised Location and any proposed renovations comply with the ADA.

### **Opening of Franchised Location**

We estimate that the time period between the signing of the Franchise Agreement and the start of operations of a Pinot's Palette Location will be approximately four to seven months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Location within eight months following the execution of the Franchise Agreement. In the event you do not open within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid. If your Franchised Location is not open on or before eight months from the date you sign the Franchise Agreement, you must begin paying the Minimum Royalty Fee. (Franchise Agreement, Sections 4.3 and 5.4).

We also may require you to materially refurbish the premises of your Franchised Location to conform to the System's then-current design, trade dress, color schemes and presentation of the Marks. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to such standards, specifications and deadlines as we may specify as are standard to the System at the time. We may not require you to do so more than

once every five years, unless sooner is required by your real estate lease. (Franchise Agreement, Section 8.22).

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system (a “Computer System”) that we may specify from time to time. (Franchise Agreement, Section 7.1.) The term Computer System refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Location and for reporting and sharing information with us, as well as communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. As of the date of this Disclosure Document our requirements are described below. We have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

The Computer System includes one desktop computer for the Franchised Location and one point-of- sale computer for each location room in the Franchised Location. The desktop computer minimum recommended specifications are:

- Processor: 1 x Core i3 / 3.7 Ghz
- Hard Drive: 500 GB
- Display: Dual 21-inch monitor
- Memory: 4 GB
- Network Interface: Gig NIC
- Media Drive: CDROM/DVDRW
- Other Items: Mouse, Keyboard, Multi-Function Printer/Scanner
- Software: Internet Explorer, Chrome or comparable modern browser.
- iPad or compatible tablet (Optional)

The total cost for the Computer System is approximately \$3,016 to \$3,399 for a Location. We may require you to purchase additional equipment depending on the size of your Franchised Business. Other than the Computer System, we have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future. You must purchase QuickBooks Online from a supplier of your choice.

We will also require that you use our online Operating System operated by our affiliate, FranchiCzar, at [app.franchiczar.com](http://app.franchiczar.com) (that we have currently designated, but reserve the right to change) and payment processing services of our affiliate, Fundio, for all customer payment processing, and the payment of all fees and other amounts owed to us under the Franchise Agreement. See Item 6 for additional details.

We charge an Electronic Systems Fee for products and services related to informational technology, including email, website management, security and access control systems, and access to our electronic support systems and operating software, and the payment processing services provided by FranchiCzar, in connection with the Franchised Location and System, which you must begin to pay on the first day of the calendar month following the month in which you sign your Franchise Agreement. As of the date of this Disclosure Document, the monthly Electronic Systems Fee is \$250, however we reserve the right to increase this fee to cover our costs in provision of such services.

You must provide us with unimpeded online access to your Computer System, including access to your QuickBooks Online account activity (which may require re-authorization in the FranchiCzar Operating System from time to time), in the manner, form, and at the times requested by us. You must also provide us with access to any video or camera feed of the Franchised Location. You will be required to maintain a high-speed business class internet connection at all times (i.e., T1 line, DSL, cable modem). We estimate that any updates or upgrades to

your Computer System will cost you approximately \$0 to \$2,000 per year.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Pinot's Palette Locations. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services, with the exception of the software we provide. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with independent access to your Computer System in the form and manner that we may request. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet or intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed business class internet access at all times. If we require, you must establish and maintain access to the extranet or intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

### **Advertising**

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we reserve the right to require that you spend certain amounts on advertising and promotion each year during the term of the Franchise Agreement as set forth below. We reserve the right to require that you, during each week, contribute up to five percent (5%) of NET Sales to the System Marketing Fund, as described below. In addition, we reserve the right to require that you spend a minimum of \$1,000 per month on "local marketing and promotion," as described below and contributions paid to any Cooperative Marketing Fund, as described below. We need not spend any amount on advertising in your area or territory.

The marketing expenditures described above are the minimum requirements only, and you may, and are encouraged to, expend additional funds for marketing and promotion. In addition to the marketing expenditures described above, you must complete the Integrated Marketing, Networking and Selling Plan, as described below.

The marketing expenditures described above may exceed \$1,000 per month, if the members of a Cooperative Marketing Fund, of which you are a member, approve such expenditures. If outlets that we or our affiliates own have controlling voting power of a Cooperative Marketing Fund, the maximum fee may not exceed \$1,000 per month without approval of the other members.

Any company-owned or affiliate-owned Pinot's Palette Locations may, but are not obligated to, contribute to the System Marketing Fund or Cooperative Marketing Fund on the same basis as franchisees in the System, generally, are required to contribute.

All franchisees must participate in our customer rewards/loyalty program called "Pinot Perks" and adhere to the guidelines we establish from time to time, as set forth in our Manuals. We may change the program in any way in our discretion and we may discontinue the program at any time. All Franchised Locations must honor the

rewards any customer receives as part of being a member of the program. You may not create another unapproved rewards or loyalty program outside of Pinot Perks. In connection with Pinot Perks and any other similar program, you must understand that we will own all the customer data gathered, and it is up to us as to how that information is used and/or disseminated.

### System Marketing Fund

We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the System Marketing Fund, as follows:

- (a) We (or our designee) will direct all marketing programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The System Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the System Marketing Fund. There is no requirement that we spend any amount on marketing in your Territory or Development Area.
- (b) The System Marketing Fund, and all contributions to and earnings from the System Marketing Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website (except for the portion, if any, specifically relating to soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Pinot's Palette Locations operated under the System.
- (c) You must contribute to the System Marketing Fund by EFT (electronic funds transfer) or having funds automatically withheld from your payouts by our affiliate Fundio at the same time as the Royalty Fee is due. All sums you pay to the System Marketing Fund will be maintained in an account separate from our other monies. The System Marketing Fund is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounts for the System Marketing Fund. We will have the right to charge the System Marketing Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the System Marketing Fund and marketing programs for you and the System (for example, salaries, costs of our personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs). The System Marketing Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises.
- (d) We may make available to franchisees, from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Marketing Fund. Additionally, we may sell such items to franchisees in the System at a reasonable price (a 5% to 10% mark-up over our actual cost of such items), and any proceeds from any those sales will be contributed to the System Marketing Fund.
- (e) If all of the money in the System Marketing Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the System Marketing Fund is intended

to be of perpetual duration, we maintain the right to terminate the System Marketing Fund. The System Marketing Fund will not be terminated, however, until all monies in the System Marketing Fund have been spent for marketing or promotional purposes.

- (f) Upon request, we will make available to the franchise council an annual accounting of the System Marketing Fund receipts and disbursements. We do not audit the System Marketing Fund.

The System Marketing Fund was not in effect last year, as we are a new Franchisor established in 2023. As such, no Advertising funds were spent by us in the Fiscal Year Ended December 31, 2022.

### Cooperative Marketing Fund

We will have the right, as we see fit, to establish a Cooperative Marketing Fund for your region, or we may approve of a Cooperative Marketing Fund that has been organized by franchisees in a region. The purpose of a Cooperative Marketing Fund is to conduct marketing campaigns for the Pinot's Palette Locations located in that region. The size or membership of a cooperative shall be determined by us, on a case by case basis, in our sole discretion. Factors we consider are demographic statistics and the number of Pinot's Palette Locations operating in a particular area, among other things. Any amounts paid to a Cooperative Marketing Fund will count as part of your local marketing and promotion requirement. As of the date of this Disclosure Document, there are no Cooperative Marketing Funds in existence.

If a Cooperative Marketing Fund for your area was established before you began to operate your Franchised Location, then when you open your Franchised Location, you must immediately join that Cooperative Marketing Fund. If a Cooperative Marketing Fund for your area is established after you begin to operate your Franchised Location, then you will have 30 days to join the new Cooperative Marketing Fund.

An individual Pinot's Palette Location will not be required to be a member of more than one Cooperative Marketing Fund. Neither we, nor any affiliate are required to contribute to a Cooperative Marketing Fund, however, if we do, we will have the same voting rights for our Pinot's Palette Locations as do our franchisees with respect to their locations..

The following provisions will apply to each Cooperative Marketing Fund (if and when organized):

- (a) Cooperative Marketing Funds will be established, organized, and governed in the form and manner that we have approved in advance in writing. The activities carried on by each Cooperative Marketing Fund shall be decided by a majority vote of its members. Any Pinot's Palette Location that we operate in the region shall have the same voting rights as those owned by franchisees. Each Pinot's Palette Location franchisee shall be entitled to cast one (1) vote for each Pinot's Palette Location it operates that belongs to the Cooperative Marketing Fund.
- (b) Cooperative Marketing Funds will be organized according to written governing documents for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local marketing and promotion. Such governing documents are currently not available for review.
- (c) Cooperative Marketing Funds may not use marketing, promotional plans, or materials without our prior written approval, as described below under the heading "Local marketing and promotion."
- (d) You must submit your required contribution to the Cooperative Marketing Fund according to the schedule we designate for the Cooperative Marketing Fund. At the same time, you will have to submit the reports that we or the Cooperative Marketing Fund require. We may require you to

submit this payment by EFT or by check. We also may require that your payments and reports to the Cooperative Marketing Fund be made to us for distribution to the Cooperative Marketing Fund. The Cooperative shall be required to prepare annual financial statements available for our and member's review.

- (e) We maintain the right to terminate any Cooperative Marketing Fund. A Cooperative Marketing Fund will not be terminated, however, until all monies in that Cooperative Marketing Fund have been expended for marketing or promotional purposes; unless there are no remaining Pinot's Palette Locations in the Cooperative Marketing Fund, in which event, we will transfer the remaining monies to the System Marketing Fund.

### Local marketing and promotion

Certain criteria will apply to any local marketing and promotion that you conduct. All of your local marketing and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You, or any Cooperative Marketing Fund, may not use any marketing or promotional plans that we have not approved in writing. If you wish to use your own marketing materials or promotional plans, you must submit to us samples of all proposed plans and materials. If we do not give our written approval within five days, we will have been deemed to have disapproved the plans or materials.

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperative Marketing Funds.)

You must prepare and conduct a grand opening marketing program (the "Integrated Marketing, Networking and Selling Plan"), in accordance with our specifications for that program for your Pinot's Palette Location. Transfer locations will be required to conduct a grand re-opening marketing program using a modified version of the Integrated Marketing, Networking and Selling Plan. New and transfer locations are required to use our approved email marketing platform. No other email platform is allowed. We may require you to utilize and sign a minimum contract with our designated digital advertising vendor. All materials used in the Integrated Marketing, Networking and Selling Plan will be subject to our prior written approval, as described above. The Integrated Marketing, Networking and Selling Plan is considered "local marketing and promotion" and is therefore subject to the restrictions described below. We will work with you to develop your Integrated Marketing, Networking and Selling Plan for your market.

We, our affiliates or approved suppliers may periodically make available to you, for purchase, certain marketing plans and promotional materials for your use in local marketing and promotion.

As used in the Franchise Agreement, the term "local marketing and promotion" refers to marketing and promotion related directly to the Franchised Location, and unless otherwise specified, consists only of the direct costs of purchasing marketing materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of marketing and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. Local marketing and promotion does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and the value of discounts given to customers.

### Franchise Advisory Council

We currently have an active council made up of franchisees and franchisor representatives in place. Franchisees will be chosen to participate in the council based on, in part, performance and length of time in the System, including being in good standing under all contracts with us. The council will act in an advisory capacity only and will not have decision making authority. We reserve the right to change or dissolve the formed advisory council at anytime.

## **Websites**

We have established and currently maintain a website for the purpose of marketing and promoting Pinot's Palette Locations, the services they offer, and the System (the "System Website"). If we include information about your Franchised Location on the System Website, you must give us the information and materials that we periodically request concerning the Franchised Location and otherwise participate in the System Website in the manner that we periodically specify. By posting or submitting to us information or materials for the System Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party's rights.

We own all intellectual property and other rights in the System Website and all information it contains, including the domain name or URL for the System Website, the log of "hits" by visitors, and any personal or business data that visitors (including you and your personnel) supply. We may implement and periodically modify Standards relating to the System Website and, at our option, may discontinue the System Website, or any services offered through the System Website, at any time.

All advertising, marketing, and promotional materials that you develop for the Franchised Location must contain notices of the System Website's URL in the manner we periodically designate. You may not develop, maintain, or authorize any other website, other online presence or other electronic medium that mentions or describes the Franchised Location displays any of the Proprietary Marks without our prior approval. You may not conduct commerce or directly or indirectly offer or sell any products or services relating to the Franchised Location using any website, another electronic means or medium, or otherwise over the internet without our consent. Nothing limits our right to maintain websites other than the System Website or to offer and sell products and services under the Proprietary Marks from the System Website, another website, or otherwise over the internet without payment or other obligation.

You must comply with our System standards regarding the use of social media in your Franchised Location's operation, including prohibitions on your and the Franchised Location's employees posting or blogging comments about the Franchised Location or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like Twitter, SnapChat, TikTok, or Instagram, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We currently allow you to have limited access to a Facebook page that we will establish for your Franchised Location. We will maintain the administrative access for the Facebook page, but you may post content on the Facebook page consistent with our standards. From time to time, we may require you to post certain content on the Facebook page for your Franchised Location. If we determine, in our sole discretion, that your use of the Facebook page is not in accordance with our Standards, we may revoke your access to the Facebook page for your Franchised Location. You will be permitted to indicate your association with your Franchised Location on LinkedIn, but you may not, either directly or implicitly, indicate that you are associated in an employment, agency, ownership, or contractor role with us, our parent, or any of our affiliates. (Franchise Agreement, Sections 7.6 and 7.7)

## **Training**

Before your Franchised Location opens, you must complete all of our initial training requirements. Unless you are an Area Developer and you are opening your fourth or subsequent Franchised Location (the differing

requirements for Area Developers are described below) you (or, if you are other than an individual, your Designated Principal) and, if applicable, the General Manager, and one additional trainee must attend and successfully complete, to our satisfaction, the initial training program that we offer at a location designated by us. We will bear the cost of all training (instruction and required materials) for the initial training program, and additional training and assistance that we provide at your Franchised Location. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker’s compensation insurance. If you are an Area Developer, then by the time you are developing your fourth Franchised Location, you must be prepared (by meeting all of our requirements) to train the General Manager and other managerial personnel for your fourth and subsequent Franchised Locations. This requires that you have management personnel who have completed to our satisfaction our initial training program and who continue to meet our standards and requirements for providing this training to other managers, and that you conduct the training of these additional managers according to the programs and requirements that we specify in the Manuals and other written materials. If we determine that you or your managers do not meet these requirements, we may require that your additional managers attend and complete the initial training program we provide for new franchisees. If we require that additional or replacement managers attend and complete the initial training program, we will require you to pay our per diem training charges.

We will cover the cost of initial Artist Training. Currently, our initial artist trainers will conduct a up to 35 hours of training over a period of up to five consecutive days. Training may be virtual, or at select regional locations. You will be responsible for all your out-of pocket costs and expenses associated with attending such training, including lodging, food and travel arrangements for your attendees.

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Location, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided that you may train General Managers in accordance with Section 6.3 of the Franchise Agreement. You must maintain a minimum of one certified manager in the Franchised Location at all times. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. Replacement managers must be trained according to our standards and you may be permitted to provide such training directly, provided you meet our then- current standards for qualifying as a training facility. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. If you request additional days of on-site training or assistance in connection with your opening, or at a later time, we may charge you our then- current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers (See Item 6 regarding the costs.).

The subjects covered in the initial training program are described below. Initial training programs are scheduled throughout the year on an as needed basis. We have the right to change the duration and content of our initial training program.

**TRAINING PROGRAM  
(Initial Training)**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Mission and Values	1 Hour		In Pearland, Texas or



<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
			virtually
Website/Software	6 – 10 Hours	Throughout Training	Online
Planning and Strategy	2 Hours	Throughout Training	In Pearland, Texas or virtually
Operations Training	4 Hours		In Pearland, Texas or virtually
Accounting Training	2 Hours		In Pearland, Texas or virtually
Accounting Setup Support	1 Hour		Online
Business Administration	2 Hours		In Pearland, Texas or virtually
Customer Service Training	2 to 5 Hours		In Pearland, Texas or virtually
Marketing Support	2 to 4 Hours	Throughout Training	Online and/or Telephonic
Marketing Training	4 to 6 hours		In Pearland, Texas or virtually
Build-Out Support	15 to 35 Hours		Online
Calendar Strategy	4 to 12 Hours		In Pearland, Texas or virtually, on phone prior to opening
Recruiting Training & Hiring Support	1 Hour		In Pearland, Texas or virtually
Pre-Opening Training		40 Hours	In Pearland, Texas, virtually & via phone
Soft Opening Training		35 Hours	In Pearland, Texas, virtually & via phone
<b>Training Total</b>	<b>46 to 91 Hours</b>	<b>75 Hours</b>	

The initial training, as described above, is currently conducted virtually online or at our headquarters in Pearland, Texas. The initial training must be completed at least 30 days in advance of the scheduled opening of

your Franchised Location.

Additionally, we may require that you or your Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as we may require from time to time, provided that required refresher and additional training will not exceed (a) four days (per trainee) each year virtually or at our headquarters and/or at other designated locations, and (b) three days (per trainee) each year to attend a convention for the franchise system. We are currently hosting conventions every other year. We may also offer voluntary training programs. If these refresher and additional training programs are conducted at our headquarters in Pearland, Texas, or at a designated Pinot's Palette Location, we will bear the costs associated with providing these training programs, not including your costs of transportation, lodging, meals, wages, and worker's compensation insurance. However, if you request that we provide any of this training at your Franchised Location, and we do so, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers.

The initial training, as described above, is currently conducted, at our discretion, virtually, at our headquarters in Pearland, Texas, at designated Pinot's Palette locations, or a combination of these. The initial training must be completed at least thirty (30) days in advance of the scheduled opening of your Franchised Location.

Currently, our training staff is run by Adina Simpson and Mel Brown. Ms. Simpson has been our Operations Director since February 2020 and she has served in various business management and operations capacities since 2009. Ms. Brown has been our Franchise Operation Manager since October 2023 and has served in various trainer, instructor trainer, and training director roles throughout her career. We will use additional instructors on our training staff to conduct our training programs. Our additional instructors generally have substantial operations experience, and a minimum of one year of experience in training and development and/or a minimum of one year of experience with us or our affiliate-owned operations.

### **Manuals**

You will be required to comply with all of the specifications, procedures, and standards set out in our Manuals. A copy of the manual will be made available to you after signing an NDA, and prior to your signing a Franchise Agreement.

### **Gift Card Program**

We have a program for all franchisees to sell, issue or redeem gift cards or certificates (together "Gift Cards"). You must participate by offering Gift Cards to your customers and/or honoring all Gift Cards presented to you as payment for products and services. Currently, all Gift Cards are sold or issued by us online through our website. When any Gift Card is redeemed in your Franchised Location, we will transfer the amount of this redeemed Gift Card to you. You pay Royalties on sales paid by redeemed Gift Cards in your Franchised Location. Our Gift Cards have no expiration date, therefore we remain liable to you upon any Gift Card redemption for an undetermined amount of time. We control all amounts received through the sale or issuance of all Gift Cards, and you are not entitled to any of this revenue unless a Gift Card is redeemed in your Franchised Location.

### **Pinot Perks Rewards Program**

All franchisees must participate in our customer rewards/loyalty program called "Pinot Perks", or any designated loyalty or rewards program, and adhere to the guidelines we establish from time to time, as set forth in our Manuals. We may change the program in any way in our discretion and we may discontinue the program at any time. All Franchised Locations must honor the rewards any customer receives as part of being a member of the

program. You may not create another unapproved rewards or loyalty program outside of Pinot Perks. In connection with Pinot Perks and any other similar program, you must understand that we will own all the customer data gathered, and it is up to us as to how that information is used and/or disseminated.

## **Manuals**

You will be required to comply with all of the specifications, procedures, and standards set out in our Manuals. We will make our operations manual available to you to review after you have signed our Non-Disclosure Agreement but prior to your purchase of a franchise.

## **ITEM 12 TERRITORY**

### **Franchise Agreement and Area Development Agreement**

The following describes how Territories and Development Areas are determined, and the rights that you and we have under the Franchise Agreement and the Area Development Agreement.

#### **Under the Franchise Agreement**

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.

Your Franchise Agreement will specify the site that will be the Approved Location for your Franchise Location. Your Franchise Agreement may also specify a protected territory (“**Territory**”). The size and scope of the Territory will vary and will be determined based upon various factors such as (a) whether the Approved Location is an urban area or a suburban area; (b) the number of residents living in the area; and (c) the number of competitive locations in the area; among other factors. The Territory is not the same area as, and will be smaller than, the site selection area in which you will be looking for a site. Generally, we will specify your Territory as a diameter of miles surrounding the Approved Location, although we may also define your Territory by postal ZIP code(s), physical boundaries such as streets and highways, or city and county limits.

Population densities are determined using the most recent census bureau data, as well as Google population data.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Pinot’s Palette Location in the Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement. There are no circumstances under which the Territory may be modified or altered prior to expiration or termination of the Franchise Agreement.

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Location, or if the Franchised Location is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials require in order to consider your request, including information concerning the proposed new location for the Franchised Location and our fee (see Item 6). You must also meet certain other requirements, including but not limited to being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Pinot’s Palette Location and is located within your Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new Franchise Fee when you sign the new Franchise Agreement. (Franchise Agreement, Section 8.26)

You may sell products and services to retail customers and prospective retail customers for your Franchised Location who live anywhere but who choose to visit your Pinot's Palette Location. Advertisements that are targeted to customers and prospective customers located both inside and outside of your Territory must be approved by us. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell the products to any business or other customer for resale purposes. You may not sell products through the Internet or through other channels of distribution, whether within or without your Territory, without our written consent.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or affiliate-owned locations which sell the products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

#### Under the Area Development Agreement

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.

If you sign an Area Development Agreement, the Area Development Agreement will specify the Development Area within which you may locate potential sites for Pinot's Palette Locations, subject to our approval. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon prior to signing the Area Development Agreement and will be specified in the Area Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Pinot's Palette Locations, your financial and other capabilities, the number of Pinot's Palette Locations you wish to develop and our development plans. During the term of the Area Development Agreement, if you comply with the obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Pinot's Palette Location in the Development Area. Except as described below, there are no circumstances under which the Area Development Agreement may be altered prior to expiration or termination of the Area Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, or other factors, other than compliance with the Area Development Agreement and Development Schedule.

If you do not comply with a deadline under the Development Schedule, you will be in default under the Area Development Agreement, and we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions: (a) cease crediting the Area Development Fees paid towards the Franchise Fees for the Franchised Locations to be developed (see Item 5 for explanation of credits); (b) eliminate or reduce the scope of protections granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Locations for you to develop, or (e) retain all Area Development Fees paid to us. If we elect to take one or more of these actions, we will provide written notice of such action, and the Area Development Agreement will be amended to reflect the changes.

#### Our Reserved Rights under the Franchise Agreement and Area Development Agreement

Under both the Franchise Agreement and Area Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

1. We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Pinot's Palette Locations operating under the Proprietary Marks and the System at any location outside your Territory or Development Area regardless of their proximity to, or potential impact on, your Territory or Development Area or Franchised Locations.

2. We reserve the right, without restriction, to offer services and products to customers and to soliciting and accept orders anywhere through our website, the Internet or other similar means under the Marks or other branding. Neither we nor our affiliates are restricted from participating in or soliciting and accepting order through other distribution methods or channels, including Internet, other forms of media now or in the future developed, wholesale and mail order channels or other direct marketing, whether within or without your Territory and whether using our principal marks or under marks and product configurations different than those offered through your franchise. We are not required to pay to you any compensation for soliciting or accepting orders near or inside your territory.
3. We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Location, at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Location.
4. We may be acquired (regardless of the form of transaction) by a business identical or similar to the System.
5. We may engage in any other business activity not expressly prohibited by the Franchise Agreement or Area Development Agreement, as applicable.




Additionally, during the term of your Area Development and Franchise Agreement, we may (i) acquire one or more retail businesses that are the same as, or similar to, Pinot's Palette Locations then operating under the System (each an "Acquired Business"), which may be at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Location, and we may (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pinot's Palette Location under the System at any location. If we operate and/or license others to operate any Acquired Business, then the following terms apply:


1. If you are in compliance with your agreements with us, then for any Acquired Business that is both located within your Territory or Development Area and is purchased by us for operation by us or our affiliates, we may, in our discretion, offer you the option to purchase and operate, as a Pinot's Palette Location, those Acquired Business(es). We will provide you with written notice of our purchase of such Acquired Business(es), the terms and conditions applicable to your option to purchase such Acquired Business(es), and such other information that we deem necessary to include in the notice. The terms and conditions offered to you will include, without limitation, the following: (a) the purchase price for such Acquired Business will be determined using a ratio equal to the sales of such Acquired Business during the prior year, as compared to the total sales during such year of all Acquired Businesses that we purchased in the same transaction; and (b) the requirement that you enter into our then-current form of System franchise agreement for the Acquired Business, provided that you will not be required to pay an initial franchise fee for an Acquired Business. If you do not elect to purchase, or fail to complete the purchase of, an Acquired Business, we shall have the right to operate the Acquired Business ourselves, or through its affiliates or third party licensees or franchisees, under any trade name or trademarks including the Proprietary Marks.
2. If an Acquired Business is part of a system of retail businesses that we acquire (an "Acquired System"), you will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired

System. We may license such unit to be operated under any trade name or trademarks, including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory or Development Area.

**ITEM 13  
TRADEMARKS**

The Franchise Agreement will grant you rights to use the Proprietary Marks in connection with your Franchised Location. Our parent GFH PP has registered the following trademarks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”). We have the right to use and license these trademarks to you.:

Proprietary Mark	Registration Number	Registration Date
PINOT'S PALETTE (word mark) (Class 41)	3921188	February 15, 2011
PAINT. DRINK. HAVE FUN. (word mark) (Class 41)	4645160	November 25, 2014
LITTLE BRUSHES (word mark) (Class 41)	4649007	December 2, 2014
PINOT PERKS (word mark) (Class 35)	5167499	March 21, 2017
 (mark and design) (Class 41)	4992818	July 5, 2016
 (mark and design) (Class 41)	4992819	July 5, 2016
 (mark and design) (Class 41)	5168329	March 21, 2017

Proprietary Mark	Registration Number	Registration Date
 (mark and design) (Class41)	5168330	March 21, 2017
PAINT LOCAL (word mark) (Class 41)	5161985	March 14, 2017

We have filed all required affidavits and renewals. There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. There is no pending infringement, opposition or cancellation proceeding. There is no pending material litigation involving the trademarks which may be relevant to their use in this state or in any other state.

We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs, except that you will bear the salary costs of your employees.

There are no agreements currently in effect which limit our rights to use or license the use of any Proprietary Mark. We reserve the right to substitute different proprietary marks for use in identifying the System and businesses operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Proprietary Marks and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any cost attributable to or associated with any modified or discontinued Proprietary Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

## **ITEM 14**

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

#### **Patents**

No patents are material to the operation of your Franchised Location.

**Copyrights**

We claim copyright protection covering various materials used in our business and the development and operation of Pinot’s Palette Locations, including the Manuals, our proprietary software, paintings, advertising and promotional materials, and similar materials. We have not registered all of these materials with the United States Registrar of Copyrights, but we are not required to do so. We have filed for registration and/or registered the following copyright series with the United States Copyright Office:

<b>Copyright</b>	<b>Registration/Case Number</b>	<b>Registration Date</b>
Pinot's Palette 2009 Series	VA 1-882-394	July 8, 2013
Pinot's Palette 2010 Series	VA 1-949-007	July 8, 2013
Pinot's Palette 2011 Series	VA 1-925-839	April 3, 2014
Pinot's Palette 2012 Series	VA 1-913-843	April 3, 2014
Pinot's Palette 2013 Series	VA 1-926-801	April 4, 2014
Little Brushes Series	VA 1-933-220	July 7, 2014
Pinot’s Palette 2014 Q1 Series	VA 1-929-849	September 25, 2014
Pinot’s Palette 2014 Q2 Series	VA 1-929-338	September 25, 2014
Pinot’s Palette 2014 Q3 Series	VA1-977-966	July 20, 2015
Pinot’s Palette 2014 Q4 Series	VA1-953-424	March 23, 2015
Pinot’s Palette 2015 Q1 Series	VA1-961-836	April 2, 2015
Pinot’s Palette 2015 Q2 Series	VA 1-975-693	July 9, 2015
Pinot’s Palette 2015 Q3 Series	VA 1-990-417	October 2, 2015
Pinot’s Palette 2015 Q4 Series	VA 2-001-707	January 20, 2016
Pinot’s Palette 2016 Q1 Series	VA 2-011-749	April 12, 2016
Pinot’s Palette 2016 Q2 Series	VA 2-021-983	July 7, 2016
Pinot’s Palette 2016 Q3 Series	VA 2-063-943	October 7, 2016
Pinot’s Palette 2016 Q4 Series	VA 2-065-642	January 12, 2017
Pinot’s Palette 2017 Q1 Series	VA 2-081-226	March 31, 2017
Pinot’s Palette 2017 Q2 Series	VA 2-097-332	July 10, 2017



<b>Copyright</b>	<b>Registration/Case Number</b>	<b>Registration Date</b>
Pinot's Palette 2017 Q3 Series	VA 2-097-333	October 26, 2017
Pinot's Palette 2017 Q4 Series	VA 2-120-006	May 15, 2018
Pinot's Palette 2018 Q1 Series	VA 2-120-026	May 15, 2018
Pinot's Palette 2018 Q2 Series	VA2-151-999	July 27, 2018
Pinot's Palette 2018 Q3 Series	VA 2-149-139	October 3, 2018
Pinot's Palette 2018 Q4 Series	VA 2-163-309	March 7, 2019
Pinot's Palette 2019 Q1 Series	VA 2-169-393	May 1, 2019
Pinot's Palette 2019 Q2 Series	Case #1-8055467891	September 10, 2019
Pinot's Palette 2019 Q3 Series	Case #1-8235065691	November 7, 2019
Pinot's Palette 2019 Q4 Series	VA 2-260-589	June 28, 2021
Pinot's Palette 2020 Q1 Series	VA 2-261-422	June 29, 2021
Pinot's Palette 2020 Q2 Series	VA 2-277-455	August 10, 2021
Pinot's Palette 2020 Q3 Series	VA 2-268-985	August 12, 2021
Pinot's Palette 2020 Q4 Series	VA 2-277-386	August 20, 2021
Pinot's Palette 2021 Q1 Series	VA 2-269-244	August 30, 2021

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification. The duration of the above copyrights is 95 years from first publication or 120 years from creation, whichever is shorter. The copyrights will not be renewed.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our rights, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format. You will bear sole responsibility for any and all claims, liabilities, costs or expenses related to images or other copyrighted materials that you use at the Franchised Location or in any marketing or promotional materials, including any website or social media content and any content you use, post, upload, or place on our

websites or social media accounts.

### **Confidential Information**

Except for the purpose of operating the Franchised Location under a Franchise Agreement and developing Franchised Locations under an Area Development Agreement, you may never (during Franchise Agreement’s term or later) communicate, disclose, or use for any person’s benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Location that may be communicated to you or that you may learn by virtue of your operation of a Pinot’s Palette Location. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Location. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed “confidential” for purposes of the Franchise Agreement and the Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, managers, and your employees with access to confidential information to sign confidentiality and non-competition agreements or obligate themselves to such covenants. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Location. These agreements must be in a form that we find satisfactory, and in some cases include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current forms of these agreements are included as Exhibit E to the Franchise Agreement (which is included in this Disclosure Document, see Item 22), and contained in our Manuals.

### **Confidential Manuals**

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manuals. We will provide you online or other reasonable access to our Manuals for the term of the Franchise Agreement, which you must delete/download to us at the expiration or termination of the Franchise Agreement. The Manuals may consist of multiple volumes of text, computer files, other electronic stored data, video or other media, and periodic updates or bulletins that we issue to franchisees and others operating under the System. You must treat the Manuals, all supplements and revisions to the Manuals, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manuals will remain our sole property. You must keep them in a secure place on the Franchised Location premises.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copies that we maintain at our home office will control.

You must disclose to us all ideas, concepts, methods, techniques and products conceived of or developed by you, your affiliates, owners, or employees during the term of the Franchise Agreement relating to the development and/or operation of your Franchised Location. Under the Franchise Agreement you grant to us a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, and techniques in all Pinot's Palette Locations in the System.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL**

### **OPERATION OF THE FRANCHISE BUSINESS**

If the Designated Principal or your General Manager fails to satisfactorily complete our initial training program or if your General Manager is no longer an employee, you must designate a replacement Designated Principal or General Manager as soon as is practical, who is acceptable to us and who satisfactorily completes our training program. We will require you to reimburse our training costs (see Items 6 and 11).

Under the Franchise Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the operations of the Franchised Location. Additionally, you must designate either yourself, your Designated Principal (if you are an entity) or a General Manager (subject to our reasonable approval) to assume the full-time responsibility for daily supervision and operation of the Franchised Location. We will have the right to rely upon the Designated Principal and/or your General Manager to have the responsibility and decision-making authority regarding your business and operations.

Under the Area Development Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the development of the Franchised Locations, as well as the operations of the Franchised Locations that are developed under the Area Development Agreement. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both the Franchise Agreement and the Area Development Agreement, if you are other than an individual, we may require that the individuals that own the franchisee entity personally sign a guaranty, indemnification, and acknowledgement (in the forms included as Exhibit C to the Franchise Agreement and Exhibit C to the Area Development Agreement), guarantying and acknowledging the legal entity's covenants and obligations under that agreement. Additionally, your employees with access to confidential information or who have received training may be required to sign agreements to maintain confidentiality and not compete with businesses under the System (our current forms for these agreements are contained in our Manuals). See Items 14 and 17 for a further description of these obligations.

If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a ten percent (10%) ownership interest in the franchisee legal entity, and who must be reasonably acceptable to us to assume the responsibilities of general oversight and management of your Franchised Location (the "Designated Principal"). You must also designate either the Designated Principal or a "General Manager" (subject to our reasonable approval) to assume the full-time responsibility for daily supervision and operation of the Franchised Location.

#### **ITEM 16** **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must offer all products and services, including artistic, creative and painting classes, that we approve and specify to be offered by all Pinot's Palette Locations, unless we otherwise provide our written approval.

You may only sell to retail customers at or from the Approved Location. If you wish to engage in off-premises activities, you may apply in writing for our approval to do so. If we provide our approval, you may engage in these activities provided that you comply with the programs, policies terms, and conditions that we may establish from time to time.

You must not use the Franchised Location for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must operate the Franchised Location in strict conformity with the methods, standards, and specifications as we prescribe in the Manuals or in writing.

You must keep the Franchised Location open and in normal operation for the minimum hours and days as we may specify. The Franchised Location must be available for calls and electronic mail correspondence a minimum of eight hours per day, seven days per week, and provide a minimum of three classes per week, as set forth in the Manuals.

#### **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**

Under the Franchise Agreement

Provision	Section(s) in Franchise Agreement	Summary
a Length of the franchise term	Section 2.1	10 years.
b Renewal or extension of the term	Section 2.2	You may apply to operate the Franchised Location for 2 additional renewal terms of 10 years each, if the conditions below are met prior to renewal.
c Requirements for franchisee to renew or extend	Section 2.2	<p>You must give us written notice of your election to renew at least 6 months but not more than 12 months prior to the end of the term of the Franchise Agreement. Additional conditions are satisfaction of monetary obligations, compliance with Franchise Agreement and any other agreement between you and us or our affiliates, execution of a mutual release in a form prescribed by us, of any and all claims against us and our affiliates, and their related parties, execution of a new Franchise Agreement on our then-current form of agreement, payment of a renewal fee, and others; see Sections 2.2.1 - 2.2.10 in Franchise Agreement.</p> <p>If you seek to renew your franchise at the expiration of the initial term or any renewal term, you will be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights. These terms are subject to state law.</p>
d Termination by franchisee	None	You may terminate the Franchise Agreement under any grounds permitted by applicable law.
e Termination by franchisor without cause	Not Applicable	
f Termination by franchisor with cause	Section 16	We may terminate the Franchise Agreement under certain circumstances as set out below, including default under the Franchise Agreement, bankruptcy, abandonment, and other grounds; see Section 16 of the Franchise Agreement. We may also terminate the Franchise Agreement if you are in default of any other agreement you have with us and our affiliates, including an Area Development

Provision	Section(s) in Franchise Agreement	Summary
		Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.
g “Cause” defined – defaults which can be cured	Sections 16.4 and 16.5	Upon the occurrence of any of the following events of default, we may, at our option, terminate the Franchise Agreement by giving written notice of termination stating the nature of the default to you at least seven days prior to the effective date of termination, and if you do not cure such default within the specified time (or such longer period as applicable law may require) the Franchise Agreement will terminate without further notice to you, effective immediately upon the expiration of the seven day period (or such longer period as applicable law may require): If you fail, refuse, or neglect promptly to pay any monies owing to us or our affiliates when due; If you refuse to permit us to inspect the Premises, or the books, records, or accounts of your upon demand; If you fail to operate the Pinot’s Palette during such days and hours specified in the Manuals; or If you fail to afford our unimpeded access to your Computer System and Required Software in violation of the Franchise Agreement. Upon any other default which is not non-curable, we may at our option terminate the Franchise Agreement by giving written notice of termination stating the nature of the default to you at least 30 days prior to the effective date of termination, and if you do not cure such default within the specified time (or such longer period as applicable law may require) the Franchise Agreement will terminate without further notice to you, effective immediately upon the expiration of the 30 day period (or such longer period as applicable law may require).
h “Cause” defined – non-curable defaults	Sections 16.2 and 16.3	You will be in default under the Franchise Agreement, and all rights granted to you therein will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for

Provision	Section(s) in Franchise Agreement	Summary
		<p>the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; if 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; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer; if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the Franchised Location will be sold after levy thereupon by any sheriff, police officer, or bailiff. You will be deemed to be in default and we may, at our option, terminate the Franchise Agreement and all rights granted thereunder, without affording you any opportunity to cure the default, effective immediately by giving written notice to you (in the manner provided under Section 24 of the Franchise Agreement), upon the occurrence of any of the following events: If you fail to complete all pre-opening obligations and to open the Franchised Location within the required time limits; If you or any of your owners are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, or the goodwill associated therewith; If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Location; If your action or inaction, at any time, results in the loss of the right to possession of, or access to, the Franchised Location, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Location is located; If you or any owner purports to transfer any rights or obligations under the Franchise Agreement or any interest to any third party in a manner that is contrary to the terms of the Franchise Agreement; If you knowingly maintain false books or records, or knowingly submit any false statements or reports to us; If, contrary to the terms of the Franchise Agreement, you disclose or divulge the contents of</p>

Provision	Section(s) in Franchise Agreement	Summary
		<p>the Manuals or other confidential information provided to you by us; If you fail to comply with the covenants not to compete; If you misuse or make any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if you otherwise operate the Franchised Location in a manner that materially impair the reputation or goodwill associated with the System, Proprietary Marks, or our rights therein; If you, after curing a default pursuant to the Franchise Agreement, commit the same default again, whether or not cured after notice; If you commit 3 or more defaults under the Franchise Agreement in any 12-month period, whether or not each such default has been cured after notice; If you at any time cease to operate for 24 hours, or otherwise abandon the Franchised Location, unless such closure is approved in writing by us, or excused by force majeure; If Franchisee (i) fails to obtain, (ii) is unable to renew, or (iii) has revoked or loses for any reason, a proper visa granting Franchisee the right to enter and work in the United States, or if Franchisee is otherwise unable, for any reason whatsoever, to enter and work in the United States; or If you breach any material provision of the Franchise Agreement which breach is not susceptible to cure. We may also terminate the Franchise Agreement if you are in default of any other agreement you have with us and our affiliates, including an Area Development Agreement.</p>
<p>i Franchisee’s obligations on termination/non-renewal</p>	<p>17 and 8.30</p>	<p>Upon termination or expiration of the Franchise Agreement, all rights granted thereunder to you will terminate, and: You will immediately cease to operate the Franchised Location, and will not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of us in connection with the promotion or operation of any other business; You will immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the Proprietary Marks and all other distinctive forms, slogans, signs, symbols, and devices associated with the System; You will take such action as may be necessary to cancel any business name registration or equivalent registration</p>



Provision	Section(s) in Franchise Agreement	Summary
		<p>obtained by you which contains any Proprietary Mark, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 5 days after termination or expiration of the Franchise Agreement; You will, at our option, assign to us any interest which you have in any lease, sublease, or other agreement for your former Franchised Location; In the event we do not elect to exercise our option to acquire the lease or sublease for, or other rights to, your former Franchised Location, you must make such modifications or alterations to your former Franchised Location immediately upon termination or expiration of the Franchise Agreement as may be necessary to distinguish the appearance of your former Franchised Location from that of a Pinot's Palette Location; You will cease use of all telephone numbers and any domain names, websites, e-mail addresses, social media accounts, and any other identifiers, whether or not authorized by us, used by you while operating the Franchised Location, and will promptly execute such documents or take such steps necessary to remove reference to the Franchised Location</p> <p>from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to us; You will promptly pay all sums owing to us and our affiliates; You will refrain from disparaging us and the System, You must, at your own expense, immediately deliver to us the Manuals and all other records, correspondence, and instructions containing confidential information relating to the operation of the Franchised Location; We have the option, to be exercised within 30 days after termination, to purchase from you any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of your related to the operation of the Franchised Location, at the lesser of your cost or fair market value.</p> <p>Additionally, upon termination of the Franchise Agreement by reason of a default by you, you agree to pay to us within 10 days after the effective date of termination, in addition to the amounts owed thereunder, liquidated damages</p>

Provision	Section(s) in Franchise Agreement	Summary
		equal to \$500 per month remaining in the Franchise Agreement had it not been terminated.
j Assignment of contract by franchisor	Section 15.1	There are no limits on our right to assign the Franchise Agreement.
k “Transfer” by franchisee - defined	Section 15.2	You will not, without our prior written consent, transfer, pledge or otherwise encumber: (a) your rights and/or obligations under the Franchise Agreement; or (b) any material asset of you or the Franchised Location. If you are a corporation, you must not, without our prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities must become an owner under the Franchise Agreement, if we approve. If you are a partnership, limited partnership, or limited liability company, your owners may not, without our prior written consent, admit additional owners, remove owners, or otherwise materially alter the powers of any owner. An owner may not, without our prior written consent, transfer, pledge or otherwise encumber any ownership interest of the owner in you.
l Franchisor approval of transfer by franchisee	15.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.
m Conditions for franchisor approval of transfer	Sections 15.3 and 15.4	We will not unreasonably withhold any consent. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of the franchisee entity; (b) result in the assignment of your rights and obligations under the Franchise Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Franchised Location, we have the right to require any or all of the following as conditions of our approval: All of your monetary obligations and all other outstanding obligations to us, its affiliates, and the approved suppliers of the System have been

Provision	Section(s) in Franchise Agreement	Summary
		<p>satisfied in full, and the Franchised Location must be open and operating for business; You may not be in default under any provision of this Franchise Agreement, any other agreement between you and us, or our affiliate, any approved supplier of the System, or the lessor (or sublessor or party otherwise controlling) of the Premises; Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as we may request) must have executed a release in a form satisfactory to us of any and all claims against us and our affiliates and their respective officers, directors, agents, and employees, except those claims and causes of action which cannot be released at law; The transferee of an owner must be designated as an owner and each transferee who is designated an owner must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as an owner under the terms of the Franchise Agreement and guaranteeing the terms of the Franchise Agreement; The transferee must demonstrate to our satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as we may request) meets our then-current application qualifications; At our option, the transferee (and, if the transferee is not an individual, such Principals of the transferee as we may request) must execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by us for the business franchised, which agreements will supersede the Franchise Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of your Franchise Agreement including, without limitation, higher and/or additional fees; If so requested by us, the transferee, at its expense, must upgrade the Franchised Location, and other equipment to conform to the then current standards and specifications of new Pinot's Palette locations</p>

Provision	Section(s) in Franchise Agreement	Summary
		<p>then being established in the System, and must complete the upgrading and other requirements within the time specified by us. The transferor remains liable for all of the obligations to us in connection with the Franchised Location that arose prior to the effective date of the transfer and must execute any and all instruments reasonably requested by us to evidence such liability; The transferee (and, if the transferee is not an individual, such owners of the transferee as we may request) and the transferee’s manager (if applicable) must, at the transferee’s expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as we may reasonably require; You must pay a transfer fee to compensate us for our expenses incurred in connection with the transfer; the transferor must agree to comply with personal covenants. Subject to state law.</p>
<p>n Franchisor’s right of first refusal to acquire franchisee’s business</p>	<p>15.6</p>	<p>If you or any owner desires to accept any <i>bona fide</i> offer from a third party to purchase you, any material asset of you, or any direct or indirect interest in you, you or such owner must promptly notify us, and must provide such information and documentation relating to the offer as we may require. We will have the right and option, exercisable within 30 days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that we may reasonably request to supplement or clarify information provided to us with the written transfer request), to send written notice to the seller that we intend to purchase the seller’s interest on the same terms and conditions offered by the third party.</p>
<p>o Franchisor’s option to purchase franchisee’s business</p>	<p>None</p>	<p>Upon expiration or termination of the Franchise Agreement, you must offer us the right to purchase assets of the Franchised Location. We may acquire the assets of your Franchised Location by giving you notice within 30 days of termination/expiration, at the lesser of your cost or fair market value.</p>

Provision	Section(s) in Franchise Agreement	Summary
p Death or disability of franchisee	Sections 15.7 and 15.8	Your estate must transfer your interest in the Franchised Location to a third party we have approved, within a year after death or six months after the onset of disability.
q Non-competition covenants during the term of the franchise	Sections 18.2.1 and 18.2.3	During the term of the Franchise Agreement, except as otherwise approved in writing by us, you may not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity: Divert or attempt to divert any present or prospective business or customer of any Pinot’s Palette Location 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 and the System; or own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a 1% interest in (as owner or otherwise) any Competitive Business. A “ <b>Competitive Business</b> ” shall be considered (i) (a) any business offering group painting instruction, (b) any paint and sip center, or (c) any business offering group art projects and sip events; and/or (ii) any business that is the same as or similar to a Pinot’s Palette Location. Includes prohibition on disparaging us or the System.
r Non-competition covenants after the franchise is terminated or expires	Sections 18.3 and 18.6	Includes a 2-year prohibition similar to “q” (above), where you agree you will not either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) at the Approved Location for the Franchised Location, (ii) within a radius of 20 miles of the Franchised Location, or (iii) within a radius of 20 miles of any other Pinot’s Palette in operation or under construction on the effective date of termination or expiration. You also are prohibited from subleasing, assigning, or selling your interest in any lease, sublease, or ownership of the former Franchised Location’s location or assets to a third party for the operation of a Competitive

Provision	Section(s) in Franchise Agreement	Summary
		Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business. Includes prohibition on disparaging us or the System.
s Modification of the agreement	Section 25	Except for those permitted to be made unilaterally by us as set out in the Franchise Agreement, no amendment, change, or variance from the Franchise Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.
t Integration/merger clause	25	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. No claim made in any franchise agreement is intended to disclaim the representations made in this Franchise Disclosure Document.
u Dispute resolution by arbitration or mediation	Section 27.2 and 27.3	Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then current principal place of business. (Currently in Pearland,, Texas.) Subject to state law.
v Choice of forum	Section 27.4	Subject to state law, all mediations, arbitrations and litigation proceedings must be conducted in the city of our then current principal place of business. (Currently in Pearland,, Texas.) See applicable Addendum in Exhibit B of this Disclosure Document.
w Choice of law	Section 27.1	Subject to state law, Texas. See applicable Addendum in Exhibit B of this Disclosure Document.

Under the Area Development Agreement

Provision	Section(s) in Area Development Agreement	Summary
a Length of the franchise term	Section 2 and Exhibit A	Unless sooner terminated in accordance with the provisions of the Area Development Agreement, the Area Development Agreement will commence on the date of the Area Development Agreement and will expire on the earlier of (i) the date you execute the final Franchise Agreement in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Locations to be located in the Development Area as set forth in the Development Schedule; or (ii) the final date set forth in the Development Schedule.
b Renewal or extension of the term	None	
c Requirements for area developer to renew or extend	None	
d Termination by area developer	None	You may terminate the Area Development Agreement under any grounds permitted by law.
e Termination by franchisor without cause	None	
f Termination by franchisor with cause	Section 6	We may terminate the Area Development Agreement under certain circumstances as set out below and at law. We may also terminate the Area Development Agreement if you are in default of any other agreement you have with us and our affiliates, including a Franchise Agreement.
g “Cause” defined – curable defaults	Sections 6.4 and 6.5	If you fail to comply with any material term and condition of the Area Development Agreement, such action shall constitute a default, allowing us to terminate the Area Development Agreement by giving written notice of termination stating the nature of such default to you at least 30 days prior to the effective date of termination; but you may avoid termination by curing the default to our satisfaction, and by promptly providing proof thereof to us within the 30-day period. Any default by you under the Franchise Agreement

Provision	Section(s) in Area Development Agreement	Summary
		<p>may be treated as a default under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours). Any default by you under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours) may be treated as a default under the Franchise Agreement.</p>
<p>h “Cause” defined – non-curable defaults</p>	<p>Sections 6.1 and 6.2</p>	<p>You will be deemed to be in default under the Area Development Agreement, and all rights granted thereunder will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of yours or other custodian for your business or assets is filed and consented to by you; if 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; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if final judgment remains unsatisfied or of record for 30 days or longer; if you are dissolved; if execution is levied against any asset of you or your Franchised Locations; if suit to foreclose any lien or mortgage against any asset of you or your Franchised Locations is instituted against you and not dismissed within 30 days; or if any asset of yours or any of your Franchised Location is be sold after levy thereupon by any sheriff, police officer, or bailiff.</p> <p>You will be deemed to be in default and we may, at our option, terminate the Area Development Agreement and all rights granted thereunder, without affording you any opportunity to cure the default, effective immediately upon the provision of notice to you, upon the occurrence of any of the</p>



Provision	Section(s) in Area Development Agreement	Summary
		<p>following events of default: If the Franchise Agreement for any Franchised Location operated by you (or an entity affiliated with you) is terminated; if you or any owner is convicted of a felony, a crime involving moral turpitude, or any other crime or action that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein; if you or any owner purports to transfer any rights or obligations under the Area Development Agreement or any of the assets of yours in a manner that is contrary to the terms of the Area Development Agreement; if any Franchised Location operated by you (or an entity affiliated with you) at any time ceases to operate for 24 hours, or is otherwise abandoned, unless such closure is approved in writing by us, or excused by <i>force majeure</i>; if you misuse or make any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System; or if you breach any material provision of the Area Development Agreement, which breach is not susceptible to cure. We may also terminate the Area Development Agreement if you are in default of any other agreement you have with us and our affiliates, including a Franchise Agreement.</p> <p>Your failure to meet a deadline under the Development Schedule will constitute a default under the Area Development Agreement. If you fail to comply with the Development Schedule, we, in our discretion, may terminate the Area Development Agreement.</p>
i Area developer's obligations on termination/n on-renewal	Section 6.6	<p>Upon termination or expiration of the Area Development Agreement, you will have no right to establish or operate any Pinot's Palette for which a Franchise Agreement has not been executed by us at the time of termination or expiration. Our remedies for your breach of the Area Development Agreement include, without</p>

Provision	Section(s) in Area Development Agreement	Summary
		<p>limitation, your loss of your right to develop additional Franchised Locations under the Area Development Agreement, and our retention of all area development fees paid or owed by you. In addition, in the event the Area Development Agreement is terminated due to a breach by you, you will be required to pay us damages for breach of that agreement.</p>
j Assignment of contract by franchisor	Section 7.1	There are no limits on our right to assign the Area Development Agreement.
k “Transfer” by area developer – defined	7.2	<p>You understand and acknowledge that we have granted the rights hereunder in reliance on the business skill, financial capacity, and your personal character or your owners if you are not an individual. Accordingly, neither you nor any owners shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in you (including any direct or indirect interest in a corporate or partnership Area Developer), your rights or obligations under the Area Development Agreement, or any material asset of your business, without our prior written consent, which shall be subject to all of the conditions and requirements for transfers set forth in the Franchise Agreement executed simultaneously with the Area Development Agreement that we deem applicable to a proposed transfer under the Area Development Agreement.</p>
l Franchisor approval of transfer by area developer	Section 7.2	We have the right to approve transfers.
m Conditions for franchisor’s approval of transfer	Sections 7.2 and 7.3	<p>Unless waived, a transfer of the Area Development Agreement is conditioned on, among other factors, the requirement that the proposed transfer of the Area Development Agreement be made in conjunction with a simultaneous transfer of all existing Franchise Agreements to the same approved transferee. Additionally, your first Pinot’s Palette under your first Franchise Agreement must be open and operating.</p>

Provision	Section(s) in Area Development Agreement	Summary
n Franchisor's right of first refusal to acquire area developer's business	None	
p Death or disability of area developer	Section 5.2	In the event your Designated Principal dies or becomes incapacitated, you must designate a new Designated Principal that owns at least a 10% ownership interest in you, subject to our approval.
q Non-competition covenants during the term of the franchise	Section 8.2	During the term of the Area Development Agreement, except as otherwise approved in writing by us, you may not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity: Divert or attempt to divert any present or prospective business or customer of any Pinot's Palette 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 and the System; employ or seek to employ any person who is at that time employed by us or by any other Pinot's Palette franchisee or area developer, or otherwise encourage such person to leave his or her employment; or own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a 1% interest in (as owner or otherwise) any Competitive Business.
r Non-competition covenants after the franchise is terminated or expires	Section 8.3	Includes a 2-year prohibition similar to "q" (above), where you agree you will not either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) within the Development Area, or (ii) within a radius of 20 miles of any other Pinot's Palette in operation or under

Provision	Section(s) in Area Development Agreement	Summary
		construction on the effective date of termination or expiration.
s Modification of the agreement	Section 15	Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from the Area Development Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.
t Integration/merger clause	Section 15	Only the terms of the Area Development Agreement are binding (subject to state law). Any promises outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Area Development Agreement or any related agreement is intended to disclaim any representations made in the Disclosure Document.
u Dispute resolution by arbitration or mediation	Section 16.2 and 16.3	Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then current principal place of business (currently in Pearland, Texas). (Subject to applicable state law.)
v Choice of forum	Section 16.4	All litigation proceedings must be conducted in (or closest to) the county of our then current principal place of business (currently in Pearland, Texas). (Subject to applicable state law.)
w Choice of law	Section 16.1	Subject to state law, Texas.

The provision of the Franchise Agreement or Area Development Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See Exhibit B, the State Specific Addendum, for special state disclosures.

**ITEM 18**  
**PUBLIC FIGURES**

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

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

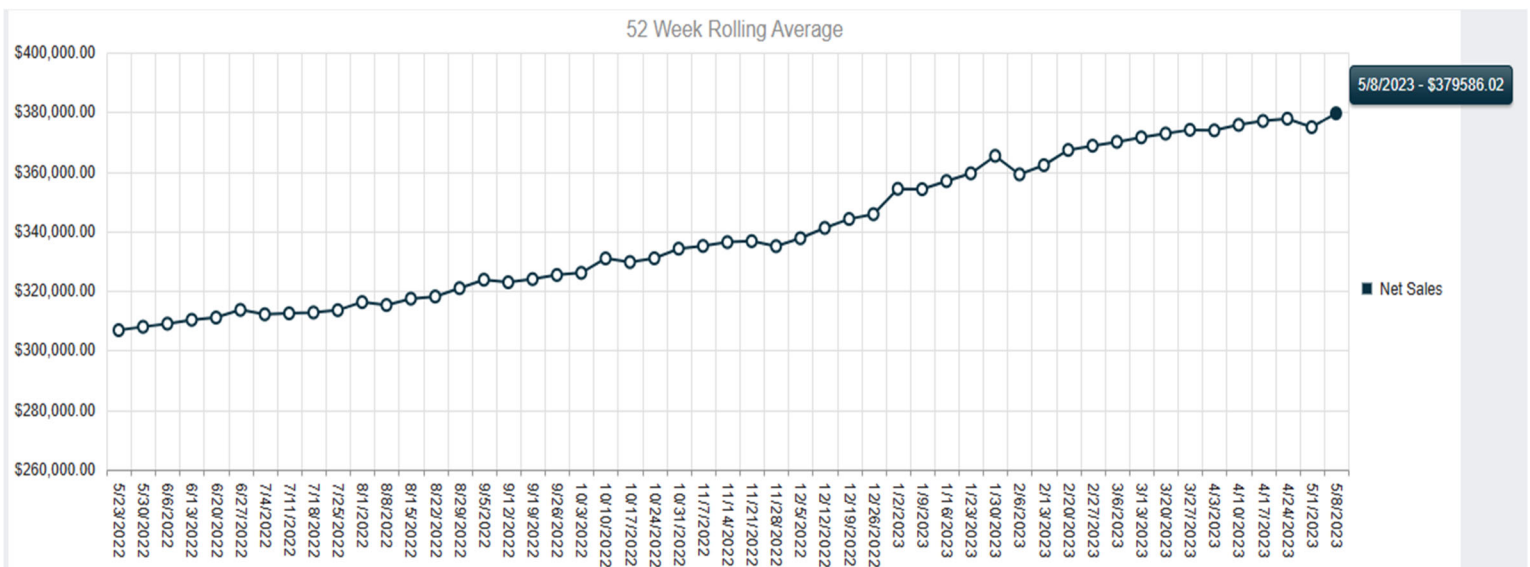
The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance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

We provide prospective franchisees with certain information regarding the prior 52 weeks of the actual systems sales and revenues.

The revenue information presented below is based on revenue reports Pinot’s Palette Franchise LLC received from Pinot’s Palette franchise through our acquisition of its franchising and intellectual property rights in February 2023 and that we received from the same Pinot’s Palette franchisees, now our franchisees, since the February 2023 acquisition. The revenue information from the franchisees is not audited. The reported franchised outlets offer substantially the same products and services as you will as a franchisee operating a franchised unit. We have not excluded any franchised outlets that were open during the same time period reported below. The information provided below is not a forecast of a prospective franchisee’s future financial performance. A new franchisee’s individual financial performance may differ from the results stated below.

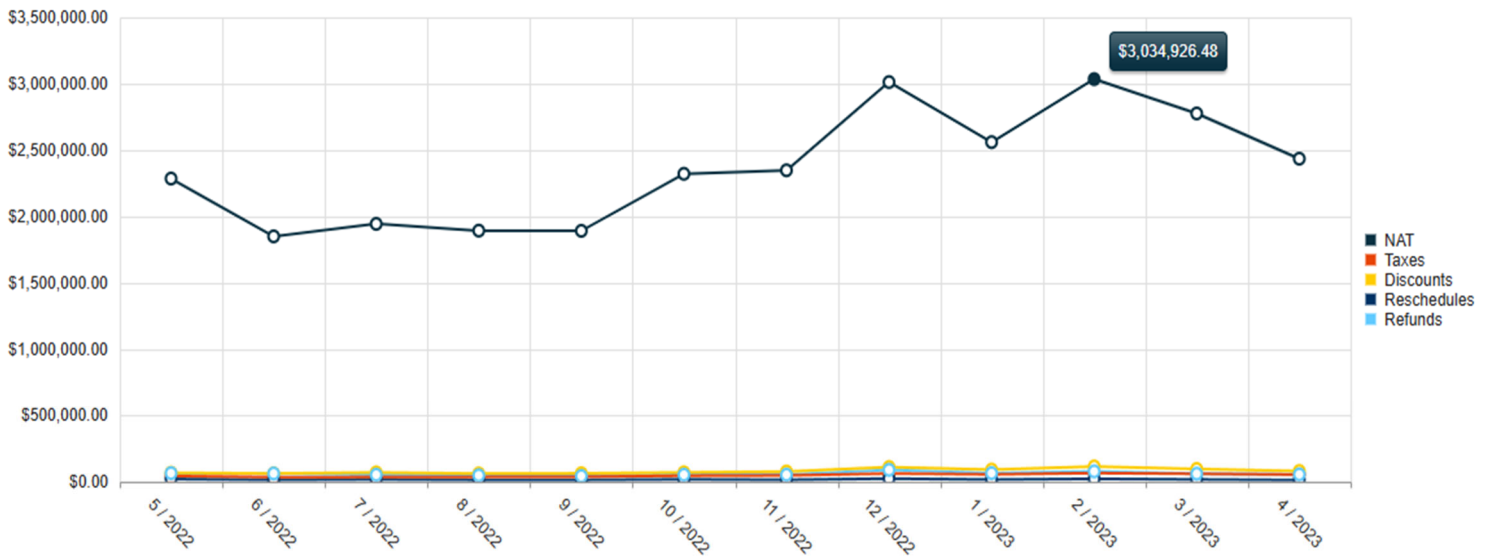
**STATEMENT OF HISTORIC GROSS REVENUE FOR FRANCHISED UNITS**

The financial performance representations below depict the gross revenue data from May 23, 2022 until May 8, 2023 for Pinot’s Palette franchisees.



**Weekly Average Net Sales.**

(1) The Weekly Average Net Sales is a total for all Pinot’s Palette franchisees for each week over a 52 week period.



**Month by Month Gross Sales.**

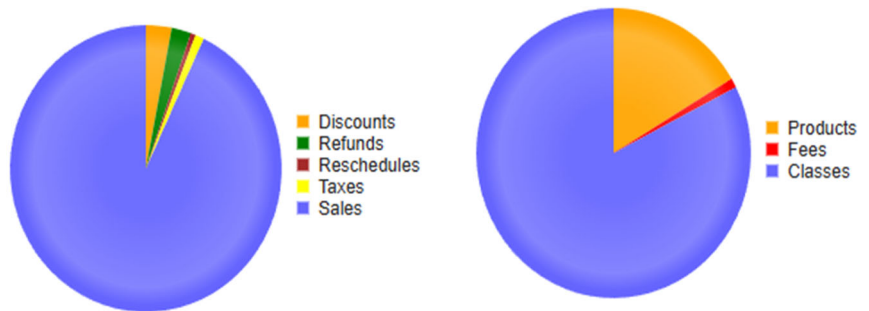
- 1) “NAT” is calculated based on “Net Sales” for all franchisees and then deducting sales taxes.
- 2) “Net Sales” are calculated based on Gross Sales of all franchisees minus Discounts, Reschedules and Refunds.

GROSS SALES	<b>\$28,636,940.22</b>
REFUNDS (2.31 %)	<b>\$660,493.54</b>
RESCHEDULES (0.58 %)	<b>\$165,460.17</b>
DISCOUNTS (3.06 %)	<b>\$875,961.28</b>
<b>NET SALES</b>	<b>\$26,935,025.23</b>
<b>TAXES</b>	<b>\$299,790.19</b>
<b>NAT SALES</b>	<b>\$26,576,088.96</b>

NAT SALES	<b>\$26,576,088.96</b>
TOTAL ROYALTIES (5.53 %)	<b>\$1,468,506.53</b>
TOTAL MARKETING FUND (1.87 %)	<b>\$497,050.34</b>
<b>TOTAL COMBINED ROYALTIES (7.40 %)</b>	<b>\$1,965,556.87</b>

**PROJECTIONS (based on reported time period)**

Annual Sales/Royalties: \$26,935,025.23 / \$1,965,556.85  
 Monthly Sales/Royalties: \$2,244,585.44 / \$163,796.40  
 Weekly Sales/Royalties: \$517,981.25 / \$37,799.17



Systemwide Volume 5/1/22 to 4/20/23.

- (i) “Gross Revenue” means the total revenue derived from the sale of goods and services, excluding customer refunds made in good faith and sales taxes collected and remitted to the proper authorities. This is the same as the definition of “Net Sales” that we use elsewhere in this Disclosure Document and in the Franchise Agreement, which is the amount we use to determine royalty payments. The figures do not reflect costs of sales, operating expenses, or other costs or expenses that must be deducted from net revenue figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Pinot’s Palette outlet. Franchisees or former franchisees, listed in Exhibit F of this Franchise Disclosure Document, may be one source of this information.

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

Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting David Graham, 2880

Broadway Bend Drive, Building #1, Pearland, Texas 77584, (281) 816-7062, ext. 809, info@pinotpalette.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For years 2020, 2021 ,2022**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	125	93	-32
	2021	93	82	-11
	2022	82	72	-10
Company-Owned or Affiliate-Owned	2020	3	0	-3
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	128	93	-35
	2021	93	82	-11
	2022	82	72	-10

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2020, 2021 2022**

State	Year	Number of Transfers
Alabama	2020	0
	2021	0
	2022	1
California	2020	0
	2021	1
	2022	0
Florida	2020	0
	2021	1
	2022	0



Missouri	2020	1
	2021	0
	2022	0
New Jersey	2020	1
	2021	0
	2022	0
Ohio	2020	0
	2021	1
	2022	0
Oklahoma	2020	0
	2021	0
	2022	0
Texas	2020	0
	2021	0
	2022	1
Tennessee	2020	0
	2021	0
	2022	1
Wisconsin	2020	0
	2021	0
	2022	0
<b>Total</b>	2020	2
	2021	3
	2022	3

**Table No. 3  
Status of Franchised Outlets  
For years 2020, 2021, 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of 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
Arizona	2020	1	0	0	0	0	0	1
	2021	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 Year
	2022	1	0	0	0	0	0	1
Arkansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	2	0
	2022	0	0	0	0	0	0	0
California	2020	21	0	0	0	0	6	15
	2021	15	0	0	0	0	1	14
	2022	14	0	0	1	0	0	13
Colorado	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Connecticut	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida	2020	6	0	1	0	0	1	4
	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	1	2
Georgia	2020	2	0	0	0	0	2	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	6	0	0	0	0	1	5
	2021	5	1	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	2022	5	1	0	0	0	0	6
Iowa	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Kansas	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	1	2
Kentucky	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
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	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
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
Missouri	2020	5	0	0	0	0	1	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	1	0	0	3
Nebraska	2020	1	0	0	0	0	0	1
	2021	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 Year
	2022	1	0	0	0	0	0	1
Nevada	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New Jersey	2020	16	0	0	0	0	1	15
	2021	15	0	0	0	0	2	13
	2022	13	0	0	0	0	2	11
New York	2020	9	0	0	0	0	4	5
	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
North Carolina	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Ohio	2020	5	1	0	0	0	2	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
Oklahoma	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Pennsylvania	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	1	0
South Carolina	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	2022	0	0	0	0	0	0	0
Tennessee	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	1	0	0	0	0	1	0
Texas	2020	12	1	0	0	0	5	8
	2021	8	0	0	0	0	4	4
	2022	4	0	0	1	0	0	3
Virginia	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Washington	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Wisconsin	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>Totals</b>	2020	125	2	1	0	0	33	93
	2021	93	1	0	0	0	12	82
	2022	93	0	0	3	0	7	82

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years 2020, 2021, 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Texas	2020	2	0	0	1	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>Totals</b>	2020	3	0	0	2	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of April 1, 2023 through December 31, 2023**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned or Affiliate-Owned Outlets in the Next Fiscal Year
Arizona	0	0	0
California	0	0	0
Colorado	0	0	0
Florida	0	1	0
Georgia	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned or Affiliate-Owned Outlets in the Next Fiscal Year
Louisiana	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Missouri	0	0	0
Nebraska	0	0	0
Nevada	0	1	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	0	0
Ohio	1	1	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
Tennessee	0	1	0
Texas	0	1	1
Utah	0	0	0
Virginia	0	0	0
Washington	0	0	0
Wisconsin	0	0	0
<b>Total</b>	<b>1</b>	<b>5</b>	<b>1</b>

All numbers are as of December 31<sup>st</sup> for each year.

A list of the names of all franchisees and area developers and the addresses and telephones numbers of their franchises will be provided in Exhibit G to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or area developer who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document will be listed on Exhibit G to this Disclosure Document when applicable. If you buy this franchise, your

contact information may be disclosed to other buyers when you leave the franchise system.

Our standard franchise agreement, all renewal and transfer agreements, and all agreements to settle disputes with franchisees, generally contain confidentiality clauses. Thus, all our franchisees who have joined the system within the last three fiscal years have signed a confidentiality clause with us. In some instances, current or former franchisees sign provisions restricting their ability to speak openly with you about their experience with Pinot's Palette. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

With the exception of the following, there are no trademark-specific franchisee organizations associated with us. The following independent franchisee association has asked to be included in this Disclosure Document:

PFA

An Association of Pinot's Palette Franchisees

A Chapter of the American Association of Franchisees & Dealers

P.O. Box 10158

Palm Desert, California 92255-1058

Telephone: (619) 209-3775

Fax: (866) 855-1988

Email: pfa@aafdchapters.org

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached as Exhibit H are our unaudited Financial Statements for the period January 1, 2023 through April 30, 2023. These financial statements in Exhibit H are prepared without an audit. Prospective Franchisees or Sellers of Franchises should be advised that no certified public accountant had audited these figures or expressed his/her opinion with regard to the content or form.

The Franchisor has not been in business for three (3) years or more and cannot include all financial statements in this Item 21 as required by the Rule.

Our Fiscal Year End is December 31.

## **ITEM 22**

### **CONTRACTS**

The following contracts are attached to this Disclosure Document:

Exhibit C – Franchise Agreement, including the following agreements:

- Guaranty (as Exhibit C to the Franchise Agreement)
- Authorization for Prearranged Payments (as Exhibit D to the Franchise Agreement)
- Non-Disclosure Agreement for Employees (as Exhibit E)
- Telephone Number Assignment and Power of Attorney (as Exhibit F to the Franchise Agreement)
- Lease Rider (As Exhibit G)

Exhibit D – Area Development Agreement, including the following agreements:

- Guaranty Indemnification and Acknowledgment (as Exhibit C to the Area Development Agreement)
- Area Developer Certification (as Exhibit D to the Area Development Agreement)



Exhibit E – Non-Use and Non-Disclosure Agreement

Exhibit I–General Release

Exhibit J – FranchiCzar Agreement

Exhibit K – Financing Documents

**ITEM 23**  
**RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

**EXHIBIT A**  
**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

<p><b><u>CALIFORNIA</u></b></p> <p>Department of Financial Protection &amp; Innovation:</p> <p>320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 Toll Free (866) 275-2677 Website: <a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> Email: Ask.DFDI@dfpi.gov</p> <p>2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205</p> <p>1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 525-4233</p> <p>One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565</p> <p>Agent: California Commissioner of Department of Financial Protection &amp; Innovation</p>	<p><b><u>CONNECTICUT</u></b></p> <p>State of Connecticut Department of Banking Securities &amp; Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p> <p>Agent: Banking Commissioner</p>
<p><b><u>GEORGIA</u></b></p> <p>Secretary of State Corporations Division 2 Martin Luther King , Jr. Dr. SE Suite 315, West Tower Atlanta, GA 30334</p>	<p><b><u>ILLINOIS</u></b></p> <p>Office of Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p> <p>Agent: Illinois Attorney General</p>

<p><b><u>HAWAII</u></b></p> <p>Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2744</p> <p>Agent: Hawaii Commissioner of Securities</p>	<p><b><u>INDIANA</u></b></p> <p>Indiana Secretary of State Securities Division Franchise Section Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>Agent: Indiana Secretary of State</p>
<p><b><u>LOUISIANA</u></b></p> <p>State of Louisiana Secretary of State Commercial Division P.O. Box 94125 Baton Rouge, LA 70804-9125 (225) 925-4704</p>	<p><b><u>MARYLAND</u></b></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p>Agent: Maryland Securities Commissioner</p>
<p><b><u>MICHIGAN</u></b></p> <p>Michigan Department of Attorney General Consumer Protection Division Franchise Section G. Mennen Williams Building 525 West Ottawa Street Lansing, Michigan 48909 (517) 335-7622</p> <p>Agent: Michigan Department of Commerce Corporations, Securities &amp; Commercial Licensing Bureau 2407 North Grand River Avenue Lansing, Michigan 48906</p>	<p><b><u>MINNESOTA</u></b></p> <p>Minnesota Department of Commerce Securities Division 85 7<sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p> <p>Agent: Minnesota Commissioner of Commerce</p>
<p><b><u>NEBRASKA</u></b></p> <p>Nebraska Department of Banking and Finance 1526 "K" Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68508-2732 (402) 471-3445</p>	<p><b><u>NORTH CAROLINA</u></b></p> <p>Department of the Secretary of State Business Opportunities 2 South Salisbury Street Raleigh, North Carolina 27601-2903 PO Box 29622 Raleigh, NC 27626-0622 (919) 814-5400</p>

Exhibit A-2

<p><b><u>NEW YORK</u></b></p> <p>NYS Department of Law Investor Protection Bureau</p> <p>28 Liberty St., 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8222 Phone (212) 416-6042 Fax</p> <p>Agent: Secretary of State 99 Washington Avenue Albany, NY 12231</p>	<p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p> <p>Agent: North Dakota Securities Commissioner</p>
<p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p> <p>Agent: Director of Oregon Department of Insurance and Finance</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Division of Securities Rhode Island Dept. of Business Regulation John O. Pastore Complex – Bldg. 69 1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9527</p> <p>Agent: Director of Rhode Island Department of Business Regulation</p>
<p><b><u>SOUTH CAROLINA</u></b></p> <p>Secretary of State P.O. Box 11350 Columbia, SC 29211 (803) 734-2166</p>	<p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Securities Department of Labor &amp; Regulation 124 S. Euclid, 2<sup>nd</sup> Floor Pierre, South Dakota 57501 (605) 773-3563</p> <p>Agent: Director of South Dakota Division Securities</p>

<p><b><u>TEXAS</u></b></p> <p>Secretary of State  Service of Process Unit  1019 Brazos  Austin, Texas 78711-2079  (512) 475-1769</p>	<p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission  Division of Securities and Retail  Franchising  1300 East Main Street, 9<sup>th</sup> Floor  Richmond, Virginia 23219  (804) 371-9051</p> <p>Agent:  Clerk of the State Corporation  Commission  State Corporation Commission  1300 East Main Street, 1<sup>st</sup> Floor  Richmond, Virginia 23219</p>
<p><b><u>WASHINGTON</u></b></p> <p>Department of Financial Institutions  Securities Division  150 Israel Road S.W.  Tumwater, Washington 98501  (360) 902-8700</p> <p>Agent:  Director, Department of Financial  Institutions  Securities Division  P.O. Box 9033  Olympia, Washington 98507</p>	<p><b><u>WISCONSIN</u></b></p> <p>Division of Securities  Department of Financial Institutions  201 W. Washington Ave., Suite 300  Madison, Wisconsin 53703  (608) 266-1064</p> <p>Agent:  Administrator, Division of  Securities  Department of Financial Institutions  4822 Madison Yards Way, North  Tower  Madison, Wisconsin 53705</p>

**EXHIBIT B**  
**STATE SPECIFIC ADDENDUM**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
PINOT'S PALETTE, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Pinot's Palette, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, California Corporations Code §§ 31000 - 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 - 20043, the franchise disclosure document for Pinot's Palette in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. California Corporations Code § 31125 requires us to give you a disclosure document, in a form containing the information that the Commissioner of Financial Protection and Innovation of the California Department of Financial Protection and Innovation may by rule or order require, prior to a solicitation or a proposed material modification of an existing franchise.

2. 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 FRANCHISE DISCLOSURE DOCUMENT.

3. Item 3, "Litigation," shall be amended by the addition of the following language:

Neither Franchisor, nor any person or franchise broker in Item 2 of the franchise disclosure document, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in this association or exchange.

4. Item 6, "Other Fees," shall be amended by the addition of the following language:

The highest interest rate allowed by law in California is 10% annually.

5. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

The regulations of the California Department of Financial Protection and Innovation require that the following information concerning provisions of the franchise agreement be disclosed to you:

The California Franchise Relations Act provides rights to you concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with California law, California 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. §§ 101, *et seq.*

The franchise agreement contains a covenant not to compete which extends beyond the termination of the

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franchise agreement. This provision may not be enforceable under California law.

The franchise agreement requires the application of the laws of Texas. This provision may be unenforceable under California law.

The franchise agreement contains a waiver of punitive damages and a jury trial. These provisions may not be enforceable under California law.

The franchise agreement requires binding mediation or arbitration. The mediation or arbitration will occur within five (5) miles of our then current principal place of business. These provisions may not be enforceable under California law. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws to the provisions of the franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires you to sign a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code § 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. California Corporations Code § 31512 voids a waiver of your rights under the California Franchise Investment Law. California Business and Professions Code § 20010 voids a waiver of your rights under the California Franchise Relations Act.

No statement, questionnaire, or acknowledgement 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 made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. OUR WEBSITE AT WWW.PINOT'S PALETTE.COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at WWW.DFPI.CA.GOV.

7. THE FRANCHISE HAS BEEN/WILL BE REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**



## **CONNECTICUT**

If the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operating of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

## **GEORGIA**

1. The company selling a business opportunity or the seller shall collect no more than 15 percent of the purchase price. The balance of the purchase price shall be paid into an escrow account, established with a bank or an attorney, which is agreed upon by both parties. The balance in escrow shall be paid to the company 60 days after the date the purchaser commences operation of the business or upon complete compliance with the terms of the contract, whichever happens first.

2. Pinot's Palette, LLC's principal business address is 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584. Its agent of service is the Georgia Secretary of State, Corporations Division, 313 West Tower, 2 Martin Luther King, Jr. Drive, Atlanta, Georgia 30334-1530.

## HAWAII

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FDD, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FDD CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 205, Honolulu, Hawaii 96813.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Franchise Investment Law of Hawaii are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

## **ILLINOIS**

Item 6 of the disclosure document consists of eight and a half pages of “Other Fees.” Make sure you read and understand all of the financial obligations of this franchise offering.

Item 17 of this Disclosure Document is modified to include the following paragraphs:

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 of 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 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

## **INDIANA**

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the Franchise Agreement. These provisions may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement and all related documents to be governed by Indiana law, then nothing in the Franchise Agreement or related documents referring to Texas law will abrogate or reduce any of your rights as provided for under Indiana law.

Item 8, “Restrictions on Sources of Products and Services,” is amended by the addition of the following language:

Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although the Franchise Agreement requires arbitration to be held in the office of the American Arbitration Association within five (5) miles of our then current principal place of business, arbitration held under the Franchise Agreement or must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

## **MARYLAND**

1. The following is added to the end of the “Summary” sections of Item 17(c), entitled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults:

The Area Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the “Summary” section of Item 17(v), entitled “Choice of forum”:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

5. The following paragraph is added at the end of Item 5:

Based on our financial condition, the State of Maryland has required financial assurance. Therefore, we have posted a surety bond with the State of Maryland guaranteeing our obligations under the Franchise Agreement. You may contact the state agency listed in Exhibit A for more information.

6. The Franchise Agreement, Area Development Agreement, and Franchisee Disclosure Questionnaire are amended to state: “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.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

## MINNESOTA

1. **NSF Checks.** Item 6 of the Disclosure Document is amended to state that the amount you are required to reimburse us for any “insufficient funds” charges and related expenses that we incur for any checks that we receive from you or your failure to maintain sufficient funds in your automatic debit account is capped at \$30 in accordance with state law.

2. **Trademarks.** The following sentence is added to the end of Item 13:

“Provided you have complied with all provisions of the Area Development Agreement and Franchise Agreement applicable to the Marks, we will protect your rights to use the Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).”

3. **Renewal, Termination, Transfer and Dispute Resolution.** The following is added at the end of the chart in Item 17:

“With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that (1) a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Franchise Agreement and (2) consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rules Part 2860.4400D, any general release of claims that you or a transferor may have against us or our owners, officers, managers, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Act and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rules Part 2860.4400J prohibit us from requiring litigation to be conducted outside the state of Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes and/or Chapter 80C, or (2) your rights to any procedure, forum or remedies provided for by the laws of the state of Minnesota. Minn. Rules Part 2860.4400J states that you cannot consent to us obtaining injunctive relief. However, we may seek injunctive relief and a court will determine if a bond is required.

Minn. Stat. § 80C.17, Subd. 5, provides that no action may be commenced thereunder more than 3 years after the cause of action accrues.”

Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Franchise Disclosure Document.

## NEW YORK

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

2. The following is to be 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 is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General

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Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**NORTH CAROLINA**

1. If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

## **NORTH DAKOTA**

1. The following is added to the end of the “Summary” sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the “Summary” section of Item 17(r), entitled Non-competition covenants after the franchise is terminated or expires:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The “Summary” section of Item 17(u), entitled Dispute resolution by arbitration or mediation is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), mediation will be at a site to which we and you mutually agree.

4. The “Summary” section of Item 17(v), entitled Choice of forum, is deleted and replaced with the following:

You must sue us in Texas, except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The “Summary” section of Item 17(w), entitled Choice of law, is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Texas will apply.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

## **RHODE ISLAND**

1. The following language is added to the end of the “Summary” sections of Item 17(v), entitled Choice of forum, and 17(w), entitled Choice of law:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a multi-unit Area Development Agreement or franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**SOUTH CAROLINA**

1. If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

## **VIRGINIA**

1. The following language is added to the end of the “Summary” section of Item 17.h., entitled “Cause” defined – non-curable defaults:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Area Development Agreement or 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.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

In accordance with Virginia law, in the event we change the duration or content of our initial training program, we will amend our effective franchise registration with the State Corporation Commission of Virginia within 30 days.

## WASHINGTON

1. The following paragraphs are added at the end of Item 17:

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.

2. Item 17(q) (Franchise Agreement Table) of this Disclosure Document is amended to provide that this provision is subject to state law.

3. Item 17(q) (Area Development Agreement Table) of this Disclosure Document is amended to provide that this provision is subject to state law.

4. Item 17(r) (Franchise Agreement Table) of this Disclosure Document is amended to provide that this provision is subject to state law.

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5. Item 17(r) (Area Development Agreement Table) of this Disclosure Document is amended to provide that this provision is subject to state law.

6. Item 17(u) (Franchise Agreement Table) of this Disclosure Document is amended to provide that this provision is subject to state law.

7. Item 17(u) (Area Development Agreement Table) of this Disclosure Document is amended to provide that this provision is subject to state law.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.



## **WISCONSIN**

The following paragraphs are added at the end of Item 17:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, non-renewal or substantial change in competitive circumstances of a dealership agreement without good cause. The law further provides that 90 days prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The Disclosure Document, Franchise Agreement and Development Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provision of the Franchise Agreement or Development Agreement that are inconsistent with the law Wis.Stat.Ch.135, the Wisconsin Fair Dealership Law, § 32.06(3), Wis. Code.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

**EXHIBIT C**  
**FRANCHISE AGREEMENT**



**GFH PINOT'S PALETTE, LLC FRANCHISE AGREEMENT**

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**FRANCHISEE**

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**APPROVED LOCATION**

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**EFFECTIVE DATE OF AGREEMENT**

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**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between:

◆ **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company, whose principal place of business is 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584 (“**Franchisor**”); and

◆ \_\_\_\_\_ a [resident of] [corporation organized in] [limited liability company organized in] [*select one*], having offices at \_\_\_\_\_ (“**Franchise**”).

**BACKGROUND:**

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of businesses at retail locations and as mobile unit operations that feature and operate under the Proprietary Marks (as defined below) (each a “**Pinot’s Palette Location**”). Pinot’s Palette Locations offer customers artistic and creative classes, including painting classes, with the opportunity to enjoy food, wine or other beverages, under the name “Pinot’s Palette.”

B. The distinguishing characteristics of the System include exterior and interior design standards and specifications; uniform standards, specifications, and procedures for operations; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark “Pinot’s Palette” and other related marks (the “**Proprietary Marks**”).

D. Franchisee desires to enter into the business of operating a Pinot’s Palette Location under the System and using the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

E. Franchisee acknowledges that it has read this Agreement and the Franchisor’s Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor’s high standards of quality and service and the uniformity of those standards at all Pinot’s Palette Locations in order to protect and preserve the goodwill of the Proprietary Marks.

F. Franchisee has applied for a franchise to own and operate a Pinot’s Palette Location, and such application has been approved by the Franchisor in reliance upon all of the representations made herein.

**NOW, THEREFORE**, the parties agree as follows:

**1 GRANT**

1.1 **Grant and Acceptance.** Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a Pinot’s Palette Location (the “**Franchised Location**”), (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c)

operate the Franchised Location only at the Approved Location (as defined in Section 1.2 below) in accordance with this Agreement.

1.2 **Site Selection Area.** Franchisee shall locate and secure, through lease, subject to Franchisor's approval, the Approved Location (as defined below) for the Franchised Location within the area described in Exhibit A (the "**Site Selection Area**"). Franchisee shall be limited to locating and securing a site for the Franchised Location within this Site Selection Area. Franchisee agrees and acknowledges that the Site Selection Area is solely for the purpose of locating a site, and shall in no way be considered an exclusive or protected area for the Franchised Location. In the case that another franchisee of Franchisor has been granted franchise rights to operate a Pinot's Palette Location within the Site Selection Area, Franchisee's Approved Location must not encroach upon such franchisee's specified territory.

1.3 **Approved Location.** Franchisee shall develop and operate the Franchised Location only at the site specified in Exhibit A to this Agreement as the "**Approved Location**" or "**Premises.**" The Approved Location shall be described in Exhibit A subsequent to the execution of this Agreement, upon Franchisor's approval of the location and execution of the related lease. Franchisee shall not relocate the Franchised Location without Franchisor's prior written consent and/or otherwise in writing by Franchisor, as provided in Section 8.21 below.

1.4 **Limit on Sales.** Franchisee's rights hereunder shall be limited to offering and selling products and services at the Franchised Location, and only to retail customers of the Franchised Location (the "Premises"). Franchisee expressly acknowledges that it may only engage in off-Premises activities within the Territory (as defined in Section 1.5) and only in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish and in accordance with the requirements of this Agreement and the procedures set forth in the Manuals (as defined in Section 3.3 below) and all applicable laws. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of products or services, including, but not limited to: selling, distributing or otherwise providing, any products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

1.5 **Territory and Reserved Rights.** Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Pinot's Palette Location at any location within the territory specified in Exhibit A (the "**Territory**"). Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.5.1 To own, acquire, establish, and/or operate and license others to establish and operate, Pinot's Palette Locations under the System at any location outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Location;

1.5.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Location, at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Location;

1.5.3 To own, acquire, establish, and/or operate and license others to establish and operate mobile Pinot's Palette Locations offering customers artistic and creative classes, including painting classes, with the opportunity to enjoy food, wine or other beverages, under the Proprietary Marks at customer residences, places of business, or other suitable venues that are off-site from the Franchised Location, at

any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Location; and To (i) acquire one or more retail businesses that are the same as, or similar to, Pinot's Palette Locations then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Location, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pinot's Palette Location under the System, subject to the following conditions that apply to each Acquired Business located within the Territory:

1.5.3.1 Except as provided in Section 1.5.3.2 below, and provided that Franchisee is in compliance with this Agreement and any other agreement with Franchisor, Franchisor shall offer to Franchisee the option to purchase and operate, as a Pinot's Palette Location, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.5.3.2), then Franchisee's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks including the Proprietary Marks.

1.5.3.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisee shall have no right to purchase, and Franchisor shall not be obligated to offer Franchisee any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks including the Proprietary Marks and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

1.6 **No Territory Established.** If there is no Territory established in Exhibit A, Franchisee expressly acknowledges and agrees that Franchisor may own, acquire, establish, and/or operate and license others to establish and operate, Pinot's Palette Locations under the System at any location, and exercise all of the rights reserved to it in Section 1.4 at any location, notwithstanding the proximity to or the actual or threatened impact on sales of the Franchised Location.

## 2 **TERM AND RENEWAL**

2.1 **Initial Term.** This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 **Renewal.** Franchisee may apply to operate the Franchised Location for two (2) additional term of ten (10) years, if the following conditions are met prior to renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew at least

six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2 Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.3 Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises; and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.5 Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, requirements to pay additional and/or higher fees such as royalties and advertising contributions;

2.2.6 Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.7 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8 Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Location during the renewal term; and

2.2.10 Franchisee shall remit to Franchisor a renewal fee equal to Two Thousand Dollars (\$2,000).

### **3 DUTIES OF FRANCHISOR**

3.1 **Franchisor's Prototype Plans.** Franchisor shall make available, at no charge to Franchisee, design plans and specifications for the construction of a Pinot's Palette Location and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Pinot's Palette Location, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and



specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Franchised Location developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Location's location, as provided in Section 5.3 hereof, subject to Franchisor's approval.

3.2 **Initial Training.** Franchisor shall provide its initial training for operators and managers ("**Initial Training**"), as described in Section 6 of this Agreement, for up to three (3) trainees (unless this Agreement is for the fourth or subsequent Pinot's Palette Location being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager). Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

3.3 **Loan of Manuals.** Franchisor shall provide Franchisee, on loan, copies of the Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manuals**"), as more fully described in Section 10 hereof.

3.4 **Advertising Programs and Materials.** Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13 below. Franchisor shall administer the System or Cooperative Marketing Funds, if such funds exist or are created, in the manner set forth in Section 13 below.

3.5 **Grand Opening Advertising.** Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 13.5 below) in conjunction with Franchisee's grand opening of the Franchised Location, which program shall be conducted at Franchisee's expense.

3.6 **Guidance.** Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Location as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.7 **Inspections.** Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Location by Franchisee.

3.8 **List of Suppliers.** Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply products, equipment, signage, materials and services to franchisees in the System.

3.9 **Delegation.** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.10 **Fulfillment of Obligations.** In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other Franchised Locations and systems in which Franchisor (or its affiliates) has an interest and Franchisor's (and its affiliates' or parent's) own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other Franchised Locations and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; and/or (iii) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as it sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect Franchisee's obligations under this Agreement.

## 4 FEES

4.1 **Franchise Fee.** In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an initial franchise fee of Thirty Thousand Dollars (\$30,000) (the "**Franchise Fee**"), as reflected in Exhibit A, which sum shall be deemed fully earned by Franchisor upon receipt thereof and non-refundable as set forth in Section 4.2 below. If Franchisee does not obtain a lease or sublease for the Franchised Location within four (4) months of the Effective Date (pursuant to Section 5.1), or if the Franchised Location is not open and operating the earlier of eight (8) months following the Effective Date or four (4) months after the Approved Location is identified and leased (pursuant to Section 5.4), Franchisor may, at its option, terminate this Agreement without providing any refund to Franchisee. The Franchise Fee shall be paid in full upon the execution of this Agreement, subject to a development credit, if any, that may be applied from the remaining portion (if any) of the Area Development Fees that Franchisee previously paid to Franchisor pursuant to a separate Area Development Agreement executed between Franchisor and Franchisee relating to the Franchised Location.

4.2 **Refundability.** Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.3 **Royalty Fee.** In consideration of this franchise granted hereby, the services to be provided by Franchisor hereunder, the right to offer and sell the products and services to the general public, and for the use of the Proprietary Marks, beginning on the earlier of (a) the date the Franchised Location opens or (b) the Required Opening Date (the earlier date, the "**Royalty Start Date**"), Franchisee shall pay to Franchisor, each week during the term of this Agreement, in addition to the Franchise Fee set forth herein, a "**Royalty Fee**" equal to seven percent (7%) of Net Sales generated by, from, through or associated with the Franchised Location or Franchisee's operations under this Agreement, and report to Franchisor, in the manner specified by Franchisor, its Net Sales (a "**Sales Report**"), provided that, in no event shall the Royalty Fee be less than the Minimum Royalty Fee (as defined below). The term "**Net Sales**" means all revenue from the sale of all products and services and all other income of every kind and nature related to, derived from, or originating from the Franchised Location or Franchisee's operations under this Agreement, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "**Net Sales**" excludes any actual documented customer refunds made in good faith, and/or sales taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities. In calculating Net Sales, the applicable time period shall be determined in accordance with Greenwich Mean Time (GMT). The "**Minimum Royalty Fee**" is an amount equal to Five Hundred Dollars (\$500) per month. If, at the end of each calendar month following the Royalty Start Date, the sum of weekly Royalty Fees paid to or otherwise due to Franchisor based on Net Sales for that month ("**Collected Fees**") is less than the Minimum Royalty Fee, Franchisee shall pay Franchisor the difference between the Minimum Royalty Fee and the Collected Fees.

4.4 **Advertising Contributions.** Franchisee shall make Weekly contributions to the System Marketing Fund for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the NET Sales of the Franchised Location.

4.5 **Other Advertising Expenditures.** Franchisee shall make advertising expenditures for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the Net Sales of the Franchised Location.

4.6 **Electronic Systems Fee.** During the term of this Agreement, Franchisor reserves the right to charge Franchisee its then-current "**Electronic Systems Fee**" for email, Website management, access to Franchisor's electronic support systems and location operating software in connection with the System and the Franchised , and access to customer payment processing services, If Franchisor does not directly provide these services, Franchisee will be required to sign a separate agreement with Franchisor's designated provider of these services (which may

be an affiliate of Franchisor). Franchisor may increase this fee upon notice to Franchisee. Any fees paid in accordance with this Section 4.6 shall be non-refundable.

4.7 **Call Center Fees.** At the option of Franchisor, Franchisor or one of its affiliates may establish a centralized call center for the handling of inbound and outbound customer inquiries (the “**Call Center**”), but the Call Center shall not be a substitute for Franchisee’s obligations as set forth herein. If Franchisor or one of its affiliates establishes the Call Center, Franchisee may choose to participate in the Call Center, and pay Franchisor or its affiliate its then-current fees (“**Call Center Fees**”), including without limitation, base service fees and/or a commission on each customer acquisition for the Franchised Location.

Franchisor or its affiliate, through the operation of the Call Center and otherwise, may refer customers attempting to make inquiries or a reservation at a Pinot’s Palette business generally, or specifically at the Franchised Location, to another Pinot’s Palette Location when: (1) the Franchised Location is not the closest Pinot’s Palette Location; (2) the Franchised Location is fully booked for appointment or time period requested by the customer; (3) Franchisee does not make its schedule available to Franchisor or treat reservations made by Franchisor the same as reservations booked by Franchisee; (4) the Franchised Location does not meet the customer’s requirements in other respects; (5) Franchisee is in default of the Franchise Agreement or its real estate lease for the Premises, or has notified Franchisor of its intent cease operations; or (6) for any other reason reasonably determined to be in the best interests of the customer or the preservation of the customer as a Pinot’s Palette customer.

4.8 Additional Training Fees.

4.9 Annual Convention Registration

4.10 Prohibited Product Service or unapproved Advertisement Fine

4.11 Insurance Procurement

4.12 Relocation Fees

4.13 Tax Assessment

4.14 Costs and Attorney Fees

4.15 Indemnification

4.16 Standard Default Fee

4.17 **When Payments Due.** Franchisor shall provide for collection of all Franchisee customer payments through Franchisor’s or its affiliate’s online payment processing portal, and Franchisee hereby authorizes that processor to deduct any monies it collects on Franchisee’s behalf the amount of all payments and fees Franchisee is obligated to pay to Franchisor, its affiliates, and its approved vendors on the due date of such fee. Franchisee shall establish an arrangement for electronic funds transfers (“EFT”), including, without limitation, execution of Franchisor’s current form of “Authorization Agreement for Prearranged Payments,” a copy of which is attached to this Agreement as Exhibit D, which also includes a credit card authorization in favor of Franchisor authorizing Franchisor to charge all amounts Franchisee or its affiliates owe to Franchisor under this Agreement or any other agreement between Franchisee and its affiliates and Franchisor. Franchisee shall comply with all payment and reporting procedures specified by Franchisor in this Agreement and the Manuals. No later than Monday of each week during the term of this Agreement Franchisor shall calculate the amount of cleared customer payments it has

received in connection with the Franchised Location for the preceding week, and shall remit such amount to Franchisee via EFT, less amounts representing the Royalty Fee, General Advertising Fee, Electronic Systems Fees, Software License Fees, Event Registration Fees, Call Center Fee, annual convention registration fees, EFT fees and merchant services and other processing fees, in addition to any and all other amounts owed to Franchisor (or any affiliate of Franchisor) under this Agreement and any other agreement. Each weekly payment by Franchisor to Franchisee shall be accompanied by a statement, which Franchisor may provide in a digital format, setting forth the amount of customer payments received in connection with the Franchised Location and payments remitted to Franchisor. Franchisee acknowledges that Franchisor may retain any amount of customer payments as remittance of any amounts owed to Franchisor (or any affiliate of Franchisor) by Franchisee under this Agreement or in connection with the Franchised Location. Franchisee further expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of all amounts provided for in this Agreement shall be absolute, unconditional, and fully earned upon receipt thereof and non-refundable. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee. Franchisee further agrees that it shall, at all times throughout the term of this Agreement, maintain a minimum balance of Three Thousand Five Hundred Dollars (\$3,500) in Franchisee's bank account.

4.18 **Designated Accountants and Fees.** If required by Franchisor, Franchisee shall use a certified public accountant service designated or approved by Franchisor for bookkeeping and financial records management of the Franchised Location.

4.19 **Additional Payments.** Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor, which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.20 **Overdue Payments and Reports.** Any payment, contribution, statement, or report not actually received by Franchisor on or before such due date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have. In the event any payment due hereunder is overdue, and for as long as such payment is overdue, Franchisor reserves the right to deny Franchisee access to Franchisor's cloud based software application and System electronic mail account(s).

4.21 **No Waiver.** Acceptance by Franchisor of the payment of any Royalty Fee, or any and all other payments provided for in this Agreement, shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of the Royalty Fee or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights hereunder.

4.22 **No Subordination.** Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

## **5 SITE SELECTION, CONSTRUCTION AND OPENING OF BUSINESS**

5.1 **Identifying and Securing Sites.** Franchisee shall, within four (4) months of the Effective Date (the "Site Selection Date"), be solely responsible for identifying, submitting for Franchisor's approval, and securing a site for the Franchised Location through lease. The following terms and conditions shall apply to the Franchised

Location:

5.1.1 Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include: (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the "SAP"). Franchisor shall have twenty (20) business days after receipt of the SAP from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Location. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

5.1.2 Following Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2 below, and shall do so within sixty (60) business days of approval of the site by Franchisor. Franchisee shall immediately notify Franchisor of the execution of the approved lease. The site approved and secured pursuant to this Agreement shall be specified as the Approved Location.

5.1.3 Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Location or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor, could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.2 **Lease Terms.** For each Franchised Location to be developed hereunder, if Franchisee will occupy the premises from which the Franchised Location will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Exhibit G to this Agreement.

5.3 **Preparing a Location.** Before commencing any construction of the Franchised Location, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.3.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Location based upon design plans and specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time

Franchisee commences to develop the Franchised Location, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Location, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Location will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

5.3.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Location. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.3.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Pinot's Palette Locations, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Pinot's Palette Locations. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Location until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.3.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Location and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3.5 Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Franchised Location and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.3.7 Franchisee agrees to use in the construction and operation of the Franchised Location only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that the Franchisor has approved for the Pinot's Palette Locations as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or

display at the premises of the Franchised Location only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by the Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture, and signs from any supplier approved or designated by the Franchisor (which may include the Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by the Franchisor, and/or any such item from any supplier which is not then approved by the Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

5.4 **Opening Date.** Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.5 below, Franchisee shall construct, furnish, and open the Franchised Location in accordance with this Agreement the earlier of eight (8) months following the execution of this Agreement (the "**Required Opening Date**") or four (4) months after the Approved Location is identified and secured through lease. Time is of the essence. Franchisee shall provide Franchisor with (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request shall be made no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval as to the opening date prior to opening the Franchised Location.

5.5 **Force Majeure.** As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, epidemic or pandemic, or any other cause beyond the reasonable control of such party;; provided, however, force majeure shall not include Franchisee's lack of adequate financing , and no event of force majeure shall relieve a party of the obligation to pay any money under this Agreement..

## 6 **TRAINING**

6.1 **Initial Training and Attendees.** Before opening the Franchised Location, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)) and, if applicable, the General Manager and up to one (1) additional persons as Franchisor may require, (not to exceed a total of three (3) persons), shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor virtually and at a location designated by Franchisor (unless this Agreement is for the fourth or subsequent Pinot's Palette Location being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the requirements set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager). The duration of the pre-training and initial training will be from approximately 125 to 160 hours, depending on the function of the individual attending such training. During the initial training, Franchisee shall receive instruction, training and education in the operation of the Franchised Location and indoctrination into the System. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal and General Manager) that any or all owners of beneficial interests in Franchisee (each a “**Principal**”), who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and successfully complete, to Franchisor’s satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Location.

6.1.3 If this Agreement is for the fourth or subsequent Pinot’s Palette Location being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), then Franchisee shall be responsible for conducting the initial training of its Designated Principal, its General Manager (if applicable), and any other managerial personnel, in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor’s requirements for initial training by Franchisee shall be set forth in the Manuals or other written materials and shall include, but are not limited to, the requirement that all such training activities be conducted: (a) by the Designated Principal(s) or personnel of Franchisee (or an affiliate of Franchisee) who have completed Franchisor’s initial training program to the satisfaction of the Franchisor, and who remain acceptable to Franchisor to provide initial training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the training provided by Franchisee does not satisfy Franchisor’s standards and requirements, or that any newly trained individual is not trained to Franchisor’s standards, then Franchisor may require that such newly trained individual(s) attend and complete an initial training program provided by Franchisor, at a location designated by Franchisor, prior to the opening of the Franchised Location.

6.1.4 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the scheduled opening of the Franchised Location.

6.1.5 The cost of all initial training (instruction and required materials) shall be borne by Franchisor. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and worker’s compensation insurance, shall be borne by Franchisee.

6.2 **New or Replacement Designated Principal and General Managers.** In the event that Franchisee’s Designated Principal or General Manager ceases active employment in the Franchised Location, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor’s training program reasonably promptly following cessation of employment of said individual. In the alternative, with respect to training a replacement General Manager, Franchisee may train such replacement(s) in accordance with Section 6.3 below. The replacement Designated Principal and/or General Manager shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 **Training by Franchisee of Additional or Replacement General Managers.** Franchisee shall have the option of training any General Manager (following the training of the first General Manager by Franchisor) at the Franchised Location or other Pinot’s Palette Locations operated by Franchisee or its affiliates, provided that Franchisee is in compliance with all agreements between Franchisee and Franchisor and further provided that the training is conducted: (a) by the Designated Principal or other personnel who has completed Franchisor’s initial training program to the satisfaction of the Franchisor (and who remains acceptable to Franchisor to provide such training) and (b) in accordance with any requirements or standards as Franchisor may from time to time establish



in writing for such training. In the event Franchisor assists Franchisee with such training, Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for such training.

6.4 **Convention.** If Franchisor holds a franchise convention, the person holding a controlling interest in Franchisee and its Designated Principal (if different) are required to register for and attend the convention annually in accordance with Franchisor's policies. Franchisor will bill Franchisee for one registration fee prior to the convention, which will provide Franchisee with one registration. Additional representatives of Franchisee may also attend the conference, as long as they are registered and pay the registration fee for their attendance. Franchisee must also pay for all travel and living expenses incurred by it and its representatives in attending the convention.

6.5 **Refresher Training.** Franchisor may also require that Franchisee or its Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed four (4) days per person each year, and attendance for up to three (3) days per person each year at conventions, if any, conducted for Franchisor's franchisees.

6.6 **Location of Training.** All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided virtually, online, via phone, or at Franchisor's headquarters and/or such other locations as Franchisor may designate.

6.7 **Additional On-site Training.** If Franchisee requests that Franchisor provide additional on-site supervision or supplemental training or that any training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Location, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

## 7 **TECHNOLOGY**

7.1 **Computer Systems and Required Software.** The following terms and conditions shall apply with respect to the Computer System and Required Software:

7.1.1 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, between, or among Pinot's Palette Locations, including without limitation: (a) desk top computer system, data, and voice storage, retrieval, and transmission systems for use at Pinot's Palette Locations, between or among Pinot's Palette Locations, and between and among the Franchised Location and Franchisor and/or Franchisee; (b) camera systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; (f) audio video equipment; and (g) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall record all sales on a cloud-based point of sale and payments processing system designated and approved by Franchisor in the Manuals or otherwise in writing ("**Point of Sale System**"), which shall be deemed part of the Franchisee's Computer System.

7.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer

System and Required Software as Franchisor may request in writing (collectively, “**Computer Upgrades**”).

7.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee’s Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor. You must indemnify, release, and hold us harmless from your use of any approved, designated, or required software.

7.1.6 Franchisee shall comply with specifications issued by Franchisor with respect to video camera installation and operation in the Franchised Location, including granting Franchisor access to any video camera feed(s) in any manner Franchisor may so require.

7.2 **Data.** Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Location, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Location, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee’s operation of the business (including without limitation data pertaining to or otherwise concerning the Franchised Location’s customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee’s Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor’s request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee’s use in connection with the business franchised under this Agreement.

7.3 **Privacy.** Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals (“**Privacy**”), and shall comply with Franchisor’s standards and policies pertaining to Privacy. If there is a conflict between Franchisor’s standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor’s counsel as Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor’s standards and policies pertaining to Privacy within the bounds of applicable law.

7.4 **Telecommunications.** Franchisee shall comply with Franchisor’s requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee’s Computer System and Franchisor’s Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 **Intranet.** Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an “**Intranet**”). Franchisee shall comply with Franchisor’s requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Location. The Intranet may include, without limitation, the Manuals, training or other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

7.6 **Websites.** As used in this Agreement, the term “**Website**” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection

with any Website, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, Pinot's Palette Locations, the franchising of Pinot's Palette Locations, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Location, with such web page(s) to be located within Franchisor's Website. Franchisee must provide Franchisor all information and materials that Franchisor may periodically request concerning the Franchised Location and otherwise participate in Franchisor's Website in the manner Franchisor periodically specifies. By submitting to Franchisor information or materials for Franchisor's Website, or by making any Electronic Media posts, Franchisee represents and warrants that such information and materials are accurate and do not infringe any third party's rights. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee shall not establish a separate Website, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" and/or "marketing" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 13 below.

7.6.4 Franchisor shall have the right to modify the provisions of this Section 7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

7.7 **Online Use of Marks.** Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any email address, domain name, social media account, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Pinot's Palette Location by email or any other "Electronic Media" without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social media sites (such as Facebook, Twitter, Instagram, Snapchat, and LinkedIn), video-sharing and photo-sharing sites (such as YouTube, TikTok and Flickr), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds. Franchisor may maintain one or more social media sites (e.g., Twitter, Facebook, Instagram, LinkedIn, TikTok, SnapChat, or such other social media sites). Franchisor may designate at any time and from time to time regional or territory-specific user names/handles to be maintained by Franchisee. Franchisee must adhere to the social media policies that Franchisor establishes at any time and from time to time and Franchisee will require all of Franchisee's owners and employees to do so as well. Franchisor may require Franchisee to participate in social media initiatives directed by Franchisor. If Franchisor provides Franchisee with a username/handle and password, Franchisee may not alter such username/handle and password without Franchisor's prior approval.

7.8 **No Outsourcing without Prior Written Approval.** Franchisee shall not hire third party or outside

vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.9 **Changes to Technology.** Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

## **8 OTHER DUTIES OF FRANCHISEE**

8.1 **Details of Operation.** Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand, to protect Pinot's Palette Locations operating under the System, and to protect the reputation and goodwill of Franchisor.

8.2 **Compliance with the Agreement, including the Manuals.** Franchisee shall operate the Franchised Location in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 **Management of Business & Designated Principal.** If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Location on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Location, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall designate either the Designated Principal or an experienced manager to assume the full-time responsibility for the daily supervision and operation of the Franchised Location (the "**General Manager**"). Franchisor reserves the right to approve the hiring of any General Manager. Franchisee shall inform Franchisor in writing whether Franchisee, the Designated Principal (if Franchisee is other than an individual), or a General Manager will assume this role.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Designated Principal and the General Manager as having responsibility and decision-making authority regarding the Franchised Location's operation and Franchisee's business.

8.4 **Staffing.** In order to protect and enhance the System and the goodwill associated with the Proprietary Marks, Franchisee agrees to maintain a competent, conscientious, staff of artists and non-artists (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as

Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. In no way limiting the foregoing, Franchisee shall have on payroll at all times a minimum number of artists equal to the number of art classes scheduled each week, who have completed all training and certifications required by Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Location, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations.

8.5 **Use of Premises.** Franchisee a) shall use the Premises solely for the operation of the Franchised Location; (b) shall keep the Franchised Location open and in normal operation for such minimum hours and days as Franchisor may specify; and (c) shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

8.6 **Conformity to Standards.** To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Location in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Location, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supplies and materials, as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only products and services that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all products and services as Franchisor may specify from time to time as required offerings at the Franchised Location. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Location that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any products or services which Franchisor shall have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor for approval. Franchisor may deny such approval for any reason.

8.6.3 Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish specific prices for products and/or services (including art classes and/or private party events) or a range of acceptable prices that, in either case, shall be adhered to by Franchisee and all other similarly situated Pinot's Palette Locations.

8.6.4 Franchisor may itself conduct or designate an independent evaluation service to conduct inspections or a “**mystery shopper**” quality control and evaluation program with respect to Pinot's Palette Locations. Franchisee agrees that the Franchised Location will participate in such inspections and mystery shopper program, as prescribed and required by Franchisor. Franchisor shall have the right to require Franchisee to pay the then-current costs associated with such program, or the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Location, and Franchisee agrees that it shall promptly pay such charges or reimburse Franchisor for its expenses. Franchisee acknowledges that as part of any quality control or evaluation program, Franchisor may record telephonic communications and Franchisee consents to the use of such recordings.

8.6.5 Franchisee acknowledges and agrees that in certain jurisdictions, Franchisee may be required by applicable law and/or Franchisor to obtain a liquor license or alcoholic beverage permit or similar license or permit, for the sale and/or consumption of alcoholic beverages. In the event this licensing

or permitting is required, Franchisee shall: (i) be solely responsible for complying with all laws and regulations relating to alcohol and alcohol sales, service, consumption, presentation and preparation; (ii) comply with Franchisor's standards and specifications relating to alcohol and alcohol sales, service, consumption, presentation and preparation; and (iii) obtain and maintain such additional insurance coverage as Franchisor may require pursuant to Section 14 of this Agreement. Notwithstanding anything to the contrary in this Agreement, if such liquor licensing or alcoholic beverage permitting is required, Franchisee shall be provided an additional three (3) months in which to open the Franchised Location.

8.6.6 Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discounted or complimentary art classes and/or private party events, provided that such discounted or complimentary sales shall not be included in the NET Sales of the Franchised Location. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.6.7 Franchisee (or, if Franchisee is other than an individual, each Principal of Franchisee) and all employees and staff members of Franchisee, including the Manager, shall pass a background check prior to commencing work in the Franchised Location, and on a periodic basis thereafter, as determined by Franchisor in its sole discretion, that is free of any sexual and/or violent offenses, any offense involving moral turpitude, and/or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or the interest of Franchisor therein.

8.7 **Purchases and Approved Suppliers.** Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products required for the establishment and operation of the Franchised Location from Suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term "**Supplier**" shall include manufacturers, distributors and other forms of suppliers). In determining whether it will approve any particular Supplier, Franchisor shall consider various factors, including but not limited to whether the Supplier (i) can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; (ii) possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (iii) approval of who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single Supplier for any equipment, supplies, services, or products and to require Franchisee to purchase exclusively from such designated Supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements of products bearing the Proprietary Marks or products unique to the System and/or Franchisor ("**Proprietary Products**") from Franchisor or Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements of products bearing the Proprietary Marks or products unique to the System and/or Franchisor ("**Proprietary Products**") from Franchisor or Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.3 If Franchisee desires to purchase any products or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first

submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any Supplier until, and unless, such Supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved Suppliers. Franchisee must submit to Franchisor such information as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or Supplier's facilities. A charge not to exceed the reasonable cost of the evaluation shall be paid by Franchisee.

8.7.4 Franchisor reserves the right, at its option, to revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item and/or cease to purchase from any disapproved Supplier.

8.7.5 Nothing in the foregoing shall be construed to require Franchisor to approve any particular Supplier, nor to require Franchisor to make available to prospective Suppliers, standards for approval and/or specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.6 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known Suppliers who are willing to supply all or some Pinot's Palette Locations with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Pinot's Palette Locations. In this event, Franchisor may limit the number of approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all products and services, and/or refuse any of Franchisee's requests for approval if Franchisor believes that this action is in the best interest of the System or the franchised network of Pinot's Palette Locations. Franchisor shall have unlimited discretion to approve or disapprove of the Suppliers who may be permitted to sell products and services to Franchisee.

8.7.7 Franchisor and its affiliates may receive payments or other compensation from Suppliers on account of such Suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.8 **Proprietary Products.** Franchisee acknowledges and agrees that the Proprietary Products offered and sold at Pinot's Palette Locations are manufactured in accordance with standards and specifications of Franchisor and/or Franchisor's affiliates, and are Proprietary Products of Franchisor and/or its affiliates. In order to maintain the high standards of quality and uniformity associated with Proprietary Products sold at all Pinot's Palette Locations in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor or its designee(s), and not to offer or sell any other items not approved by Franchisor at or from the Franchised Location. In connection with the manufacturing, handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., a product manufacturer or an independent carrier) in connection with the manufacturing, handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor. Franchisee acknowledges and agrees that the Franchisor and/or its affiliates may earn revenues on account of such sales of Proprietary Products to Franchisee.

8.9 **No Warranties.** Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from Suppliers approved by Franchisor, FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME IN THE EVENT OF ANY DEFECTS THEREIN.

8.10 **Inspections.** Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.11 **Trademarked Items.** Franchisee shall ensure that all advertising and promotional materials, signs, decorations, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all interior and exterior signs and décor items in accordance with Franchisor's specifications.

8.12 **Offerings and Pricing.** Franchisee shall sell or offer to sell only those products and services as approved by Franchisor. Such items shall be subject to change from time to time as Franchisor may determine solely in its discretion. Franchisee must obtain Franchisor's written approval for any contemplated changes, including all additions to and/or deletions of products and services sold in the Franchised Location. Moreover, Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish specific prices for product and service offerings, or a range of acceptable prices, or minimum advertised pricing that, in any case, shall be adhered to by Franchisee and all other similarly situated Pinot's Palette Locations.

8.13 **Customer Registration and Payment; Credit Card Fees.** Franchisee shall require that all of its customers register and pay for all approved products and services through Franchisor or its affiliate's online payment processing portal. Franchisee is strictly prohibited from accepting any payments directly from customers. Franchisee shall be responsible for all merchant services and processing fees charged in connection with payment processing for the Franchised Location, and Franchisee acknowledges that Franchisor or its affiliate may be the designated or sole provider of these services. Franchisee acknowledges that Franchisor or its affiliates may directly charge and collect from any customer (including any customer of Franchisee) certain fees in connection with Franchisor's online registration process and payment system that are in addition to payment for products and services provided by the Franchised Location. Such fees charged and collected by Franchisor shall inure to the benefit of and be fully earned by Franchisor.

8.14 **Compliance.** Franchisee 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 the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registration.

8.15 **Uniforms.** Franchisee shall be responsible for having all personnel employed by Franchisee wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accordance with Franchisor's design and other specifications.

8.16 **Government Requirements.** Franchisor and Franchisee understand and agree that the operation of the Franchised Location, maintenance of its Premises and equipment, conduct and appearance of its personnel, and the preparation and sale of products and services therefrom may be regulated by governmental statutes and regulations. To this end, the Franchisor and Franchisee agree that Franchisee owes an obligation to the patrons of the Franchised Location, Franchisor, and to itself, to fully and faithfully comply with all those applicable governing



authorities, and all of the same are made a part of this Franchise Agreement as if fully set forth herein. In no way limiting the foregoing or Section 8.6.6, Franchisee shall comply with all applicable local, state and federal laws that require coaches, educators, learning center employees and others to obtain required background checks and fingerprinting.

8.17 **Prohibited Product/Service/Advertisement Fine.** In the event Franchisee offers or sells any products, premiums, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, or uses any supplier not approved by Franchisor, Franchisee shall (i) cease and desist offering or providing the unauthorized or unapproved product, premium, novelty item, clothing, souvenir or from performing such services, and cease and desist using the unapproved supplier, and (ii) pay to Franchisor, on demand, a prohibited product, service or supplier fine equal to Two Hundred Fifty Dollars (\$250) per day for each day such unauthorized or unapproved product, premium, novelty item, clothing, souvenir or service is offered or provided by Franchisee or such unapproved supplier is used. In addition to Franchisor's other rights under the law and this Agreement, in the event Franchisee uses any advertising or promotional materials not approved by Franchisor in violation of this Agreement, Franchisor reserves the right to charge Franchisee a fee of Two Hundred Fifty Dollars (\$250) per day of use of unauthorized advertising or promotional materials. All fines set forth in this Section 8.17 shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

8.18 **Participation in Promotions.** Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manuals or otherwise in writing. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.18.1 Franchisee shall participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discounts.

8.18.2 Currently, all Gift Cards are sold or issued by us online through our website. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor. Franchisee shall redeem (without any offset against any Royalty Fee or other payment or contribution due under this Agreement) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by us or other Pinot's Palette Locations and for making timely payment to Franchisor. In no way limiting the foregoing, Franchisee expressly understands and acknowledges that Franchisor shall control all revenue received through the sale or issuance of Gift Cards regardless of whether such Gift Cards were sold or issued by Franchisee or Franchisor, and Franchisee is not entitled to any of this revenue unless a Gift Card is redeemed in the Franchised Location. All unredeemed Gift Card revenue received by Franchisor shall inure solely and exclusively to the benefit of Franchisor.

8.18.3 Franchisee shall participate in the painting rewards program by paying \$5 per painting used per class from Franchisor's master painting library and/or testing library to the franchisee that originated such painting. In the event the originating Pinot's Palette Location is no longer in operation, such fee will inure to the benefit of Franchisor.

8.19 **Health / Standards.** Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Location under the Manuals and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manuals for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Location.

8.20 **Maintenance of Premises.** Franchisee shall maintain the Franchised Location and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be

required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

8.21 **Ongoing Upgrades and Replacements.** As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

8.22 **Five-Year Refurbishment and Renovations.** At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, not to exceed an amount equal to Franchisor's then-current initial franchise fee, to conform to the Franchised Location design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Pinot's Palette Locations. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

8.23 **Compliance with Lease.** Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Location; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

8.24 **Obligations to Third Parties.** Franchisee must at all times pay its contractors, suppliers, employees, lessors, lenders, tax authorities, and other creditors, promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement.

8.25 **Notice of Legal Actions.** Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or 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, including health agencies, which (i) relates to the operation of the Franchised Location, (ii) may adversely affect the operation or financial condition of the Franchised Location, or (iii) may adversely affect Franchisee's financial condition.

8.26 **No Relocation.** Franchisee shall not relocate the Franchised Location from the Approved Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Location, the following terms and conditions shall apply:

8.26.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for Pinot's Palette Locations; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Pinot's Palette Locations (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Approved Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; and (v) Franchisee enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an initial Franchise Fee, and execute a general release in favor of Franchisor in the form prescribed by

Franchisor.

8.26.2 Any relocation of the Franchised Location shall be at Franchisee's sole cost and expense.

8.26.3 Franchisor shall have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any approved relocation.

8.26.4 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty-five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld.

8.26.5 Franchisee agrees that in the event of a relocation of the Franchised Location, Franchisee shall promptly remove from the first Franchised Location premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Proprietary Marks or any distinctive features or designs associated with Pinot's Palette Locations. Furthermore, Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the first Franchised Location so clearly from its former appearance and from other Pinot's Palette Locations and to prevent any possibility of confusion therewith by the public (including, without limitation, removal of all distinctive physical and structural features identifying Pinot's Palette Locations and removal of all distinctive signs and emblems). Franchisee shall, at its expense, make such specific additional changes as the Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as the Franchisor deems appropriate, Franchisee agrees that the Franchisor or its designated agents may enter the premises of the first Franchised Location and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to the Franchisor and consents to entry, at Franchisee's expense, of an ex-parte order by a court of competent jurisdiction authorizing the Franchisor or its agents to take such action, if the Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to the Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Franchised Location premises is not promptly and completely undertaken, the Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

8.27 **Franchisee Advisory Council.** If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee council or association (hereinafter "**Advisory Council**") or such successor council to serve as an Franchisee Council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Pinot's Palette Locations, Franchisee may be required to become a member of the Franchisee Council. In such event, Franchisee shall pay to the Franchisee Council all dues and assessments authorized by the Franchisee Council and shall otherwise abide by the rules and regulations of the Franchisee Council and shall at all times maintain its membership in the Franchisee Council in good standing.

8.28 **Changes to the System.** Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Pinot's Palette Locations. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, programs, standards, policies and procedures, forms, Trademark, equipment and furnishings and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials.

Changes to the System may further include, without limitation, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the building, premises, equipment, furnishings, signage, Trademark, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Location any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Pinot's Palette Location or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

8.29 **Modifications Proposed by Franchisee.** Franchisee shall not implement any change to the System (including the use of any product or service not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or service for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

8.30 **Non-Disparagement.** Franchisee shall not communicate or publish, directly or indirectly, any disparaging comments or information about Franchisor during the term of this Agreement or thereafter. This provision shall include, but not be limited to, communication or distribution of information through the Internet via any Electronic Media, as defined herein.

## **9 PROPRIETARY MARKS**

9.1 **Ownership.** Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Franchisor is the owner of the Proprietary Marks, with all right, title and interest in and to the Proprietary Marks.

9.1.2 Franchisor represents that applications for registration of certain Proprietary Marks have been filed (and others may be filed in the future) with the appropriate authorities. Franchisee acknowledges that Franchisor has not made any representation or warranty to the effect that the Proprietary Marks which have not been registered shall be registered or are able to be registered therein, and the failure to obtain registrations of any of the Proprietary Marks shall not be deemed to be a breach of the terms of this Agreement by Franchisor. Moreover, Franchisee shall cooperate with Franchisor, and its representatives, at Franchisor's expense, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities.

9.1.3 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.2 **License to Franchisee.** Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement in connection with the operation of the Franchised Location, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor.

9.3 **Terms of Franchisee's Usage.** With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

9.3.1 It shall use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor. Further, Franchisee shall not use any confusingly similar Trademarks in connection with its franchise or any other business in which it has an interest;

9.3.2 It shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 It shall operate and advertise the Franchised Location only under the name "Pinot's Palette," and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 It shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Location and to obtain governmental licenses and permits for the Franchised Location, indicate that Franchisee shall be operating the Franchised Location under the trade name "Pinot's Palette," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Location;

9.3.5 It shall identify itself as the owner of the Franchised Location (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 It shall not use the Proprietary Marks in such a way as to incur any obligation or indebtedness on behalf of Franchisor; and

9.3.7 It shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability. At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of the Proprietary Marks.

9.4 **Franchisee Acknowledgments.** Franchisee expressly understands and acknowledges that:

9.4.1 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.2 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest

or other interest in or to the Proprietary Marks;

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

9.4.4 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself; (b) to grant other licenses for the Proprietary Marks; and (c) 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;

9.4.5 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the Proprietary Marks shall be in accordance with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use;

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor. If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Proprietary Marks and shall promptly discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages;

9.4.7 Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that he is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs;

9.4.8 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee agrees to do business and advertise using only the Proprietary Marks designated by the Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the word "Pinot's Palette" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

9.4.9 In order to preserve the validity and integrity of the Proprietary Marks, and to assure that

Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspections;

9.4.10 Franchisee shall be required to affix the <sup>TM</sup> or <sup>®</sup> symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Pinot's Palette" or any other of the Proprietary Marks, whether presently existing or developed in the future;

9.4.11 Franchisee acknowledges that it does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefor, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Proprietary Marks;

9.4.12 If, during the term of this Agreement, there is a claim of prior use of any of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee shall so use any of Franchisor's other Proprietary Marks in such a way and at Franchisor's discretion in order to avoid a continuing conflict;

9.4.13 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee;

9.4.14 Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Proprietary Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. In that event, Franchisee shall execute those documents and perform those acts which, in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by Franchisor; and

9.4.15 Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, all damages for which it is held liable in any proceeding in which Franchisee's use of any Proprietary Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceedings in which it is named as a party, provided that Franchisee has timely notified the Franchisor of such claim or proceedings, has otherwise complied with this Agreement and has tendered complete control of the defense of such to the Franchisor. If the Franchisor defends such claim, the Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

## **10 MANUALS**

10.1 **The Manuals and Furnishings to Franchisee.** In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Location in accordance with the standards, specifications, methods, policies, and procedures specified in the Manuals, which Franchisee shall receive on loan from Franchisor, in a manner chosen by Franchisor, via electronic access, hard copy volumes, computer disks, videotapes, or otherwise, including such amendments thereto, as

Franchisor may publish from time to time, upon completion by Franchisee of initial training. Franchisee expressly acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including without limitation, the use of the Internet.

10.2 **The Manuals are Proprietary and Confidential.** Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Location, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor.

10.3 **The Manuals Remain Franchisor's Property.** The Manuals shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement.

10.4 **Revisions to the Manuals.** Franchisor may from time to time revise the contents of the Manuals to improve or maintain the standards of the System and the efficient operation thereof, or to protect or maintain the goodwill associated with the Proprietary Marks or to meet competition, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall insure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained at the home office of Franchisor shall be controlling.

10.5 **Part of Agreement.** From the date of the opening of the Franchised Location, the mandatory specifications, standards and operating procedures prescribed by Franchisor and communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement shall include the provisions of the Manuals and all such mandatory specifications standards and operating procedures.

## 11 **CONFIDENTIAL INFORMATION**

11.1 **Agreement with Respect to Confidentiality.** Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, and/or the marketing, management or operations of the Franchised Location that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Location. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

11.2 **Individual Covenants of Confidentiality.** Franchisee shall require its manager(s), artists and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Location. Such covenants shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current forms of which is attached as Exhibit E.

11.3 **Remedies for Breach.** Franchisee acknowledges that any failure to comply with the requirements



of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 **Grantback.** Franchisee agrees to disclose to Franchisor all ideas, paintings, concepts, methods, techniques, products and services, software applications, and software application improvements conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Location. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, software applications, software application improvements in all businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, software applications, software application improvements or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, software application or product without obtaining Franchisor's prior written approval.

## 12 **ACCOUNTING AND RECORDS**

12.1 **Books and Records.** With respect to the operation and financial condition of the Franchised Location, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain for a period of not less than seven (7) years during the term of this Agreement, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 **Franchisee's Reports to Franchisor.** In addition to the Orders & Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the twentieth (20<sup>th</sup>) day after each four week accounting period a balance sheet, profit and loss statement, cash flow statement and an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements, (that includes a fiscal year-end balance sheet, an income statement of the Franchised Location for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.7). Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations

under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manuals or as Franchisor shall otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 **Inspection and Audit.** Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any statement or report of three percent (3%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## 13 **MARKETING AND PROMOTION**

13.1 **Franchisee's Advertising Obligations.** Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

13.1.1 Franchisor reserves the right to require that Franchisee each month spend on and/or contribute to advertising and promotion amounts, which, in the aggregate, are equal to three percent (3%) of Franchisee's Net Sales during the preceding month, or Five Hundred Dollars (\$500) per month, whichever is greater, to advertise and to promote the Franchised Location (together, the "Advertising Obligation"). The Advertising Obligation shall be in the form of expenditures by Franchisee on "local advertising and promotion" pursuant to Section 13.2. If Franchisee fails to comply with this requirement, Franchisor may, at its option, spend this amount for Franchisee on local advertising and promotion, and remit payment to cover the cost and expenses from Franchisee in accordance with Section 4.10.

13.1.2 Franchisor further reserves the right to require that Franchisee spend a minimum of \$1,000 per month on "local marketing and promotion" pursuant to Section 13.4 and contributions paid to any Cooperative Marketing Fund, as may be established pursuant to Section 13.3

13.1.3 The marketing expenditures set for in this Section 13 are the minimum requirements only, and Franchisee may, and is encouraged to, expend additional funds for marketing and promotion. In addition to the marketing expenditures set forth in Sections 13.1.1 and 13.1.2, Franchisee shall undertake and complete the Integrated Marketing, Networking and Selling Plan, as provided in Section 13.5 below.

13.1.4 Franchisee's marketing expenditure set forth in Section 13.1.2 may exceed the minimum amount listed if the members of a Cooperative Marketing Fund, of which Franchisee is a member, approve such expenditures.

13.2 **System Marketing Fund.** Franchisor shall have the right at any time, in its sole discretion to establish a fund for system-wide marketing and promotion of the System (the “**System Marketing Fund**”). During the existence of the System Marketing Fund, Franchisee shall contribute to the System Marketing Fund in the manner specified in Section 4.4 above, such amounts as Franchisor may specify in accordance with Section 13.1 above. The System Marketing Fund shall be maintained and administered by Franchisor as follows:

13.2.1 Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the System Marketing Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System Marketing Fund.

13.2.2 The System Marketing Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to the Pinot’s Palette Locations operating under the System.

13.2.3 Franchisee shall contribute to the System Marketing Fund by separate payment made payable (or as otherwise directed for payment) to Franchisor. All sums paid by Franchisee to the System Marketing Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the System Marketing Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The System Marketing Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the System Marketing Fund.

13.2.4 Franchisor, upon request, shall provide Franchisee with an annual accounting of System Marketing Fund receipts and disbursements.

13.2.5 Franchisor reserves the right, in its sole discretion, to discontinue the System Marketing Fund upon written notice to Franchisee.

13.2.6 Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Marketing Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the System Marketing Fund. Additionally, if monies of the System Marketing Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the System Marketing Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the System Marketing Fund.

13.3 **Cooperative Marketing Fund.** Franchisor shall have the right to designate any geographical area for the purposes of establishing a regional or local market advertising fund (“**Cooperative Marketing Fund**”). If a Cooperative Marketing Fund is established for the geographic area in which the Franchised Location is located, Franchisee shall become a member of such Cooperative Marketing Fund within thirty (30) days after the date on which the Cooperative Marketing Fund commences operation, or at the time the Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Marketing Fund. The following provisions shall apply to each such Cooperative Marketing Fund:

13.3.1 Each Cooperative Marketing Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Marketing Fund shall be decided by a majority vote of its members. Any Pinot’s Palette Location that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each Pinot’s Palette Location franchisee shall be entitled to cast one (1) vote for each Pinot’s Palette Location it operates that belongs to the Cooperative Marketing Fund. Any disputes arising among any members of the Cooperative Marketing Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Marketing Fund’s governing documents.

13.3.2 Each Cooperative Marketing Fund shall be organized for the exclusive purpose of administering regional or local marketing programs and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in local marketing and promotion.

13.3.3 Franchisee shall contribute to the Cooperative Marketing Fund in such amounts as Franchisor may specify pursuant to Section 13.1.2 above, unless the members of the Cooperative Marketing Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Cooperative Marketing Fund, agree to increase the Cooperative Marketing Fund contribution to a rate in excess of the amount required by Franchisor.

13.3.4 Franchisee shall submit its required contributions to the Cooperative Marketing Fund at the time required by Franchisor, together with such statements or reports as may be required by Franchisor or by the Cooperative Marketing Fund with Franchisor’s prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Marketing Fund directly to Franchisor for distribution to the Cooperative Marketing Fund.

13.3.5 Franchisor maintains the right to terminate any Cooperative Marketing Fund. A Cooperative Marketing Fund shall not be terminated, however, until either: (a) all monies in that Cooperative Marketing Fund have been expended for marketing and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the System Marketing Fund in the event there are no longer any Pinot’s Palette Locations operating within the geographic area covered by such Cooperative Marketing Fund.

13.4 **Local Marketing.** Franchisee shall comply with the following with respect to “local marketing and promotion” for the Franchised Location:

13.4.1 Franchisee shall spend on an monthly basis such amount as specified in accordance with Section 13.1.2 above. Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local marketing and promotion during such previous period. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manuals or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to

Franchisor to evidence Franchisee's advertising or marketing activities.

13.4.2 As used in this Agreement, the term "**local marketing and promotion**" shall refer to marketing and promotion related directly to the Franchised Location, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manuals or otherwise in writing, information specifying the types of marketing and promotional activities and costs which shall not qualify as "local marketing and promotion," including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.4.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

13.5 **Grand Opening Advertising.** In addition to the Advertising Obligation, Franchisee shall expend a minimum of Eight Thousand Dollars (\$8,000) for grand opening advertising and promotional programs in conjunction with the Franchised Locations' initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "Grand Opening Advertising Program"). Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall not be considered local advertising and promotion, as provided under Section 13.4 above. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 13.5 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

13.6 **Standards for Marketing and Advertising.** All advertising, marketing and promotion to be used by Franchisee, the System Marketing Fund or any Cooperative Marketing Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.7 herein.

13.7 **Franchisor's Approval of Proposed Plans and Materials.** If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval (including prices to be charged). If written notice of approval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have not approved them.

13.8 **Directory Listings.** Franchisee shall, at its expense and in addition to its expenditures for local marketing and promotion, obtain listings as required in the Manuals, including on-line directories as Franchisor may designate. Franchisee shall comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the System Marketing Fund.

13.9 **Ownership of Marketing Plans and Materials.** Franchisee acknowledges and agrees that any and all copyrights in and to marketing and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Location or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee. The above notwithstanding, Franchisee shall bear sole responsibility for any and all claims, liabilities, costs or expenses related to images or other copyrighted materials that Franchisee uses at the Franchised Location or in any marketing or promotional materials, including without limitation any website or social media content and any content that Franchisee uses, posts, uploads, or otherwise places or exhibits on Franchisor's websites or social media accounts.

## 14 **INSURANCE**

14.1 **Insurance.** Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Location, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

14.2 **Coverages.** Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Pinot's Palette Locations, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except different coverages, umbrella coverages, and policy limits as may reasonably be specified for all Franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Location.

14.2.2 All risk coverage insurance on (i) all personal property covering the Franchised Location and premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; and (ii) business interruption in an amount no less than One Million Dollars (\$1,000,000) per occurrence.

14.2.3 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Location is located and operated. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee shall maintain coverages for these individuals at all times for work-related injuries.

14.2.4 Comprehensive general liability insurance with limits of at least One Million Dollars (\$1,000,000) per occurrence, and Two Million Dollars (\$2,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars (\$2,000,000) general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; and tenant's legal liability. All such coverages insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of

actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Location. The required coverage amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

14.2.5 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 One Million Dollars (\$1,000,000) general aggregate limit.

14.2.6 Liquor liability coverage for third party bodily injury and property damage arising out of the sale or distribution of liquor with limits of at least One Million Dollars (\$1,000,000) combined single limit, and One Million Dollars (\$1,000,000) general aggregate limit.

14.2.7 Excess liability coverage over general liability, automobile liability, and employer's liability, with at least Two Million Dollars (\$2,000,000) per occurrence.

14.2.8 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

14.2.9 The insurance shall cover the acts or omissions of each and every one of the persons who perform services of whatever nature at the Franchised Location, and shall protect against all acts of any persons who patronize the Franchised Location and shall contain a waiver of subrogation against Franchisor. Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date upon which Franchisee notifies its insurance carrier.

14.3 **Certificates of Insurance.** The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Location, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Location, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1 above). Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 **Franchisor's Right to Procure Insurance for Franchisee.** Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## **15 TRANSFER OF INTEREST**

15.1 **Franchisor's Rights to Transfer.** Franchisor shall have the right, without the need for Franchisee's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Upon any such transfer or

assignment, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. If Franchisor transfers or assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the “Pinot’s Palette Location” business or to offer or sell any products or services to Franchisee. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

15.2 **No Transfers Without Franchisor’s Approval.** Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee, if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee’s or Franchisee’s Principals’ business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Location.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so approved by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal under this Agreement.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any ownership interest of the Principal in Franchisee, as such is identified in Exhibit B.

15.3 **Conditions on Transfer.** Franchisor shall not unreasonably withhold any consent required by Section 15.2 above. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of Franchisee; (b) result in the assignment of the rights and obligations of Franchisee under this Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Franchised Location, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee’s monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full, and the Franchised Location must be open and operating for business in accordance with the terms herein, provided, if Franchisee is also transferring any area development rights pursuant to an area development agreement with Franchisor, the first Pinot’s Palette Location under that agreement must be open and operating;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, any approved supplier of the System, or the lessor (or sublessor) of the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and



their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible and business standards, as well as good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Location; absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Location;

15.3.6 At Franchisor's option, the transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, the transferee, at its expense, shall upgrade the Franchised Location, and other equipment to conform to the then-current standards and specifications of new Pinot's Palette Locations then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor.

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Location that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal to Five Thousand Dollars (\$5,0000) to compensate Franchisor for its expenses incurred in connection with the transfer; and

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 **Additional Terms.** For any transfer not covered by Section 15.3, each transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 **Security Interests.** Neither Franchisee nor any Principal shall grant a security interest in, or

otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Location unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness resulting from Franchisee's default shall be void.

15.6 **Right of First Refusal.** If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor (or Franchisor's affiliate) shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor (or Franchisor's affiliate) intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor (or Franchisor's affiliate) elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor (or Franchisor's affiliate), or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor (or Franchisor's affiliate) may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor (or Franchisor's affiliate) 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 reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor (or Franchisor's affiliate) elects to exercise its right under this Section 15.6, Franchisor (or Franchisor's affiliate) shall have the right to set off all amounts due from Franchisee, and one-half (1/2) of the cost of the appraisal, if any, against any payment to the seller.

15.7 **Death of a Principal.** Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party acceptable to and approved by Franchisor within twelve (12) months after the death.

15.8 **Permanent Disability of Controlling Principal.** Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months; and from which recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by

Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.9 **Notice to Franchisor of Death or Permanent Disability.** Upon the death or permanent disability of Franchisee or any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.10 **Limited Exceptions.** Notwithstanding anything to the contrary in this Section 15:

15.10.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Location; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Location), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations and covenants of the Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Franchised Location under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

15.11 **Securities Offerings.** All materials required for any offering of securities or partnership interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.11. Any such offering shall be subject to prior written consent of Franchisor and right of first refusal as provided in Section 15.6.

15.12 **No Waiver.** The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.

15.13 **Bankruptcy.** If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations

and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

15.14 **No Transfers in Violation of Law.** Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## **16 DEFAULT AND TERMINATION**

16.1 **Pre-termination Options.** Before the termination of this Agreement, if Franchisee fails to pay any amounts owed to Franchisor or its affiliates, fail to comply with any term of this Agreement, fails to comply with any term of its real estate lease for the Premises or fail to notify Franchisor that the Franchised Location is closing, then in addition to Franchisor's right to terminate this Agreement or to bring a claim for damages, Franchisor has the option to:

16.1.1 remove the listing of the Franchised Location from all advertising published or approved by Franchisor;

16.1.2 cease listing the Franchised Location on Websites and social media, and to discontinue any links to any site or page for the Franchised Location;

16.1.3 prohibit Franchisee from attending any meetings or programs held or sponsored by Franchisor;

16.1.4 terminate Franchisee's access to any computer system or software Franchisor owns, maintains, or licenses to Franchisee (whether licensed by Franchisor or by one of its affiliates);

16.1.5 suspend all services Franchisor or its affiliates provide to Franchisee under this Agreement or otherwise; and

16.1.6 contact Franchisee's landlords, lenders, suppliers, and customers about the status of Franchisee's operations and provide copies of any default or other notices to Franchisee's landlords, lenders, and suppliers.

Franchisor's actions, as outlined in this Section, may continue until Franchisee has brought its accounts current, cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. The taking of any of the actions permitted in this Section will not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or its affiliates under the terms of this Agreement or otherwise. Further, Franchisee acknowledges that the taking of any or all these actions on Franchisor's part will not deprive Franchisee of the most essential benefits of this Agreement, and will not constitute a constructive termination of this Agreement.

In addition to Franchisor's right to terminate the Franchise Agreement, if Franchisee breaches any obligation under this Agreement and fails to cure the default within the applicable cure period provided above, Franchisee must pay Franchisor its then-current "Standard Default Fee" for each default on a monthly basis until the default is cured in order to offset its costs incurred to address the default.

16.2 **Automatic Termination.** Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent;

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

16.3 **Termination Upon Notice.** Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately by giving written notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events:

16.3.1 If Franchisee fails to complete all pre-opening obligations and to open the Franchised Location within the time limits as provided in Section 5.4 above;

16.3.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have a materially adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or the interest of Franchisor therein, or the interest of Franchisee, any of its Principals or any of its employees violate the terms of Section 8.6; 16.3.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Location;

16.3.3 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Location is located;

16.3.4 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.3.5 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.3.6 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

16.3.7 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.6 and 19.2 below;

16.3.8 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Franchised Location in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks or the rights of Franchisor therein;

16.3.9 If Franchisee, after curing a default pursuant to Sections 16.4 or 16.5 hereof, commits the same default again, whether or not cured after notice.

16.3.10 If Franchisee commits three (3) or more defaults under this Agreement in any

twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.3.10 above);

16.3.11 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Location for a period of two (2) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*.

16.3.12 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

16.4 **Notice and Opportunity to Cure - 7 Days.** Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.4.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due;

16.4.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.4.3 If Franchisee fails to operate the Franchised Location during such days and hours specified in the Manuals (this provision in no way limits Section 16.3.12).

16.4.4 If Franchisee fails to afford Franchisor unimpeded access to Franchisee's Computer System and Required Software in violation of Section 7.1.5.

16.5 **Notice and Opportunity to Cure - 30 Days.** Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

16.6 **Cross Defaults.** Any default by Franchisee under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). Any default by Franchisee under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee) may be regarded as a default under this Agreement.

## 17 **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and:

17.1 **Stop Operating.** Franchisee shall immediately cease to operate the Franchised Location, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor in connection with the promotion or operation of any other business.

17.2 **Stop Using the System.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark “Pinot’s Palette” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks, as well as any and all art used in connection with the Franchised Location.

17.3 **Cancel Assumed Names.** Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark “Pinot’s Palette” or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 **The Premises.** Franchisee shall, at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of a Pinot’s Palette Location under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the lease/sublease, Franchisee shall comply with Section 18.3 below regarding a Competitive Business (as defined in Section 18.2 below).

17.5 **Phone Numbers; Directory Listings; Domain Names.** Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Location, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Location from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, Franchisee hereby agrees to execute a Telephone Number Assignment and Power of Attorney form attached to this Agreement as Exhibit E in order to implement this Section 17.5.

17.6 **No Use of Proprietary Marks or Trade Dress in other Businesses.** Franchisee agrees, in the event it continues to operate, or subsequently begins to operate, any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

17.7 **Pay Franchisor All Amounts Due.** Franchisee shall promptly pay all sums owing to Franchisor and its affiliates and parent. In the event of termination for any default of Franchisee, such sums shall include,

without limitation, all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to, and remain until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

Upon termination of this Agreement by reason of a default by Franchisee, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of termination, in addition to the amounts owed hereunder, liquidated damages equal to an amount of Five Hundred Dollars (\$500) per month for the number of months remaining in the Franchise Agreement had it not been terminated.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages, and not a penalty.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from specific listed fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement. Franchisee agrees that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the sections requiring payment of Royalty Fees.

17.8 **Return of Manuals and Confidential Information.** Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Location (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.9 **Franchisor's Option to Purchase Certain Assets.** Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Location, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

17.10 **Comply with Covenants.** Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

## 18 **COVENANTS**

18.1 **Full Time and Best Efforts.** Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) and Franchisee's fully trained General Manager shall devote full time and best efforts to the management and operation of the Franchised Location.

18.2 **During the Agreement Term.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing



by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or customer of any Pinot's Palette Location 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 and the System; or

18.2.2 Intentionally omitted.

18.2.3 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered a business or undertaking that markets, offers, sells, or provides artistic, creative, or painting classes or any products or services that are part of the System, including without limitation any business, undertaking, classes, activities, products, or services that are the same as or similar to those found in the Franchised Location or any mobile operations. Furthermore, Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section if such person was subject to the covenants of this Section.

18.3 **After the Agreement and After a Transfer.** Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) at the Approved Location for the Franchised Location, (ii) within a radius of twenty (20) miles of the Franchised Location, or (iii) within a radius of twenty (20) miles of any other Pinot's Palette Locations in operation or under construction on the effective date of termination or expiration located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor;

18.3.2 Franchisee shall not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Location to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

18.4 **Exception for Ownership in Public Entities.** Sections 18.2 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

18.5 **Intentionally Omitted.**

18.6 **Covenants as Independent Clauses.** The parties agree that each of the foregoing covenants shall

be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.7 **Franchisor's Right to Reduce Scope of the Covenants.** Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 **Covenants Survive Claims.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

18.9 **Injunctive Relief.** Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the System, and that in the event of a breach of covenants contained in this Section 18, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

## **19 CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

19.1 **List of Principals.** If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, shall be identified in Exhibit B hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 15 above. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.2 **Guaranty, Indemnification, and Acknowledgment.** Each Principal shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

19.3 **Corporations and Limited Liability Companies.** If Franchisee or any successor to or assignee of Franchisee is a corporation or a limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Location.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee shall

conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

19.4 **Partnerships and Limited Liability Partnerships.** If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Location.

19.4.2 Franchisee shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

## 20 **TAXES, PERMITS, AND INDEBTEDNESS**

20.1 **Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Location. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 **Dispute About Taxes.** In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Location, or any improvements thereon.

20.3 **Compliance with Laws.** Franchisee 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 the Franchised Location, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

## 21 **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

21.1 **No Fiduciary Relationship.** Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Location.

21.2 **Public Notice.** During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Location pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify, including language

identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

21.3 **No Assumption of Liability.** Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and 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 Franchisee in its operation of the Franchised Location or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 **Indemnification.**

21.4.1 Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the “**Indemnified Parties**”), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Location’s operation, Franchisee’s conduct of business under this Agreement, Franchisee’s use of any software, method, or program approved, designated or required by Franchisor, Franchisee’s breach of this Agreement, or Franchisee’s noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee’s acts or omissions relating to Franchisee’s employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

21.4.2 Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel’s fees and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party’s reasonable opinion, Franchisee’s counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with Franchisee’s interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party’s counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party’s own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party’s prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance with this

Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim involves the Proprietary Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

21.4.3 Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

21.4.4 For purposes of this Section, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

21.4.5 Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

## **22 APPROVALS AND WAIVERS**

22.1 **Approval Requests**. Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

22.2 **Non-waiver**. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **23 WARRANTIES OF OPERATOR**

23.1 **Reliance by Franchisor**. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 **Compliance with Laws.** Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## 24 **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## 25 **ENTIRE AGREEMENT**

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 25 is intended to disclaim any of the information or representations contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

## 26 **SEVERABILITY AND CONSTRUCTION**

26.1 **Severable Parts.** 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, any 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 hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.2 **Terms Surviving this Agreement.** Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause), shall survive such expiration, termination or assignment.

26.3 **No Rights on Third Parties.** 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 Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 **Full Scope of Terms.** Franchisee 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 or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed 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 or agency order.

26.5 **Franchisor's Application of its Rights.** Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

## 27 **APPLICABLE LAW AND DISPUTE RESOLUTION**

27.1 **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules. Nothing in this Section 27.1 is intended by the parties to subject this Agreement to (i) any franchise or similar law, rule or regulation of the State of Texas or of any other state to which it would not otherwise be subject or (ii) any laws of the State of Texas which would affect the enforceability of Section 27.8 to which it would not otherwise be subject.

27.2 **Non-Binding Mediation.** Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless we agree otherwise in writing. Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to

engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half (1/2) the cost of the mediator or mediation service. This Section 27.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

27.3 **Arbitration.** Franchisor and Franchisee agree that, subject to Section 27.2 herein, and except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information, all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between Franchisee and Franchisor;
- (2) Franchisor's relationship with Franchisee;
- (3) the validity of this Agreement or any other agreement between Franchisee and Franchisor; or
- (4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator, which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

27.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 27.7 below, award any punitive, exemplary or multiple damages against either party.

27.3.2 Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor.

27.3.3 Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.



**27.3.4 Despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section 27.3.**

**27.3.5 The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.**

**27.4 Consent to Jurisdiction.** Subject to the mediation and arbitration obligations in Sections 27.2 and 27.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Franchisee resides or the Franchised Location is located.

**27.5 No Rights Exclusive of Other Rights.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

**27.6 WAIVER OF JURY TRIAL.** FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

**27.7 WAIVER OF PUNITIVE DAMAGES.** FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

**27.8 Limitation.** The parties agree that, except as provided below, no mediation or arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation or arbitration proceeding, action or suit before the expiration of the earlier of: (a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or (b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

**27.8.1** Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

**27.8.2** The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such

termination.

27.8.3 The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-reporting of Net Sales; (2) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (3) indemnification by Franchisee; (4) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (5) Franchisee's unauthorized use of the Proprietary Marks.

27.9 **Intentionally Omitted.**

27.10 **Intentionally Omitted.**

27.11 **Injunctive Relief.** Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.12 **Release.** By executing this Agreement, Franchisee, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "Franchisee Parties"), hereby release, remise, acquit, and forever discharge Franchisor, its affiliates, its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "Franchisor Parties"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter, of whatever source or origin, arising out of or related to any and all transactions of any kind or character, at any time prior to and including the Effective Date, including, but not limited to, any and all claims arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof. Franchisee covenants, warrants, and agrees that it has the authority to bind the Franchisee Parties (as herein defined) as provided herein. Franchisee, on behalf of itself and the Franchisee Parties, further covenants not to sue any of the Franchisor Parties on any of the claims released by the foregoing and represents that it has not assigned any such claims to any individual or entity who is not bound by the foregoing.

27.13 **Counterparts; Paragraph Headings; Pronouns.** This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings in this 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. Each pronoun used herein shall be deemed to include the other number of genders.

27.14 **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Location, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code.

27.15 **Attorneys' Fees.** In the event that either party hereto is required to employ legal counsel or to

incur other expense to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of a party's failure to perform any obligation imposed upon by this Agreement, the prevailing party shall be entitled to recover the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

27.16 **No Waiver.** Except as otherwise provided in this Section 27.15, neither of Franchisor or Franchisee will be deemed to have waived any obligation of the other, or to have agreed to any modification of this Agreement, unless Franchisor has done so in writing, and the writing is signed by the person giving the waiver or agreeing to the modification. However, Franchisee agrees that it will give Franchisor immediate written notice of any claimed breach or violation of this Agreement as soon as possible after it has knowledge, or determines, or is of the opinion, that there has been a breach or violation by Franchisor of this Agreement. If Franchisee fails to give written notice to Franchisor of any claimed misrepresentation, violation of law, or breach of this Agreement within one (1) year from the date it has knowledge, determines, is of the opinion, or becomes aware of facts and circumstances reasonably indicating, that Franchisee may have a claim against Franchisor or against any of its affiliates under any state law, federal law, or common law, then the misrepresentation, violation of law, or breach will be considered to have been condoned, approved and waived by Franchisee, and Franchisee will be barred from beginning any legal, arbitration, or other action against Franchisor or against its affiliates, or from instituting any counterclaim against Franchisor or its affiliates, for the misrepresentation, violation of law, or breach, or from using the alleged act or omission as a defense to any action Franchisor may maintain against Franchisee.

## 28 **ACKNOWLEDGMENTS**

28.1 **Franchisee Read the Agreement and Consulted.** Franchisee acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any.

28.2 **Franchisee's Responsibility for Operation of Business.** Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Location, Franchisee retains the right and sole responsibility for the day- to-day management and operation of the Franchised Location and the implementation and maintenance of System standards at the Franchised Location. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Location's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Proprietary Marks and not to exercise any control over the day-to-day operation of the Franchised Location.

28.3 **No Conflicting Obligations.** Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.4 **Different Franchise Offerings to Others.** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.5 **Good Faith.** Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

28.6 **Success Depends on Franchisee.** Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee’s ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.7 **Patriot Act.** Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the Franchised Location, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury’s Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the “USA Patriot Act,” as such lists may be amended from time to time (collectively, “**Blocked Person(s)**”); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State’s Debarred List, as such lists may be amended from time to time (collectively, the “**Lists**”); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

28.8 **No Guarantees.** Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

**GFH PINOT’S PALETTE, LLC  
FRANCHISE AGREEMENT  
SIGNATURE PAGE**

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Franchise Agreement in duplicate on the day and year first above written.

**FRANCHISOR:  
PINOT’S PALETTE FRANCHISE LLC**

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

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

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

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

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

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

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

Address for Notices:

Attn: Compliance Officer  
GFH Pinot's Palette, LLC  
2880 Broadway Bend Drive, Building #1  
Pearland, Texas 77584

Address for Notices:

\_\_\_\_\_

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

Fax: \_\_\_\_\_

Attn: \_\_\_\_\_

**GFH PINOT'S PALETTE, LLC  
FRANCHISE AGREEMENT  
EXHIBIT A  
DATA SHEET**

1. The Site Selection Area (See Section 1.2) for the Franchised Location shall be:

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2. The Approved Location (See Section 1.3) for the Franchised Location shall be:

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3. The Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.4 of the Agreement) as follows, and which Territory is reflected on the map attached to this Exhibit A:

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4. The initial Franchise Fee shall be \$\_\_\_\_\_ (See Section 4.1).

5. In this Franchise Agreement is executed pursuant to an Area Development Agreement, the development credit applied to the initial Franchise Fee shall be \$\_\_\_\_\_ (See Section 4 of Area Development Agreement).

**GFH PINOT'S PALETTE LLC**

Initial: \_\_\_\_\_

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

**FRANCHISEE**

Initial: \_\_\_\_\_

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

Initial: \_\_\_\_\_

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

Exhibit A-1

**GFH PINOT'S PALETTE , LLC  
FRANCHISE AGREEMENT  
EXHIBIT B  
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL**

**FRANCHISEE'S PRINCIPALS**

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement), including each Principals address and percentage of beneficial interest in Franchisee:

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		<b>Total      100%:</b>

**FRANCHISEE'S DESIGNATED PRINCIPAL**

The following identifies Franchisee's Designated Principal (as defined in Section 8.3.1 of the Franchise Agreement), including his/her contact information and percentage of beneficial interest in Franchisee:

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

**GFH PINOT'S PALETTE , LLC**

Initial: \_\_\_\_\_

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

**FRANCHISEE**

Initial: \_\_\_\_\_

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

Exhibit B-1

**GFH PINOT'S PALETTE ,LLC  
FRANCHISE AGREEMENT  
EXHIBIT C  
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to GFH Pinot's Palette, LLC ("**Franchisor**") to enter into the Franchise Agreement between Franchisor and \_\_\_\_\_ ("**Franchisee**"), dated \_\_\_\_\_, 20\_\_\_\_ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with the Franchisee's operations or conduct of business under the Agreement, Franchisee's use of any software, method, or program approved, designated or required by Franchisor, Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, or any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 10, 11, 15, 17, and 18. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned assert that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledge and agree that this Guaranty does not grant the undersigned any right to use the "Pinot's Palette" marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.



The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty provision shall be in writing and shall be personally delivered, in the manner provided under Section 24 of the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Sections 26 and 27 of the Agreement. This Guaranty shall be governed by the dispute resolution provisions of Section 27 of the Agreement, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

**IN WITNESS WHEREOF**, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

**GUARANTOR(S):**

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

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

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

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

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

**GFH PINOT'S PALETTE,LLC  
FRANCHISE AGREEMENT  
EXHIBIT D  
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
AND CREDIT CARD AUTHORIZATION**

**EFT AUTHORIZATION**

As part of the Franchise Agreement with GHF Pinot's Palette, LLC (the "Franchisor"), the "Franchisee" understands that it will receive and make payments which will be processed by Electronic Funds Transfer ("EFT") using the Automated Clearing House ("ACH") method. The EFT/ACH debit will move funds directly from Franchisor's account into Franchisee's account and from Franchisee's account into Franchisor's account.

The Franchisee hereby authorizes its bank to receive payments via EFT/ACH from the Franchisor, as well as pay and charge to its account EFT/ACH debits and drafts drawn by and payable to the order of the Franchisor. This authorization remains in full force and effective until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Should the bank dishonor any draft or EFT/ACH debit or credit with or without cause, the Franchisee releases the bank from any and all liability.

Franchisee: \_\_\_\_\_  
Designated Operator: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, and Zip: \_\_\_\_\_

Please provide two Email addresses for Draft Notices

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

Please sign the acknowledgement below and return

\_\_\_\_\_  
Financial Institution                      Routing Number                      Account Number

Signature of Authorized Signer: \_\_\_\_\_ Date: \_\_\_\_\_

## CREDIT CARD AUTHORIZATION

Credit Card Information
Card Type: <input type="checkbox"/> MasterCard <input type="checkbox"/> VISA <input type="checkbox"/> Discover <input type="checkbox"/> AMEX <input type="checkbox"/> Other _____
Cardholder Name (as shown on card): _____
Card Number: _____
Expiration Date (mm/yy): _____
Cardholder ZIP Code (from credit card billing address): _____

Franchisee hereby authorizes Franchisor and its affiliates to charge the above-referenced card all amounts due to Franchisor or its affiliates pursuant to the Franchise Agreement and any other agreement between Franchisee and its affiliates and Franchisor and its affiliates. This authorization remains in full force and effect until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Franchisee understands that its information will be saved to file for all transactions.

Signature of Authorized Signer: \_\_\_\_\_ Date: \_\_\_\_\_

**GHF Pinot's Palette, LLC FRANCHISE AGREEMENT  
EXHIBIT E  
NON-DISCLOSURE AGREEMENT FOR FRANCHISEE'S EMPLOYEES**

**THIS NON-DISCLOSURE AGREEMENT** ("Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_, by and between \_\_\_\_\_ ("us" "we" "our" or the "Franchisee"), and \_\_\_\_\_, an employee of Franchisee ("you" or the "Employee").

**Introduction**

GHF Pinot's Palette, LLC (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing a paint and sip art center, under the name "Pinot's Palette" (each is referred to as a "**Pinot's Palette Location**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Pinot's Palette Location (the "**Franchised Location**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Pinot's Palette Location and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. **Confidential Information.** You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.

2. **Definitions.** As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Location and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

3. **Covenants.**

a. You understand and acknowledge that due to your employment with us, you will receive

valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Location (or of any Pinot's Palette Location) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System;

4. **Legal and Equitable Remedies.** You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

8. **Jurisdiction; Applicable Law.** You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the courts of the county where Franchisor has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

**IN WITNESS WHEREOF**, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

**EMPLOYEE**

Exhibit E - 2

Signature: \_\_\_\_\_

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

**GFH PINOT'S PALETTE,LLC  
FRANCHISE AGREEMENT  
EXHIBIT F**

**TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY**

**FOR VALUE RECEIVED**, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to GFH Pinot's Palette, LLC upon the following terms:

1. This assignment is made under the terms of GFH Pinot's Palette, LLC Franchise Agreement dated \_\_\_\_\_, 20 authorizing Franchisee to operate a Pinot's Palette Location (the "Franchise Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Franchised Location covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are:

Main Telephone: \_\_\_\_\_, Facsimile: \_\_\_\_\_ and all numbers on the rotary series and all numbers the Franchisee uses in the Franchised Location in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as its attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

**THE PARTIES** have caused this Telephone Number Assignment Agreement and Power of Attorney to be duly signed as evidenced by their signatures appearing below. Signed the day of \_\_\_\_\_

\_\_\_\_\_.

**FRANCHISOR:**  
**PINOT'S PALETTE FRANCHISE LLC**

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**GFH PINOT'S PALETTE, LLC  
FRANCHISE AGREEMENT  
EXHIBIT G  
LEASE RIDER**

This Lease Rider is attached to the Lease between LANDLORD and TENANT dated \_\_\_\_\_, 20\_\_\_\_ and is a part of the Lease. If any terms of this Lease Rider are different from or do not agree with the provisions of the Lease, LANDLORD and TENANT will follow and observe the provisions of this Lease Rider with regard to those terms.

**BACKGROUND**

A. Tenant is a franchisee of GFH Pinot's Palette, LLC ("Franchisor") for the operation of a Pinot's Palette™ Location. Landlord and Tenant have executed a lease agreement dated \_\_\_\_\_ ("Lease") for the premises located at \_\_\_\_\_ ("Leased Premises") for use by Tenant as its Pinot's Palette™ Location ("Franchised Business") in connection with a Franchise Agreement dated \_\_\_\_\_ by and between Franchisor and Tenant ("Franchise Agreement");

B. Landlord acknowledges that Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein.

**AGREEMENT**

In consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Default Notice. In the event there is a default under the Lease by Tenant, Landlord agrees that it shall furnish to Franchisor, contemporaneously with that to Tenant written notice of any default and the action required to cure such default, at the following address:

GFH Pinot's Palette, LLC  
2880 Broadway Bend Drive, Building #1  
Pearland, Texas 77584  
Telephone: (877) 903-2927, ext. 809

2. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof, Tenant, upon the written request of Franchisor, shall assign to, at Franchisor's option: either (i) Franchisor or its affiliate; or (ii) another franchisee of Franchisor who meets Franchisor's requirements for operating as a franchisee within the Pinot's Palette system (a "Qualified Franchisee"); all of its rights, title and interest in and to the Lease, and Franchisor, its affiliate, or such Qualified Franchisee, as applicable, may agree to assume from the date of assignment all of Tenant's obligations remaining under the Lease, and may assume Tenant's occupancy rights for the remainder of the term of the Lease. Landlord hereby consents to the assignment of the Lease from Tenant to Franchisor or a Qualified Franchisee, and shall not charge any fee or accelerate rent under the Lease. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease, or designate a Qualified Franchisee to enter into a new lease, with Landlord containing terms and conditions no less favorable than the Lease. Landlord and Tenant shall deliver possession of the Leased Premises to Franchisor or the Qualified Franchisee, as applicable, free and clear of all rights of Tenant or third parties, subject to Franchisor or the Qualified Franchisee executing an acceptance of the assignment of Lease or new lease, as the case may be. Should Franchisor

Exhibit G - 1

or its affiliate accept assignment of the Lease hereunder, Landlord agrees that it may thereafter assign its interest in the Lease to a Qualified Franchisee who would then become the lessee.

3. De-identification. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof, and the Lease is not assigned pursuant to the provisions herein, Tenant and Landlord acknowledge that Tenant is required to remove all of Pinot's Palette proprietary trademarks, service marks, trade dress, and signs, materials, designs and logos of Franchisor. Landlord will cooperate with Franchisor in enforcing such requirement, including without limitation, by allowing Franchisor, its employees and agents to enter the Leased Premises in order to enforce this provision; provided, that Landlord is not required to bear any expenses associated with the enforcement of this provision.

4. Franchisor Not a Guarantor. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Agreement or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event Franchisor becomes the tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all of the obligations of Tenant on its part to be performed or observed under the Lease from and after the date of assignment, or the new lease.

5. Third Party Beneficiary. Landlord and Tenant agree and acknowledge that Franchisor is an intended third-party beneficiary to the Lease, and as such, the Lease may not be amended or cancelled so as to affect any the Lease, or the intent of the same, without the prior written approval of Franchisor, which approval shall not be unreasonably withheld.

6. Lease Rider to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Lease Rider and the Lease, the terms of this Lease Rider shall prevail.

7. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.

8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

BY SIGNING THIS LEASE RIDER, TENANT AND LANDLORD AGREE THAT THEY HAVE READ AND UNDERSTAND ALL OF THE AGREEMENTS IN THIS LEASE RIDER AND THAT THE TERMS AND CONDITIONS OF THIS LEASE RIDER ARE FULLY INCORPORATED INTO THE LEASE AS IF FULLY SET FORTH THEREIN.

**SIGNATURES ON FOLLOWING PAGE**

Exhibit G - 2

**GFH PINOT'S PALETTE, LLC  
FRANCHISE AGREEMENT  
EXHIBIT G  
LEASE RIDER SIGNATURE PAGE**

**LANDLORD NAME**

a \_\_\_\_\_

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

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

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

**TENANT NAME**

a \_\_\_\_\_

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

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

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



**GFH PINOT'S PALETTE, LLC  
FRANCHISE AGREEMENT  
EXHIBIT H  
STATE ADDENDA**

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE ADDENDA TO THE  
FRANCHISE AGREEMENT**

Exhibit H-IL - 1

**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is domiciled in Illinois.

2. **FORUM FOR LITIGATION.** The following sentence is added to the end of Section 27.4 (“Consent to Jurisdiction”) of the Franchise Agreement:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

3. **GOVERNING LAW.** Section 27.1 of the Franchise Agreement is deleted and replaced with the following:

Illinois law shall govern this Agreement.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Section 27.16 of the Franchise Agreement:

27.16 Illinois Franchise Disclosure Act. 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 the Act or any other law of Illinois is void. Franchisee’s rights upon termination and non-renewal of a franchise agreement are set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Maryland, and/or (b) the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY.** The following sentence is added to the end of Section 16.2 of the Franchise Agreement:

Section 16.2 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **FORUM FOR LITIGATION.** The following language is added to the end of Section 27.4 (“Consent to Jurisdiction”) of the Franchise Agreement:

Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **GOVERNING LAW.** The following sentence is added to the end of Section 27.1 (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

6. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 27.8 (“Limitation”) of the Franchise Agreement:

Franchisee must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Franchisor grant Franchisee the franchise.

7. **ACKNOWLEDGMENTS.** The following is added as a new Section 29 to the end of the Franchise Agreement and to the Franchisee Disclosure Questionnaire:

29. **ACKNOWLEDGEMENTS.**



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

8. **FINANCIAL ASSURANCE**. Based on our financial condition, the State of Maryland has required a financial assurance. Therefore, we have posted a surety bond with the State of Maryland guaranteeing our obligations under the Franchise Agreement. You may contact the state agency listed in Exhibit A of our Franchise Disclosure Document for more information.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RELEASES.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **RENEWAL TERM AND TERMINATION TERM.** The following is added to the end of Sections 2.2 and 16.3 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **NOTIFICATION OF INFRINGEMENT AND CLAIMS.** The following sentence is added to the end of Section 9.4.15 of the Franchise Agreement:

Provided Franchisee has complied with all provisions of this Agreement applicable to the Marks, Franchisor will protect Franchisee’s right to use the Marks and will indemnify Franchisee from any loss, costs or expenses arising out of any claims, suits or demands regarding Franchisee’s use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

5. **FORUM FOR LITIGATION.** The following language is added to the end of Section 27.4 of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, MINN. STAT. SEC. 80C.21 AND MINN. RULE 2860.4400J PROHIBIT US, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE OF MINNESOTA. NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF FRANCHISEE’S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80.C OR FRANCHISEE’S RIGHTS TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

6. **GOVERNING LAW.** The following statement is added at the end of Section 27.1 of the Franchise Agreement:

Exhibit H-MN - 1

NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF FRANCHISEE'S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR FRANCHISEE'S RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

7. **MUTUAL WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES.** If and then only to the extent required by the Minnesota Franchises Law, Sections 27.6 and 27.7 of the Franchise Agreement are deleted.

8. **LIMITATION OF CLAIMS.** The following is added to the end of Section 27.8 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

9. **INJUNCTIVE RELIEF.** Section 18.9 of the Franchise Agreement is deleted and replaced with the following:

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against conduct that threatens to injure or harm us, the Marks or the System, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that Franchisor may seek such injunctive relief. Franchisee agrees that its only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon due hearing, and Franchisee hereby expressly waives any claim for damages caused by such injunction. A court will determine if a bond is required.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

y: \_\_\_\_\_

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
FRANCHISE AGREEMENT FOR USE IN THE  
STATE OF NEW YORK**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, (the “Franchise Agreement”). This Addendum is being signed because (a) Franchisee is domiciled in the State of New York and the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **FRANCHISOR’S RIGHTS TO TRANSFER.** The following language is added to the end of Section 15.1 of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee that, in Franchisor’s good faith judgment, is willing and able to assume Franchisor’s obligations under this Agreement.

3. **RELEASES.** The following language is added to the end of Sections 2.2.4, 8.26, and 15.3.3 of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by Franchisee and any causes of action arising in Franchisee’s 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 to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION OF AGREEMENT - BY FRANCHISEE.** The following language is added as Section 16.7 of the Franchise Agreement:

Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **INJUNCTIVE RELIEF.** The following sentence is added to the end of Section 18.9:

Franchisor’s right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. **FORUM FOR LITIGATION.** The following statement is added at the end of Section 27.4 of the Franchise Agreement:

This section 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, as amended, and the regulations issued thereunder.

7. **GOVERNING LAW.** The following is added to the end of Section 27.1 of the Franchise Agreement:

Exhibit H-NY - 1

This section 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, as amended, and the regulations issued thereunder.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT’S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is a resident of North Dakota and the Franchised Location that Franchisee will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 18.3 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **GOVERNING LAW.** Section 27.1 of the Franchise Agreement is deleted and replaced with the following:

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND FRANCHISEE WILL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

5. **FORUM FOR LITIGATION.** The following is added to the end of Section 27.4 of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO FRANCHISEE’S MEDIATION AND ARBITRATION OBLIGATIONS, FRANCHISEE MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA

FRANCHISE INVESTMENT LAW.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Sections 27.6 and 27.7 of the Franchise Agreement are deleted.

7. **LIMITATIONS OF CLAIMS.** To the extent required by the North Dakota Franchise Investment Law, Section 27.8 of the Franchise Agreement is deleted.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT’S PALETTE,  
LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
  
\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
  
Date: \_\_\_\_\_



**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Rhode Island and the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 2.2 and 16.3:

Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

3. **GOVERNING LAW / FORUM FOR LITIGATION.** The following language is added to the end of Sections 27.1 and 27.4 of the Franchise Agreement:

SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT “A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT.” TO THE EXTENT REQUIRED BY APPLICABLE LAW, RHODE ISLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE RHODE ISLAND FRANCHISE INVESTMENT ACT.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN WASHINGTON**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Washington; and/or (b) the Franchised Location that Franchisee will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:

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 Franchisee’s relationship with the Franchisor including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Franchise Agreement in Franchisee’s relationship with the Franchisor, including the areas of termination and renewal of the 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, 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 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

ExhibitH-WA - 1

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 Franchisor from restricting, restraining, or prohibiting a Franchisee from (i) soliciting or hiring any employee of a franchisee of the 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.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT’S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
FRANCHISE AGREEMENT  
FOR USE IN WISCONSIN**

**THIS ADDENDUM** (the “**Addendum**”) is made and entered into by and between **GFH PINOT’S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Wisconsin and the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in Wisconsin; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Wisconsin.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 2.2 and 16.3:

Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**EXHIBIT D**  
**AREA DEVELOPMENT AGREEMENT**



**GFH PINOT'S PALETTE, LLC AREA DEVELOPMENT AGREEMENT**

\_\_\_\_\_  
**AREA DEVELOPER**

\_\_\_\_\_  
**DEVELOPMENT AREA**

\_\_\_\_\_  
**EFFECTIVE DATE OF AGREEMENT**



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- EXHIBIT A – DATA SHEET
- EXHIBIT B – LIST OF AREA DEVELOPER’S PRINCIPALS AND DESIGNATED PRINCIPAL
- EXHIBIT C – GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGEMENT
- EXHIBIT D – AREA DEVELOPER CERTIFICATION
- EXHIBIT E – STATE ADDENDA

**AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (the “**Agreement**”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_(the “**Effective Date**”), by and between:

- ◆ GFH Pinot’s Palette, LLC, a Texas limited liability company, whose principal place of business 2880 Broadway Bend, Bld #1, Pearland, Texas 77584 (“**Franchisor**”); and
- ◆ \_\_\_ a [resident of] [corporation organized in] [limited liability company organized in] [*select one*], having offices at \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (“**Area Developer**”).

**BACKGROUND:**

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of businesses at retail locations that feature and operate under the Proprietary Marks (as defined below) (each a “**Pinot’s Palette Location**”). Pinot’s Palette Locations offer customers artistic, creative, and painting classes with the opportunity to enjoy wine or other beverages, under the name “Pinot’s Palette.”

B. The distinguishing characteristics of the System include exterior and interior design, decor, color schemes, fixtures, and furnishings; standards and specifications for products, services, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark “Pinot’s Palette” and other related marks (the “**Proprietary Marks**”).

D. Area Developer desires to obtain certain development rights to open and operate Pinot’s Palette Locations under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

**NOW THEREFORE**, the parties agree as follows:

**1 GRANT**

1.1 **Grant and Acceptance.** Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Pinot’s Palette Locations (the “**Franchised Locations**”) as set forth in Exhibit A to this Agreement. In this regard, the parties further agree that:

1.1.1 Each Franchised Location developed hereunder shall be operated pursuant to a separate GFH Pinot’s Palette, LLC Franchise Agreement (a “**Franchise Agreement**”) that shall be executed as provided in Section 3.4 below.

1.1.2 For each Franchised Location to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Location in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit A to this Agreement (the “**Development**”).

**Schedule”).**

1.1.3 Each Franchised Location developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within in the area described in Paragraph 2 of Exhibit A to this Agreement (the “**Development Area**”).

1.2 **Development Area.** Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a Pinot’s Palette Location under the Proprietary Marks and System at any location that is within the Development Area.

1.3 **Franchisor’s Reserved Rights.** Notwithstanding anything to the contrary, Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate and license others to establish and operate, Pinot’s Palette Locations under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Locations;

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Pinot’s Palette Locations, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Locations;

1.3.3 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through wholesalers, distributors, catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet), including products bearing Franchisor’s Proprietary Marks; and

1.3.4 To (i) acquire one or more retail businesses that are the same as, or similar to, Pinot’s Palette Locations then operating under the System (each an “**Acquired Business**”), which may be at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Locations, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pinot’s Palette Location under the System, subject to the following conditions that apply to each Acquired Business located within the Development Area:

1.3.4.1 Provided that Area Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor may, in its sole discretion, offer to Area Developer the option to purchase and operate, as a Pinot’s Palette Location, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. If Franchisor in its sole discretion offers to Area Developer such an option, Franchisor shall provide Area Developer with written notice of Franchisor’s purchase of the Acquired Business(es), the terms and conditions applicable to the Area Developer’s option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Area Developer shall include, without limitation, the following: (a) the purchase price

will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.3.4.2), then Area Developer's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Area Developer enter into Franchisor's then-current form of System franchise agreement for the Acquired Business, provided that Area Developer shall not be required to pay an initial franchise fee for an Acquired Business. If Area Developer does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or parent or third party licensees or franchisees, the Acquired Business under any trade name or trademarks including the Proprietary Marks.

1.3.4.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisor may also license to a licensee or franchisee under the Acquired System additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Area.

1.4 **No Rights to Use the System.** This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products. Area Developer's rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

## 2 **TERM**

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Locations to be located in the Development Area as set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A; or (ii) the final date set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A (the "**Expiration Date**").

## 3 **DEVELOPMENT OBLIGATIONS**

3.1 **Time is of the Essence.** Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the Development Schedule requires that Area Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Franchised Locations by the end of the time periods specified in Exhibit A.

3.2 **Identifying and Securing Sites.** Area Developer shall be solely responsible for identifying, submitting for Franchisor's approval, and securing specific sites for each Franchised Location. The following terms and conditions shall apply to each Franchised Location to be developed hereunder:

3.2.1 Area Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include; (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Area Developer's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the "**SAP**"). Franchisor shall have twenty (20) business days after receipt of the SAP from Area Developer to approve or disapprove, in its sole discretion, the proposed site for the Franchised Location. In the event

Franchisor does not approve a proposed site by written notice to Area Developer within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

3.2.2 Subject to Franchisor's approval of a proposed site, Area Developer shall execute a Lease for such site by the end of the applicable time period specified in the Development Schedule. Failure to timely execute a Lease as required by this Section 3.2.2 will constitute a default under this Agreement. The Lease must be acceptable to Franchisor, as provided in Section 3.3 below. Area Developer shall immediately notify Franchisor of the execution of the approved Lease. The site approved and secured pursuant to this Agreement shall be specified as the "Approved Location" under the Franchise Agreement executed pursuant Section 3.4 below.

3.2.3 Area Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Location or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Area Developer and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Area Developer's expectations as to revenue or operational criteria.

3.3 **Lease Terms.** For each Franchised Location to be developed hereunder, Area Developer shall occupy the premises under a lease or sublease agreement ("**Lease**"). Area Developer shall, prior to execution of such Lease, submit the Lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the Lease only on the condition, agreed to in writing by the lessor, that the Lease shall become null and void if Franchisor does not approve such Lease. Franchisor's approval of the Lease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require. A Lease Rider containing Franchisor's current requirements is included as an exhibit to the Franchise Agreement, which Area Developer must execute and must cause to be executed by the landlord to its lease as a condition to Franchisor's approval hereunder.

3.4 **Franchise Agreements.** With respect to the Franchise Agreements to be executed for the Franchised Locations to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1 The Franchise Agreement for the first Franchised Location to be developed under this Agreement shall be executed simultaneously with the execution of this Agreement.

3.4.2 The Franchise Agreement for each subsequent Franchised Location to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement executed simultaneously with this Agreement including, without limitation, higher and/or additional fees; provided, however, so long as Area Developer is in compliance with this Agreement, the initial franchise fee (as set forth in Section 4.3 below) shall not exceed Thirty Thousand Dollars (\$30,000).

3.4.3 Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) the Area Developer and all Principals (as defined in Section 9.1

below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of franchisee's obligations under the Franchise Agreement.

3.4.4 Area Developer must execute each Franchise Agreement in accordance with the Development Schedule. Failure to timely execute a Franchise Agreement as required by this Section 3.4 will constitute a default under this Agreement. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Location

3.5 **Force Majeure Events.** Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "**force majeure,**" which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, pandemic, or any other cause beyond the reasonable control of Area Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

#### **4 DEVELOPMENT FEE AND INITIAL FRANCHISE FEE**

4.1 **Area Development Fee.** In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee ("**Area Development Fee**") that is equal to Twenty Thousand Dollars (\$20,000) multiplied by the number of Franchised Locations to be developed and opened within the Development Area during the term of this Agreement and in accordance with the Development Schedule, the total amount of such Area Development Fee is specified in Paragraph 3 of Exhibit A. Receipt of the Area Development Fee is hereby acknowledged. The Area Developer expressly acknowledges and agrees that the Area Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area Developer, even if Area Developer does not enter into any Franchise Agreements pursuant to this Agreement.

4.2 **Credit Towards Franchise Fee.** If Area Developer is in compliance with its obligations under this Agreement and any other agreement with Franchisor, then upon execution of each Franchise Agreement executed pursuant to the Development Schedule, Franchisor will credit towards the Franchise Fee (as set forth in Section 4.3 below) for said Franchise Agreement, the sum of Twenty Thousand Dollars (\$20,000). In no circumstances will Franchisor grant credits in excess of the total Area Development Fee paid by Area Developer, as set forth in Paragraph 3 of Exhibit A.

4.3 **Franchise Fees.** Notwithstanding anything to the contrary in any of the Franchise Agreements, the initial franchise fee (the "**Franchise Fee**") that shall be paid by Area Developer for the first Franchised Location to be developed pursuant to the Development Schedule shall be an amount equal to Thirty Thousand (\$30,000), which shall be paid in full upon execution of each such Franchise Agreement, less any credit that may be applied pursuant to Section 4.2.

#### **5 DUTIES OF THE PARTIES**

5.1 **Franchisor's Assistance.** Franchisor shall furnish to Area Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for Pinot's Palette Location sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Evaluation as Franchisor deems advisable in response to Area Developer's request for site approval for each Franchised Location; provided, however, that Franchisor shall not provide evaluation for any proposed site prior to the receipt of a SAP for such site prepared by Area Developer pursuant to Section 3.2.

5.2 **Designated Principal.** If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) of Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Locations under this Agreement and the operations of all such Franchised Locations open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding the Area Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Locations, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3 **Records and Reports to Franchisor.** Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following reports, financial statements and other data, which shall be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the twentieth (20<sup>th</sup>) day of each calendar month, Area Developer shall have prepared a profit and loss statement reflecting all Area Developer's operations during the last preceding calendar month, for each Franchised Location. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 On April 15<sup>th</sup> of the year following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 **Maintaining Records.** Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

5.5 **Area Developer to Provide Training.** Area Developer agrees that, notwithstanding anything to the contrary in any Franchise Agreement, Area Developer shall be responsible for conducting the initial training of all required trainees (including, without limitation, the owners and management personnel) for the fourth (4<sup>th</sup>) and any subsequent Franchised Locations developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Area Developer is seeking Franchisor's approval to develop the fourth (4<sup>th</sup>) Franchised Location under this Agreement, Area Developer shall have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Area Developer to conduct such training.

## 6 DEFAULT AND TERMINATION

6.1 **Automatic Termination.** Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Locations; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Locations is instituted against Area Developer and not dismissed within sixty (60) days; or if any asset of Area Developer's or any Franchised Location of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 **Termination Upon Notice.** Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Franchised Location operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2 If Area Developer or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or action 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.

6.2.3 If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.2.4 If any Franchised Location operated by Area Developer (or an entity affiliated with Area Developer) at any time ceases to operate for a period of more than twenty-four (24) hours, or is otherwise abandoned, unless such closure is approved in writing by Franchisor, or excused by force majeure.

6.2.5 If Area Developer misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System.

6.2.6 If Area Developer breaches any material provision of this Agreement which breach is not susceptible to cure.

6.3 **Missed Development Schedule Deadline.** Failure by Area Developer to meet a deadline under the Development Schedule (a "**Missed Deadline**") shall constitute a default under this Agreement. In such an event, Franchisor, in its discretion, may terminate this Agreement and all rights granted in accordance with this Agreement; or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.



6.4 **Notice and Opportunity to Cure Other Defaults.** Except as otherwise provided in Sections 6.1, 6.2, and 6.3 above, if Area Developer fails to comply with any material term and condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Franchised Locations) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 **Franchisor's Other Options Upon Default.** Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) termination of the credit towards Franchise Fees granted in Section 4.2 hereof; (ii) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 herein for the Development Area; (iii) reduction in the scope of the Development Area; (iv) reduction in the number of Franchised Locations to be developed by Area Developer; and/or (v) Franchisor's retention of all area development fees paid, or owed, by Area Developer. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

6.6 **No Further Rights.** Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Pinot's Palette Location for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Locations under this Agreement, and Franchisor's retention of all area development fees paid or owed by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, Pinot's Palette Locations in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or Area Developer's affiliates (as permitted under Section 3.4.3 above).

6.7 **Damages Upon Termination.** In addition to the above, upon termination or expiration of this Agreement, Area Developer shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Area Development, such sums shall include, without limitation, all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to, and remain until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Area Developer at the time of default. Upon termination of this Agreement by reason of a default by Area Developer, Area Developer agrees to pay to Franchisor within fifteen (15) days after the effective date of termination, in addition to the amounts owed hereunder, liquidated damages equal to an amount of Five Hundred Dollars (\$500) per month for the number of months remaining in each Franchise Agreement Area Developer is required to sign with Franchisor as set forth on Exhibit A, had this Agreement not been terminated. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages, and not a penalty.

## 7 **TRANSFER OF INTEREST**

7.1 **Franchisor's Rights to Transfer.** Franchisor shall have the right, without the need for Area Developer's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to

any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2 **No Transfers Without Franchisor's Approval.** Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in the Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations of Area Developer under this Agreement, or any material asset of the Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement executed simultaneously with this Agreement that Franchisor deems applicable to a proposed transfer under this Agreement. In addition, Area Developer's first Franchised Location under its first Franchise Agreement must be open and operating, and Area Developer must be in compliance with the Development Schedule (and all other terms of this Agreement and all Franchise Agreements and other agreements between Area Development and its affiliates, and Franchisor).

7.3 **Simultaneous Transfers.** Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4 **Transfer Fee.** At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to Ten Thousand Dollars (\$10,000) for each Franchised Location that remains to be developed and opened in order to satisfy the Development Schedule, but not less than fifty percent (50%) of the Area Development Fee paid. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5 **Transfer to Entity Formed for by Area Developer.** Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that: (a) Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Area Developer and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Area Developer under this Agreement; (c) Area Developer executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to developing and operating the Franchised Locations; and (e) Area Developer and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

## 8 **COVENANTS**

8.1 **Confidential Information.** Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or

thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2 **During the Term.** Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.2.1 Divert or attempt to divert any business or customer of any Pinot's Palette Location or of any unit under the System 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.

8.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered a business or undertaking that markets, offers, sells or provides artistic, creative or painting classes or any other products or services that are part of the System, including without limitation any business, undertaking, classes, activities, products, or services that are the same as or similar to those found in the Franchised Location or any mobile operations. Furthermore, Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.2.2 if such person was subject to the covenants of this Section 8.2.2.

8.3 **After the Agreement and After a Transfer.** Area Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above; (b) expiration of this Agreement; (b) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.3; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, be employed by, or have any interest in any Competitive Business, which is, or is intended to be, located (i) within the Development Area (other than those Franchised Locations provided for in the Development Schedule) or (ii) within a radius of twenty (20) miles of any other Pinot's Palette Location in operation, under construction, or under contract on the effective date of termination or expiration located anywhere. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a franchise agreement with Franchisor.

8.4 **Exception for Ownership in Public Entities.** Sections 8.2 and 8.3 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "**publicly held corporation**" refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 **Personal Covenants.** At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants

applicable upon the termination of a person's relationship with Area Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information, or who are or may be involved in the operation or development of the Franchised Locations. Every covenant required by this Section 8.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 **Covenants as Independent Clauses.** The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 **Franchisor's Right to Reduce Scope of the Covenants.** Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.8 **Covenants Survive Claims.** Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 **Compliance with Laws.** Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## **9 CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

9.1 **List of Principals.** If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.2 **Guaranty, Indemnification, and Acknowledgment.** Each Principal shall execute a guaranty, indemnification, and acknowledgment of Area Developer's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

9.3 **Corporations and Limited Liability Companies.** If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1 Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Locations.

9.3.2 Area Developer shall, upon request of Franchisor, promptly furnished to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3 Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly held corporation.

9.4 **Partnerships and Limited Liability Partnerships.** If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1 Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Locations.

9.4.2 Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

## 10 **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party, and provided that Franchisor may provide Area Developer notice electronically to the email address included on the signature page of this Agreement, read receipt requested, unless and until a different email address has been designated by written notice to Franchisor.. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## 11 **PERMITS AND COMPLIANCE WITH THE LAWS**

11.1 **Compliance with Laws.** Area 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 the business contemplated under this Agreement.

11.2 **Notice of Actions.** Area Developer shall notify Franchisor in writing within five (5) days of the receipt of any demand letter, 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 Area Developer and/or any Franchised Location established under this Agreement.

## 12 **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

12.1 **No Fiduciary Relationship.** Area Developer is an independent contractor. Franchisor and Area

Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship.

12.2 **Public Notice.** During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 **No Assumption of Liability.** Nothing in this Agreement authorizes Area Developer 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 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 Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.4 **Indemnification.** Area Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates and parent, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent) or any use of any software, method, or program approved, designated or required by Franchisor. Area Developer agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

### **13 APPROVALS AND WAIVERS**

13.1 **Approval Requests.** Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

13.2 **Non-waiver.** No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Area Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Area Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Area Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Developer of any terms, covenants or conditions of this Agreement.

## 14 SEVERABILITY AND CONSTRUCTION

14.1 **Severable Parts.** 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, any 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 hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 **Terms Surviving this Agreement.** Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination.

14.3 **No Rights on Third Parties.** 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 Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4 **Full Scope of Terms.** Area 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 or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed 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 or agency order.

14.5 **Franchisor's Application of its Rights.** Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Area Developer and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

14.6 **Captions Only for Convenience.** All captions in this 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.

## 15 ENTIRE AGREEMENT

Franchisor and Area Developer, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Area Developer which are uncertain, Franchisor and Area Developer, each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non- contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Area Developer agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Area Developer or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Area Developer or the relationship between them. Franchisor and Area Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Area Developer concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Area Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in the Section 15 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits. Any representations, warranties, inducements, promises, understandings or agreements between the parties, that are not in the Franchise Disclosure Document which you acknowledge receiving at least 14 days before signing this Agreement or paying any money, or in writing and signed by us and you, are void and not enforceable,

## **16 APPLICABLE LAW AND DISPUTE RESOLUTION**

16.1 **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules. Nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Texas or of any other state to which it would not otherwise be subject.

16.2 **Non-Binding Mediation.** Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless we agree otherwise in writing. Notwithstanding anything to the contrary, this Section 16.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty-five (45) days of Area Developer's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Area Developer shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 16.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).



16.3 **Arbitration.** Franchisor and Area Developer agree that, except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information, all controversies, disputes, or claims between Franchisor and Area Developer's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Area Developer (and/or Area Developer's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between Area Developer and Franchisor;
- (2) Franchisor's relationship with Area Developer;
- (3) the validity of this Agreement or any other agreement between Area Developer and Franchisor; or
- (4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

16.4 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 16.9 below, award any punitive, exemplary or multiple damages against either party.

16.5 Franchisor and Area Developer agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Area Developer further agrees that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Area Developer or Franchisor.

16.6 Franchisor and Area Developer agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates and parent, and their respective shareholders, officers, directors, agents, and employees, and Area Developer (including owners, guarantors, affiliates, and employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

16.7 Despite Franchisor's and Area Developer's agreement to arbitrate, Franchisor and Area Developer each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Area Developer must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section.

16.8 The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or

termination.

16.9 **Consent to Jurisdiction**. Subject to the mediation and arbitration obligations in Section 16.2 and 16.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Area Developer resides or the Development Area is located.

16.10 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.11 **WAIVER OF JURY TRIAL**. FRANCHISOR AND AREA DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER.

16.12 **Limitation**. Any and all claims and actions arising out of or relating to this Agreement and/or the relationship of Area Developer and Franchisor, brought by either party hereto against the other, whether in mediation, in arbitration or in court, shall be commenced within two (2) years and a day after the cause of action has accrued, or such claim or action shall be forever barred.

16.13 **Intentionally Omitted**.

16.14 **WAIVER OF PUNITIVE DAMAGES**. FRANCHISOR AND AREA DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

16.15 **Intentionally Omitted**.

16.16 **Injunctive Relief**. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

16.17 **Counterparts; Paragraph Headings; Pronouns**. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings in this 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. Each pronoun used herein shall be deemed to include the other number of genders.

16.18 **Attorneys Fees**. In the event that either party hereto is required to employ legal counsel or to incur other expense to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of Area Developer's failure to perform any obligation imposed upon Area Developer by this Agreement, Franchisor shall be entitled to recover from Area Developer the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

**17      ACKNOWLEDGMENTS**

17.1      **Area Developer Read the Agreement and Consulted.** Area Developer acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto.

17.2      **No Conflicting Obligations.** Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

17.3      **Patriot Act.** Area Developer represents and warrants that to its actual knowledge: (i) neither Area Developer, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Area Developer, nor any Area Developer affiliate or related party, or any funding source for any Franchised Location, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury’s Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the “USA Patriot Act,” as such lists may be amended from time to time (collectively, “**Blocked Person(s)**”); (ii) neither Area Developer nor any Area Developer affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Area Developer nor any Area Developer affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Area Developer nor any Area Developer affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State’s Debarred List, as such lists may be amended from time to time (collectively, the “**Lists**”); (v) neither Area Developer nor any Area Developer affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Area Developer nor any Area Developer affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Area Developer agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Area Development Agreement in duplicate on the day and year first above written.

**FRANCHISOR:  
GFH PINOT’S PALETTE, LLC**

**AREA DEVELOPER:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address for Notices:

Attn: Compliance Officer  
GFH Pinot's Palette, LLC  
2880 Broadway Bend, Bld #1  
Pearland, Texas 77584

Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Attn: \_\_\_\_\_

**GFH PINOT'S PALETTE, LLC  
 AREA DEVELOPMENT AGREEMENT  
 EXHIBIT A  
 DATA SHEET**

1. **Development Schedule** (see Section 1.1): Area Developer shall execute Franchise Agreements for the development and operation of \_\_\_\_\_ ( ) Franchised Locations, within the Development Area in accordance with the following Development Schedule:

Location Number	Due Date for Execution of Franchise Agreement	What is the Column represent ?	Date by Which Franchise Location must be Open and Operating	Payment Made	Balance Due Per Franchise Location	Cumulative Number of Pinot's Palette Locations to be Opened and Operating by Area Development in Development Areas
1	Effective Date of this Agreement				-0-	1
2						2
3						3
4						4
5						5

For the purposes of determining compliance with this Development Schedule, only the Pinot's Palette Locations Area Developer actually opens and continuously operates in the Development Area for at least the first six (6) months after opening will be counted toward the number of Pinot's Palette Locations required to be open and operated above.

The Expiration Date of this Agreement, as defined in Section 2, shall be the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Locations to be located in the Development Area as set forth in the Development Schedule above; or (ii) the final date set forth in the Development Schedule above.

2. **Development Area** (see Section 1.1): The Development Area shall be defined as the following:

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If the Development Area references one or more sites yet to be determined, then Franchisor reserves the right to develop and operate Pinot's Palette Locations in and around the above-described city, county, or area, and to sell

franchises and grant territories to others – including through area development agreements – who will operate Pinot’s Palette Locations in and around the above-described area. Area Developer may then be required to choose a final location for a Pinot’s Palette Location outside of any protected territory given to any other franchisee or area developer, which final location may be outside of the area identified above.

3. **Area Development Fee** (see Section 4.1): In accordance with the total number of Franchised Locations to be developed and opened within the Development Area, the total Area Development Fee shall be \$\_\_\_\_\_.

**GFH PINOT’S PALETTE, LLC**  
**Initial:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**AREA DEVELOPER**  
**Initial:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**GFH PINOT'S PALETTE, LLC  
 AREA DEVELOPMENT AGREEMENT  
 EXHIBIT B  
 LIST OF PRINCIPALS & DESIGNATED PRINCIPAL**

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		<b>Total %:</b>

**AREA DEVELOPER'S DESIGNATED PRINCIPAL**

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

**GFH PINOT'S PALETTE, LLC**

**AREA DEVELOPER**

**Initial: \_\_\_\_\_ Date: \_\_\_\_\_**

**Initial: \_\_\_\_\_ Date: \_\_\_\_\_**

**GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
EXHIBIT C  
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to GFH Pinot's Palette, LLC ("**Franchisor**") to enter into the Area Development Agreement between Franchisor and \_\_\_\_\_ ("**Area Developer**"), dated \_\_\_\_\_, 20\_\_\_\_ (the "**Agreement**"), the undersigned, jointly and severally, hereby guarantee to Franchisor and Franchisor's successors and assigns that all of Area Developer's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guarantee, Indemnification, and Acknowledgment (this "**Guarantee**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Area Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Area Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Area Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; or (d) give notice of demand for payment by Area Developer. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement, any amendment thereto, or any other agreement executed by Area Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 7 and 8. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned assert that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Area Developer by Franchisor under the Agreement. The undersigned further acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Pinot's Palette" marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the



funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Section 10 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guarantee shall be governed by the dispute resolution provisions of Section 16 of the Agreement, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

**IN WITNESS WHEREOF**, the undersigned has executed this Guarantee, Indemnification and Acknowledgement as of the date of the Agreement.

**GUARANTOR(S):**

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

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

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

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

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

**GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
EXHIBIT D  
AREA DEVELOPER CERTIFICATION**

The undersigned, personally and as an officer(s), member(s) or partner(s) of Area Developer, as applicable, does hereby certify that he/she has conducted an independent investigation of the business contemplated by this Area Development Agreement and the GFH Pinot's Palette, LLC Franchise Agreement, and that the decision to execute the Area Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he/she has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Area Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor or its affiliate or parent operated Pinot's Palette Locations that is contrary to or different from the information contained in Franchisor's Franchise Disclosure Document. The undersigned further certifies that he/she understands the risks involved in this investment and GFH Pinot's Palette, LLC makes no representation or guaranty, explicit or implied, that the Area Developer will be successful or will recoup his/her investment.

**IN WITNESS WHEREOF**, the undersigned have signed and delivered this Certificate this day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
AREA DEVELOPER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Each of the undersigned Principals own a beneficial interest in Area Developer and has read the Area Development Agreement, agree to be individually bound by all obligations of Area Developer hereunder and certify the foregoing:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**GFH PINOT'S PALETTE, LLC**  
**AREA DEVELOPMENT AGREEMENT**  
**EXHIBIT E**  
**STATE ADDENDA**

Exhibit E - 1

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN ILLINOIS**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“Franchisor”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“Area Developer”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located in Illinois, and/or (b) Area Developer is domiciled in Illinois.

2. **FORUM FOR LITIGATION.** The following sentence is added to the end of Section 16.4 (“Consent to Jurisdiction”) of the Area Development Agreement:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

3. **GOVERNING LAW.** Section 16.1 (“Governing Law”) of the Area Development Agreement is deleted and replaced with the following:

Illinois law shall govern this Agreement.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Section 16.14 of the Area Development Agreement:

16.14 Illinois Franchise Disclosure Act. 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 the Act or any other law of Illinois is void.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN MARYLAND**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“Franchisor”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“Area Developer”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is domiciled in Maryland, and/or (b) the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of any Franchise Agreement signed pursuant to the Area Development Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY.** The following sentence is added to the end of Section 6.1 of the Area Development Agreement:

Section 6 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **FORUM FOR LITIGATION.** The following language is added to the end of Section 16.4 (“Consent to Jurisdiction”) of the Area Development Agreement:

Area Developer may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **GOVERNING LAW.** The following sentence is added to the end of Section 16.1 (“Governing Law”) of the Area Development Agreement:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

6. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 16.7 (“Limitation”) of the Area Development Agreement:

Area Developer must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Franchisor grant Area Developer the franchise.

7. **ACKNOWLEDGMENTS.** The following language is added as Section 17.6 of the Area Development Agreement:

17.6 ACKNOWLEDGEMENTS.

All representations requiring Area Developer 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.

8. **FINANCIAL ASSURANCE.** Based on our financial condition, the State of Maryland has required a financial assurance. Therefore, we have posted a surety bond with the State of Maryland guaranteeing our obligations under the Area Development Agreement. You may contact the state agency listed in Exhibit A of our Franchise Disclosure Document for more information.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN MINNESOTA**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Area Developer**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “**Area Development Agreement**”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. **FORUM FOR LITIGATION.** The following language is added to the end of Section 16.4 of the Area Development Agreement:

NOTWITHSTANDING THE FOREGOING, MINN. STAT. SEC. 80C.21 AND MINN. RULE 2860.4400J PROHIBIT FRANCHISOR, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE OF MINNESOTA. NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF AREA DEVELOPER'S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80.C OR AREA DEVELOPER'S RIGHTS TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

3. **RENEWAL TERM AND TERMINATION TERM.** The following is added to the end of Sections 2.2 and 16.3 of any Franchise Agreement signed pursuant to the Area Development Agreement:

However, with respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **NOTIFICATION OF INFRINGEMENT AND CLAIMS.** The following sentence is added to the end of Section 9.4.15 of any Franchise Agreement signed pursuant to the Area Development Agreement:

Provided Franchisee has complied with all provisions of this Agreement applicable to the Marks, Franchisor will protect Franchisee's right to use the Marks and will indemnify Franchisee from any loss, costs or expenses arising out of any claims, suits or demands regarding Franchisee's use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

5. **GOVERNING LAW.** The following statement is added at the end of Section 16.1 of the Area Development Agreement:

NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF AREA DEVELOPER'S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR AREA DEVELOPER'S RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS



OF THE JURISDICTION PROVIDE.

6. **MUTUAL WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES.** If and then only to the extent required by the Minnesota Franchises Law, Sections 16.6 and 16.9 of the Area Development Agreement are deleted.

7. **LIMITATION OF CLAIMS.** The following is added to the end of Section 16.7 of the Area Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

8. **RELEASE OF CLAIMS.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of any Franchise Agreement signed pursuant to the Area Development Agreement:

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 - 80C.22.

9. **INJUNCTIVE RELIEF.** Section 16.11 of the Area Development Agreement is deleted and replaced with the following:

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against conduct that threatens to injure or harm Franchisor, the Marks or the System, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Area Developer agrees that Franchisor may seek such injunctive relief. Area Developer agrees that its only remedy if an injunction is entered against Area Developer will be the dissolution of that injunction, if warranted, upon due hearing, and Area Developer hereby expressly waives any claim for damages caused by such injunction. A court will determine if a bond is required.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE  
STATE OF NEW YORK**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“Franchisor”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“Area Developer”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the “Area Development Agreement”) that has been signed concurrently with this Addendum. This Addendum is being signed because (a) Area Developer is domiciled in the State of New York and the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in New York.

2. **FRANCHISOR'S RIGHTS TO TRANSFER.** The following language is added to the end of Section 7.1 of the Area Development Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee that, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under this Agreement.

3. **RELEASES.** The following language is added to the end of Sections 2.2.4, 8.26, and 15.3.3 of any Franchise Agreement signed under the Area Development Agreement:

Notwithstanding the foregoing all rights enjoyed by Franchisee and any causes of action arising in Franchisee's 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 to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION OF AGREEMENT - BY AREA DEVELOPER.** The following language is added as Section 6.8 of the Area Development Agreement:

Area Developer also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **INJUNCTIVE RELIEF.** The following sentence is added to the end of Section 16.11:

Franchisor's right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. **FORUM FOR LITIGATION.** The following statement is added at the end of Section 16.4 (“Consent to Jurisdiction”) of the Area Development Agreement:

This section shall not be considered a waiver of any right conferred upon Area Developer by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **GOVERNING LAW.** The following is added to the end of Section 16.1 (“Governing Law”) of the Area Development Agreement:

a. This section shall not be considered a waiver of any right conferred upon Area Developer by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT’S PALETTE,  
LLC**

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

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

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

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

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN NORTH DAKOTA**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“Franchisor”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“Area Developer”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is a resident of North Dakota and the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in North Dakota.

2. **RELEASES.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of any Franchise Agreement signed under the Area Development Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 8.3 of the Area Development Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **GOVERNING LAW.** Section 16.1 of the Area Development Agreement is deleted and replaced with the following:

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN FRANCHISOR AND AREA DEVELOPER WILL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

5. **FORUM FOR LITIGATION.** The following is added to the end of Section 16.4 of the Area Development Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO AREA DEVELOPER'S

ARBITRATION OBLIGATIONS, AREA DEVELOPER MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Sections 16.6 and 16.9 of the Area Development Agreement are deleted.

7. **LIMITATIONS OF CLAIMS.** To the extent required by the North Dakota Franchise Investment Law, Section 16.7 of the Area Development Agreement is deleted.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN RHODE ISLAND**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“Franchisor”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“Area Developer”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is domiciled in Rhode Island and the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Rhode Island.

2. **TERMINATION.** The following paragraph is added to the end of Section 6.4:

Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

3. **GOVERNING LAW / FORUM FOR LITIGATION.** The following language is added to the end of Sections 16.1 and 16.4 of the Area Development Agreement:

SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT “A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT.” TO THE EXTENT REQUIRED BY APPLICABLE LAW, RHODE ISLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE RHODE ISLAND FRANCHISE INVESTMENT ACT.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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



**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN WASHINGTON**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“Franchisor”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“Area Developer”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Area Developer are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is domiciled in Washington; and/or (b) the Franchised Locations that Area Developer will operate and develop under the Area Development Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Area Development Agreement occurred in Washington.

2. **WASHINGTON LAW.** The following paragraphs are added to the end of the Area Development Agreement:

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 Area Development Agreement in Area Developer's relationship with the Franchisor including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Area Development Agreement in Area Developer's relationship with the Franchisor, including the areas of termination and renewal of the 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 Area Development Agreement, Area Developer 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 Area Developer 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 Area Development Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits Franchisor from restricting, restraining, or prohibiting a Area Developer from (i) soliciting or hiring any employee of a franchisee of the Franchisor or (ii) soliciting or hiring any employee of the Franchisor. As a result, any such provisions contained in the Area Development Agreement or elsewhere are void and unenforceable in Washington.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

**FRANCHISOR**

**GFH PINOT’S PALETTE,  
LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**AREA DEVELOPER**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]  
  
By: \_\_\_\_\_ Name: \_\_\_\_\_  
\_\_\_\_\_  
Title: \_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
  
\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Date: \_\_\_\_\_

**ADDENDUM TO THE  
GFH PINOT'S PALETTE, LLC  
FRANCHISE AGREEMENT  
FOR USE IN WISCONSIN**

**THIS ADDENDUM** (the “Addendum”) is made and entered into by and between **GFH PINOT'S PALETTE, LLC**, a Texas limited liability company (“**Franchisor**”) with its principal business address at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, and \_\_\_\_\_ a \_\_\_\_\_ (“**Franchisee**”), whose principal business address is \_\_\_\_\_.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Wisconsin and the Franchised Location that Franchisee will operate under the Franchise Agreement will be located in Wisconsin; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Wisconsin.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 2.2 and 16.3:

Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**GFH PINOT'S PALETTE,  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**EXHIBIT E**  
**NON-USE AND NON-DISCLOSURE AGREEMENT**

This Non-Use and Non-Disclosure Agreement (this “**Agreement**”) is entered into by and among \_\_\_\_\_, whose address is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, (collectively, together with all affiliates, representatives and agents, referred to as “**Interested Party**”) and GFH Pinot’s Palette, LLC, a Texas limited liability company, whose address is 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584 (the “**Company**”).

WHEREAS, the Interested Party is interested in entering into a business relationship with the Company; and the Company is interested in entering into a business relationship with the Interested Party; and

WHEREAS, in connection with evaluating the viability of such a business relationship, the Company is furnishing and will furnish the Interested Party with information related to Company and/or its business, including without limitation, financial information, operating information, processes, procedures, corporate and business information, documentation and agreements, including without limitation a franchise disclosure document, that contain confidential and proprietary information (all of the forgoing together with all attachments, addenda, exhibits and other agreements described or referred to in any of the forgoing is herein referred to as the “**Information**”).

For good and valuable consideration, including without limitation the Company’s furnishing the Interested Party with the Information, the Interested Party has agreed and does hereby agree that:

1. Nondisclosure Obligations. Interested Party will keep the Information confidential, and Interested Party will not, without the Company’s prior written consent disclose the Information, whether in whole or in part, directly or indirectly, except as expressly permitted hereunder. The Interested Party will not use the Information for any purpose other than evaluating the viability of entering into a business relationship with Company (the “**Purpose**”). Interested Party will not use all or any of the Information, or allow all or any of the Information to be used, for any reason other than the Purpose. The Interested Party (a) will not disclose the Information to any employee, agent, or representative of Interested Party unless such person needs access to the Information in order to facilitate the Purpose and executes a nondisclosure agreement with the Interested Party, with terms no less restrictive than those of this Agreement; and (b) will not disclose the Information to any other third party without the Company’s prior written consent. The Interested Party is responsible for any breach of this Agreement by any party that receives any of the Information, either directly or indirectly, from the Interested Party. The Interested Party will promptly notify the Company of any misuse or misappropriation of the Information that comes to the Interested Party’s attention.

2. Additional Nondisclosure Obligations. Without the Company’s prior written consent, except where otherwise required by law (such requirements to be confirmed by a written legal opinion of the Interested Party’s counsel), the Interested Party will not disclose to any person the fact that the Information has been made available, that discussions or negotiations are taking place or have taken place concerning a possible transaction involving the Interested Party and the Company, or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof. If Interested Party is required by law to disclose all or any of the Information and such requirements are confirmed by a written legal opinion of the Interested Party’s counsel, Interested Party shall reasonably cooperate with Company in any effort to seek a protective order or otherwise contest such required disclosure, at Company’s expense. The Interested Party shall give Company prompt notice of any such legal or governmental demand for the Information.

3. Injunction. The Interested Party agrees that breach of this Agreement would cause the Company irreparable injury, for which monetary damages would not provide adequate compensation, and for which other remedies at law may be inadequate to protect the Company against a breach of this Agreement, and that in addition to any other remedy, the Company will be entitled to injunctive relief against such breach or threatened breach,

without proving actual damage or posting a bond or other security, which requirements are hereby expressly waived by the Interested Party.

4. Retention of Rights. This Agreement does not transfer ownership of the Information or grant a license thereto. Company will retain all right, title, and interest in and to all Information.

5. No Waiver. Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time, or by any statement or representation other than a written waiver executed by the party seeking to waive its rights hereunder.

6. Authority. The undersigned parties each represent and warrant that such party has the power and authority to execute this agreement on behalf of the Interested Party or the Company, as is applicable. The Interested Party represents and warrants that he or she has all necessary authorizations, consents and agreements to bind the Interested Party to the terms and conditions contained herein.

7. Jurisdiction; Applicable Law. You agree that any lawsuit brought the Company to enforce its rights under this Agreement shall be brought in the courts of the County where the Company has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

8. Severability. To the extent permitted by applicable law, the parties hereby waive any provision of law that would render any clause of this Agreement invalid or otherwise unenforceable in any respect. In the event that a provision of this Agreement is held to be invalid or otherwise unenforceable, such provision will be interpreted to fulfill its intended purpose to the maximum extent permitted by applicable law, and the remaining provisions of this Agreement will continue in full force and effect.

9. Survival. The provisions of this Agreement will survive any termination or expiration of the relationship of the parties hereto.

10. Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

WITNESS the execution thereof, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

COMPANY:  
GFH Pinot's Palette, LLC

INTERESTED PARTY:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

**EXHIBIT F**  
**LIST OF FRANCHISEES AND AREA DEVELOPERS**

**Franchisees Open as of December 31, 2022**

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone</b>
J&L Acquisitions LLC	8 Parade St, Suite 102	Huntsville	AL	35806	(256) 801-9640
Chill Lifestyles Inc.*	2743 South Market Street, Ste 110	Gilbert	AZ	85295	(480) 750-9463
Bodega Dreams LLC	26731 Aliso Creek Rd, Ste 200 A	Aliso Viejo	CA	92656	(626) 394-4010
Lucia's Palette LLC	110 W Birch St	Brea	CA	92821	(714) 773-1456
Stannas Studio, Inc	410 Sycamore Valley Rd West	Danville	CA	94526	(925) 743-9900
Pour Decizions, LLC	8962 Elk Grove Blvd A	Elk Grove	CA	95624	(916) 895-2627
Adipose, Finn & Rey LLC	7811 Edinger Avenue, Ste 110	Huntington Beach	CA	92647	(657) 227-9499
L.H.L.L. LLC	153 S L Street	Livermore	CA	94550	(925) 290-7478
Paint and Wine Collaboration LLC	168 West Green Street, Ste 109	Pasadena	CA	91105	(626) 755-0383
Bodega Dreams LLC	22235 El Paseo, Ste B	Rancho Santa Margarita	CA	92688	(949) 393-1340
Dreaming of Dinosaurs, LLC	533 San Mateo Ave	San Bruno	CA	94066	(650) 392-8014
AMM Studios Inc.	41789 Nicole Lane, Ste B6	Temecula	CA	92591	(951) 331-3301
Artbar, LLC	2479 Park Avenue	Tustin	CA	92782	(714) 400-9016
Leonor's Shop, LLC	159 W. Mountain Ave.	Fort Collins	CO	80524	(970) 539-7729
Maple Cookie, LLC*	25 Harbor Point Road	Stamford	CT	06902	(203) 588-9893
Art to Life Studio One, LLC	2086 Badlands Dr.	Brandon	FL	33511	(813) 618-3064
Hkelly Arts LLC	1718 Bruce B. Downs Blvd	Wesley Chapel	FL	33544	(863) 662-0909
Jaclyn Casey and Jeff Hansen*	728 N 4th Street	Coeur d'Alene	ID	83814	(208) 930-4763
QUE OF LIFE PARTNERS, INC.	2768 N. Milwaukee Ave	Chicago	IL	60647	(773) 289-1709
Art U Having Fun	214 N York Street	Elmhurst	IL	60126	(630) 359-4500

Exhibit F - 1

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone</b>
LLC					
Two Painted Ladies, LLC	175 W. Jackson Avenue, Suite 123	Naperville	IL	60540	(331) 457-5440
G & C Cook	100 W Higgins Road Suite H-80	South Barrington	IL	60010	(224) 484-8526
Fox River Studio, Inc	3823 E Main St	St Charles	IL	60174	(630) 338-0278
Chanani, Inc	1001 75th St. Unit 113B	Woodridge	IL	60517	(708) 288-6172
Vineart, LLC*	4817 W. 117th St	Leawood	KS	66211	(913) 451-7466
JBC&T LLC	11945 S. Strang Line Rd.	Olathe	KS	66062	(913) 732-3768
PDFFLEXKY, LLC	3851 Mall Rd, Suite 110	Lexington	KY	40503	(859) 245-0004
BAKER'S PINOT STM, LLC	291 N Hubbards Lane Suite 160	Louisville	KY	40207	(502) 409-4572
Reshma Art Palette, LLC	7A Meriam St.	Lexington	MA	02420	(781) 862-3200
ELITE EVENTS, LLC	11105 Resort Rd. Suite 105	Ellicott City	MD	21042	(443) 420-8378
Copacabana Arts, LLC	483 NE Coronado Drive	Blue Springs	MO	64014	(816) 598-0598
Paulista Arts, LLC	4165 N Mulberry Drive	Grain Valley Kansas City	MO	640296 4116	(816) 492-3772
Vin Bleu Entertainment, Inc.	20 Allen Ave Suite 150	Webster Groves	MO	63119	(314) 736-6403
Carole's Transitions of the Triangle, LLC	10410 Moncreiffe Road Suite 101	Raleigh	NC	27617	(919) 391-0258
Sonja Kapoun- Roof	7302 Giles Road, Ste 3	La Vista	NE	68128	(402) 502-5656
Dee1 LLC	545 Brick Blvd	Brick	NJ	08723	(732) 206-6247
Roses & Cleats, INC	921 Haddonfield Rd, Ste 2D	Cherry Hill	NJ	08002	(856) 312-3727
Kraski LLC	647G Route 18 South	East Brunswick	NJ	08816	(732) 210-4557
Beaches and Bourbon, LLC	1885 NJ-57	Hackettstown	NJ	07840	(908) 651-5033
LTJAM LLC	100 U.S. 9 North	Manalapan	NJ	07726	(732) 637-8899

Exhibit F - 2



<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone</b>
Carlee's Palette, LLC*	351 Bloomfield Ave	Montclair	NJ	07042	(973) 744-7500
ArtsyHarvey, LLC*	40 Market Street	Morristown	NJ	07960	(973) 671-8676
Colleen Carlee*	510 Franklin Ave	Nutley	NJ	07110	(973) 284-0700
Apple Day Studios, LLC	127 Village Blvd	Princeton	NJ	08540	(609) 285-5102
ArtsyHarvey, LLC*	25 Oak Street	Ridgewood	NJ	07450	(201) 389-8676
CHRISUZY LLC	96 Summit Ave.	Summit	NJ	07901	(973) 908-9748
Memories in the making, LLC*	2260 Village Walk Dr, Ste 104	Henderson	NV	89052	(702) 910-4700
Memories in the making, LLC*	1000 740 S. Rampart Blvd	Las Vegas	NV	89145	(702) 331-2007
TS3, LLC*	6587 Las Vegas Blvd S, Ste 175	Las Vegas	NV	89119	(702) 586-6060
For the love of art Inc.	7518 13 <sup>th</sup> Ave	Brooklyn	NY	11228	(718) 491-4386
Canvas Vibes LLC	2557 Hempstead Turnpike	East Meadow	NY	11554	(516) 390-8740
Painting the Boulevard LLC	992 Main Street, Suite 8	Fishkill	NY	12524	(845) 896-8500
Wiser Time Inc.	2544 B Ridgeway Ave	Rochester	NY	14626	(585) 730-5147
Painting Connection Company LLC	691 North High Street, Suite 101	Columbus	OH	43215	(614) 456-7307
Canvas Chaos LLC	7334 Tylers Corner, Suite 800	West Chester	OH	45069	(513) 342-1927
Art Squirrel Studios LLC	28699 Chagrin Blvd, Suite 280	Woodmere	OH	44122	(216) 755-4475
Humble Beginnings, LLC*	212 South Main Street	Broken Arrow	OK	74012	(918) 893-6447
Humble Beginnings, LLC*	300 Riverwalk Terrace Ste 160	Jenks	OK	74037	(918) 518-5433
ERC Investments, LLC	228 E Main Street	Norman	OK	73069	(405) 310-1755
Pinot's Palette Studio 5 LLC	115 E California Avenue, Suite 100	Oklahoma City	OK	73104	(405) 602-3850
Humble Beginnings, LLC*	1621 East 15th Street	Tulsa	OK	74120	(918) 794-7333

Exhibit F - 3

Franchisee	Address	City	State	Zip Code	Telephone
Art Start to Finish Inc.	103 International Drive Suite 100	Franklin	TN	37067	(615) 314-3370
Artista Del Vino, Inc	2406 Taft Street	Houston	TX	77006	(713) 523-4769
Uncorked Artists, LLC	5920 Westheimer Parkway Suite 100	Katy	TX	77494	(281) 769-2961
Rosecity Art INC.The Severed Ear, LLC	322 East Southeast Loop	Tyler	TX	75701	(903) 561-2773
Fun Fare. LLC	12976 Highland Crossing STE D Dr.	Herndon	VA	20171	(703) 796-0616
Lamby LLC	240 W 21st Street	Norfolk	VA	23507	(757) 386-4679
Pinot's in WA LLC	1066 S 320th St, Suite A/B	Federal Way	WA	98003	(253) 429-2871
Pinot's in Tacoma LLC	10507 156th St E Ste 105	Puyallup	WA	98374	(253) 387-9850
Jaclyn Casey and Jeff Hansen*	319 W Sprague Ave	Spokane	WA	99201	(509) 290-5098
MK2 Investments, LLC	226 East College Avenue	Appleton	WI	54911	(920) 358-7913
AB-SALUTE CREATIVE, LLC	9020 76 <sup>th</sup> Street, Ste E2	Pleasant Prairie	WI	53158	(262) 818-6519

\*Area Developers

**Franchisees With Signed Franchise Agreements, But Not Yet Open as of December 31, 2021**

Franchisee	City	State	Telephone
JANDT LLC	Dublin	OH	<b>(614) 580-2595</b>

**EXHIBIT G**  
**LIST OF FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM**

**From January 1, 2021 to December 31, 2022**

<b>Franchisee</b>	<b>City</b>	<b>State</b>	<b>Telephone</b>
Sewell Family Enterprises INC	Valencia	CA	661-260-0846
CrazyPainter, INC	Largo	FL	727-287-4218
Four Brushes LLC	Wichita	KS	316-425-5053
Palettes of Fun, LLC	Chesterfield	MO	636-778-2111
The Tippy Artist, LLC	Somerville	NJ	908-393-4847
Blair Brook LLC	Wayne	NJ	973-934-1900
Scioto Creations, INC	Powell	OH	740-816-7080
Ranger Logistics LLC	Exton	PA	610-220-7440
Art Start to Finish Inc.	Nashville	TN	949-439-9937
MEM Consolidated LLC	The Woodlands	TX	281-224-0086

\*Area Developers

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

**EXHIBIT H**  
**FINANCIAL STATEMENTS**

Exhibit H

# Pinot's Palette

## Balance Sheet As of April 30, 2023

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
PP Checking (6150) - 1	111,396.00
<b>Total Bank Accounts</b>	<b>\$111,396.00</b>
Accounts Receivable	
Accounts Receivable (A/R)	-156.51
<b>Total Accounts Receivable</b>	<b>\$ -156.51</b>
Other Current Assets	
Allowance for bad debts	703.00
Foreign Tax Adjustment USD	831.30
<b>Total Other Current Assets</b>	<b>\$1,534.30</b>
<b>Total Current Assets</b>	<b>\$112,773.79</b>
Fixed Assets	
Intangible Assets	400.06
<b>Total Fixed Assets</b>	<b>\$400.06</b>
Other Assets	
Notes Receivable	
Graham Franchise Holdings N/R	308,000.00
<b>Total Notes Receivable</b>	<b>308,000.00</b>
<b>Total Other Assets</b>	<b>\$308,000.00</b>
<b>TOTAL ASSETS</b>	<b>\$421,173.85</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	6,550.00
<b>Total Accounts Payable</b>	<b>\$6,550.00</b>
Other Current Liabilities	
National Marketing Fund	96,226.04
Painting Rewards	
Painting Rewards Artist Earned USD	-18,330.50
Painting Rewards Owed USD	33,373.00
Painting Rewards Studio Earned USD	-14,920.00
<b>Total Painting Rewards</b>	<b>122.50</b>
<b>Total Other Current Liabilities</b>	<b>\$96,348.54</b>
<b>Total Current Liabilities</b>	<b>\$102,898.54</b>

# Pinot's Palette

## Balance Sheet

As of April 30, 2023

	TOTAL
Long-Term Liabilities	
Graham Franchising Holdings N/P	139,824.31
<b>Total Long-Term Liabilities</b>	<b>\$139,824.31</b>
<b>Total Liabilities</b>	<b>\$242,722.85</b>
Equity	
Accumulated adjustment	-2.54
Retained Earnings	
Net Income	178,453.54
<b>Total Equity</b>	<b>\$178,451.00</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$421,173.85</b>

# Pinot's Palette

Profit and Loss  
January - April, 2023

	TOTAL
Income	
Franchise Royalties	
Royalties	
Royalties USD	288,720.82
<b>Total Royalties</b>	<b>288,720.82</b>
<b>Total Franchise Royalties</b>	<b>288,720.82</b>
Technology Income	
Email Fee USD	16,179.00
Technology Fee USD	39,525.00
<b>Total Technology Income</b>	<b>55,704.00</b>
Uncategorized Income	855.47
<b>Total Income</b>	<b>\$345,280.29</b>
<b>GROSS PROFIT</b>	<b>\$345,280.29</b>
Expenses	
Administrative Expenses	
Office Supplies	42.21
<b>Total Administrative Expenses</b>	<b>42.21</b>
Advertising & Promotional	
Marketing	11,500.00
<b>Total Advertising &amp; Promotional</b>	<b>14,300.00</b>
Building & Grounds	
Rent	1,020.00
Utilities	
Phone service	165.58
<b>Total Utilities</b>	<b>165.58</b>
<b>Total Building &amp; Grounds</b>	<b>1,185.58</b>
Legal & Professional Services	
Accounting fees	1,715.00
Consulting	3,906.62
Legal Fees	9,591.00
<b>Total Legal &amp; Professional Services</b>	<b>15,212.62</b>
Staff Compensation	
Administration Fee	1,140.00
Company Paid Benefits	2,793.83
Employer Payroll Taxes	7,841.77
Salaries & Wages	77,570.35
Workers' Compensation Insurance	191.69
<b>Total Staff Compensation</b>	<b>89,537.64</b>

Accrual Basis Tuesday, May 16, 2023 10:46 AM GMT-05:00

1/2

Exhibit H - 3

# Pinot's Palette

## Profit and Loss January - April, 2023

	TOTAL
Technology Licenses	
Administrative Licenses	87.96
Creative Licenses	113.47
Marketing Licenses	13,594.85
Technology Licenses	31,895.02
<b>Total Technology Licenses</b>	<b>45,691.30</b>
Travel	
Airfare	857.40
<b>Total Travel</b>	<b>857.40</b>
<b>Total Expenses</b>	<b>\$166,826.75</b>
<b>NET OPERATING INCOME</b>	<b>\$178,453.54</b>
<b>NET INCOME</b>	<b>\$178,453.54</b>



**EXHIBIT I**  
**TABLE OF CONTENTS OF**  
**CONFIDENTIAL OPERATIONS MANUAL**

Exhibit I

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**TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL**

Total Pages – 609

**OPERATIONS MANUAL VOLUME 1 – OPERATIONS**

PREFACE	INTRODUCTION	Pages 6
CHAPTER 1	THE FRANCHISE	Pages 22
CHAPTER 2	OPERATING STANDARDS	Pages 25
CHAPTER 3	STUDIO OPERATIONS	Pages 99
CHAPTER 4	PERSONNEL	Pages 17
CHAPTER 5	TECHNOLOGY	Pages 6
CHAPTER 6	FACILITY MAINTENANCE AND CLEANING	Pages 10
CHAPTER 7	ADMINISTRATION	Pages 21

**OPERATIONS MANUAL VOLUME 2 – SITE DEVELOPMENT**

CHAPTER 1	INTRODUCTION	Pages 8
CHAPTER 2	FINDING A SITE	Pages 11
CHAPTER 3	THE LEASE	Pages 6
CHAPTER 4	BUILDOUT	Pages 30
CHAPTER 5	SITE INSPECTION	Pages 5
CHAPTER 6	FREQUENTLY ASKED QUESTIONS	Pages 2

**OPERATIONS MANUAL VOLUME 3 – MARKETING**

PREFACE	INTRODUCTION	Pages 13
CHAPTER 1	MARKETING BRAND STANDARDS	Pages 31
CHAPTER 2	ADVERTISING & MARKETING BASICS	Pages 44
CHAPTER 3	THE PINOT’S PALETTE CUSTOMER	Pages 7
CHAPTER 4	TOOLS AND MEDIA	Pages 25
CHAPTER 5	SALES AND MARKETING IMPLEMENTATION	Pages 9
CHAPTER 6	COMPETITION	Pages 3
CHAPTER 7	CRISIS MANAGEMENT	Pages 6
CHAPTER 8	NEW FRANCHISEE ONBOARDING	Pages 4

**OPERATIONS MANUAL VOLUME 4 – PINOT TECHNOLOGY SUITE**

CHAPTER 1	INTRODUCTION	Pages 6
CHAPTER 2	PINOT ADMIN	Pages 68
CHAPTER 3	POINT OF SALE (POS)	Pages 14
CHAPTER 4	PINOT TV	Pages 9
CHAPTER 5	QUICK REFERENCE GUIDE	Pages 102

Exhibit I

**EXHIBIT J**  
**GENERAL RELEASE**

Exhibit I

**GENERAL RELEASE**

**THIS GENERAL RELEASE (“Release”)** is executed on \_\_\_\_\_ by \_\_\_\_\_ (“**Releasor**”), \_\_\_\_\_ (“**Guarantors**”), \_\_\_\_\_ (“**Transferee**”) as a condition of [CHECK ONE]:

\_\_\_\_\_ (a) the transfer of the Franchise Agreement dated \_\_\_\_\_ between **GFH Pinot’s Palette, LLC**

(“**Pinot’s Palette**”) and Releasor (“**Franchise Agreement**”);

\_\_\_\_\_ (b) the transfer of the Area Development Agreement dated \_\_\_\_\_ between GFH Pinot’s Palette, LLC (“**Pinot’s Palette**”) and Releasor (“**Development Agreement**”); or

\_\_\_\_\_ (c) the execution of a renewal Franchise Agreement between Releasor and Pinot’s Palette. (If this Release is executed under the conditions set forth in (c), all references in this Release to “Transferee” should be ignored.)

1. **Release by Releasor, Transferee, and Guarantors.** Releasor and Transferee (on behalf of themselves and their parents, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities), and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the “**Releasing Parties**”) freely and without any influence forever release (i) Pinot’s Palette, (ii) Pinot’s Palette’s past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and (iii) Pinot’s Palette’s parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities (collectively, the “**Released Parties**”), from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**Claims**”), which any Releasing Party ever owned or held, now owns or holds, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchised Location(s), the Franchise Agreement or the Development Agreement (as applicable), and all other agreements between any Releasing Party and Pinot’s Palette or Pinot’s Palette’s parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. **Risk of Changed Facts.** Releasor, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Releasor, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **Covenant Not to Sue.** Releasor, Transferee, and Guarantors (on behalf of the Releasing Parties) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. **No Prior Assignment and Competency.** Releasor, Transferee, and Guarantors represent and warrant that: (i) the Releasing Parties are the sole owners of all Claims and rights released in Section 1 and that the

Exhibit I - 1

Releasing Parties have not assigned or transferred, or purported to assign or transfer, to any person or entity, any

Claim released under Section 1; (ii) each Releasing Party has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

5. **Complete Defense.** Releasor, Transferee, and Guarantors: (i) acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasing Party.

7. **Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument. This Release may be executed via a commercially recognized electronic signature platform.

8. **Capitalized Terms.** Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement or Development Agreement (as applicable).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Releasor, Transferee, and Guarantors have executed this Release as of the date shown above.

**RELEASOR:**

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

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

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

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

**TRANSFEE (IF APPLICABLE):**

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

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

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

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

**GUARANTOR:**

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

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

**GUARANTOR:**

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

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

**GUARANTOR:**

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

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

**EXHIBIT K**  
**FRANCHICZAR AGREEMENT**

**FRANCHISEE MASTER SERVICES AGREEMENT**

This Master Services Agreement (this “**Agreement**”) is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”), between **FranchiCzar, LLC, a Texas Limited Liability Company (“FranchiCzar”)** with a principal place of business at 2880 Broadway Bend Drive, Building #1 Pearland, Texas 77584 and \_\_\_\_\_ (the “**FRANCHISEE**”), which operates a franchise (a “**Franchise**”) known as \_\_\_\_\_ (“**Franchised Location**”) pursuant to a franchise agreement (“**Franchise Agreement**”) with \_\_\_\_\_ (the “**Franchisor**”).

**1. SCOPE OF SERVICES; SET-UP.**

- a. FRANCHISEE operates a Franchise at the Franchised Location pursuant to the Franchise Agreement. During the term of the Franchise Agreement, FranchiCzar agrees to provide FRANCHISEE with access to the FranchiCzar application and operating system (“**Software**”) and will provide customer payment processing services to FRANCHISEE for the Franchised Location as reasonably required and as customary for service providers of a similar size and situation to FRANCHISEE (the “**Services**”) as outlined in Exhibit A attached hereto. Such Services shall be provided in accordance with the provisions of this Agreement only for the Franchised Location. No other locations/territories are included in this Agreement.
- b. FranchiCzar hereby grants FRANCHISEE with a non-exclusive, non-transferable license to have access to and use the Software and Services solely in connection with, and within the scope and purpose of, its business relationship with Franchisor at the Franchised Location, pursuant to the terms of this Agreement. FRANCHISEE is prohibited from transferring or sub-licensing this license to any third party and shall not access or use the Software for or on behalf of any third party.
- c. FranchiCzar agrees as part of the Services, to bill and account for all customer payments at the Franchised Location, upon receipt of acceptable customer and account information for each customer. FRANCHISEE hereby allows FranchiCzar: (i) to receive sales data from FRANCHISEE and tender it to a bank and/or a credit card processor for processing, and remit the net receipts from such amounts on such schedules as FranchiCzar may establish, subject to the terms of the Franchise Agreement; and (ii) in connection with providing the Services under this Agreement, to take any reasonable actions that are reasonably necessary and customarily taken or commercially appropriate. FRANCHISEE is responsible for maintaining all appropriate authorizations and agreements with its customers.
- d. FranchiCzar owns and reserves all right, title, and interest in and to the Software and the Services. This Agreement does not grant FRANCHISEE any rights in or to the Software or Services except for the

Exhibit J

limited rights to use the Software and the Services expressly granted by this Agreement. FranchiCzar reserves the right to change the Software or the specifications of the Services at any time, including changing or removing features and/or functionality, and may suspend the Software and Services for repair, maintenance or improvement, with or without notice, to FRANCHISEE.

## 2. FRANCHISEE OBLIGATIONS.

- a. FRANCHISEE may not, and may not permit any third party, to use the Software or Services in any manner or for any purpose other than as expressly permitted by this Agreement.
- b. FRANCHISEE may not, or may not attempt to, and may not permit any third party to: (a) modify, alter, tamper with, copy, translate, or otherwise create derivative works of the Software or Services, (b) reverse engineer, disassemble, or decompile the Software or Services or otherwise attempt to derive the source code of any software included in the Software or Services; (c) resell or sublicense the Software or Services; (d) use the Software or Services to develop any software or other technology having the same primary function as the Software or Services; (e) use the Software or Services in a manner that interferes with other users' use of the Software or Services; or (f) use the Software or Services in any manner that violates FranchiCzar's written policies, as provided to FRANCHISEE in advance.
- c. FRANCHISEE's use of the Software and Services is subject to the privacy policies and terms of use adopted by FranchiCzar from time to time, and any other written policy or terms for access to and use of the Software or Services, all of which shall be provided to FRANCHISEE in advance. FRANCHISEE will comply with all applicable laws, rules, and regulations in connection with the use of the Software and Services.
- d. FRANCHISEE IS RESPONSIBLE FOR ALL OF ITS USE AND ACTIVITIES ASSOCIATED WITH OR ARISING FROM ANY USE OF THE SOFTWARE OR THE SERVICES. FRANCHICZAR AND ITS AFFILIATES ARE NOT RESPONSIBLE FOR UNAUTHORIZED ACCESS TO FRANCHISEE'S ACCOUNT UNLESS DUE TO FRANCHICZAR'S GROSS NEGLIGENCE OR WILFULL MISCONDUCT. FRANCHISEE will contact FranchiCzar immediately if it believes an unauthorized third party may be using its account or if its account information is lost or stolen. FRANCHISEE will be deemed to have taken any action that occurs under its account.

## 3. CUSTOMER DATA AND CONFIDENTIALITY.

- a. FranchiCzar will follow its standard back-up and archiving procedures for any Customer Data (defined below). In the event of any loss or damage to Customer Data, FRANCHISEE's sole and exclusive remedy shall be for FranchiCzar to use reasonable commercial efforts to restore the lost or damaged Customer Data from the latest back-up of such Customer Data maintained by FranchiCzar in accordance with its standard archiving procedure. FranchiCzar shall not be responsible for any loss, destruction, alteration, or disclosure of Customer Data caused by any third party.
- b. The parties acknowledge that as the owner of the **Franchisor** franchise system, **Franchisor** is the owner of all data regarding the customers of the Franchised Location (the "**Customer Data**"). The Services and all of the data and information in the Software and in connection with the Services is the confidential and proprietary information of FranchiCzar and **Franchisor**, as applicable (the "**Information**"). FRANCHISEE may use the Information and Customer Data only in connection with the use of the Software or Services as permitted under this Agreement. FRANCHISEE will

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not disclose any Information during or after the term of this Agreement. FRANCHISEE will take all reasonable measures necessary to avoid disclosure, dissemination or unauthorized use of Information and Customer Data. When this Agreement terminates, FRANCHISEE can no longer use the Information or Customer Data.

- c. FRANCHISEE is a franchisee of the Franchisor and has certain obligations pursuant to the Franchise Agreement. FRANCHISEE understands and agrees that FranchiCzar may share information with the Franchisor regarding the Franchised Location and receive instructions from the Franchisor to assist FRANCHISEE in complying with the Franchise Agreement, including without limitation, instructions for FranchiCzar to withhold Information from FRANCHISEE and provide it to Franchisor. FRANCHISEE also authorizes FranchiCzar to refund any amounts owed by FRANCHISEE to its customers under the terms of the Franchise Agreement, and to deduct such refunds from remittances owing to FRANCHISEE.

#### 4. FRANCHICZAR CHARGES.

- a. FRANCHISEE shall pay FranchiCzar a fee for Services, in an amount equal to the rates as stated in Exhibit B. This fee may be increased by FranchiCzar upon notice to Franchisee; however, any increase in fee will not occur more frequently than every 2 years and be in agreement with FRANCHISORS permission. FranchiCzar reserves the right to increase the fee or assess other fees for additional Services that it may offer to FRANCHISEE in the future. The term “Pass-Thru- Fees” in Exhibit B shall be the cost of processing credit card, debit card, and bank payments for the particular Franchised Location of FRANCHISEE; provided that FranchiCzar may either pay these fees on behalf of all FRANCHISEES in the Franchisor’s system and charge to FRANCHISEE the amount of such fees prorated to the Franchised Location in order to reimburse this cost (plus any charges actually incurred by the Franchised Location), or may spread the total amount of all Pass-Thru-Fees allocated to the FRANCHISEE based on the amounts processed by or from the Franchised Location. FRANCHISEE agrees to pay all such applicable Pass-Thru-Fees as may be incurred. All fees will be deducted from the amount collected on behalf of the FRANCHISEE. FranchiCzar will not be responsible for any delay in remittance for any reason.
- b. If, in the commercially reasonable discretion of FranchiCzar, a past due account becomes uncollectible, FRANCHISEE will be responsible for further collection of said account and FranchiCzar shall be released from any further responsibility with respect to such account.
- c. Notwithstanding the foregoing, if any sum payable under this Agreement is not paid within five (5) days after the due date then (without prejudice to its other rights and remedies), FranchiCzar reserves the right to charge interest on such sum on a day-to-day basis at the maximum amount allowed by law. Such interest shall be paid on demand.
- d. FRANCHISEE will pay any and all federal, state or local excise, sales or use taxes or similar taxes imposed with respect to all customer payments and fees payable hereunder, or the Services involved hereunder (“**Taxes**”), and complete and file all required tax reports thereto, all in a timely manner, and hereby agrees to indemnify and hold FranchiCzar, its officers, directors, shareholders, and employees harmless from any loss, including attorneys’ fees, resulting from its failure to do so. If FranchiCzar is required to withhold or pay any of the foregoing said Taxes, or if FRANCHISEE ever becomes liable to FranchiCzar for any sums or losses, the amount so paid by FranchiCzar for said Taxes and any sums expended or losses incurred by FranchiCzar for which FRANCHISEE is responsible, will be deducted from all money collected, held or controlled by FranchiCzar under any existing agreements between FRANCHISEE and FranchiCzar, including but not limited to,

this Agreement. In the event the amounts are not satisfied, any remaining amounts owed will be due and payable to FranchiCzar by FRANCHISEE within twenty-four (24) hours upon written notification and request for payment by FranchiCzar.

## **5. TERM AND TERMINATION.**

- a. This Agreement shall commence upon the Effective Date and shall expire upon the expiration or termination of the Franchise Agreement, unless earlier terminated pursuant to the terms of this Agreement.
- b. In addition, FranchiCzar may also terminate this Agreement immediately, without notice or liability, if it determines in its sole discretion that: (i) FRANCHISEE has breached any portion of this Agreement or any other agreement it may have with the Franchisor, and any relevant cure period has expired; (ii) FRANCHISEE's use of or access to the Software or Services inhibits any other user from using or accessing the Software or Services; or (iii) any part or all of the Software or Services will no longer be offered. FranchiCzar may also terminate this Agreement at any time and for any reason by providing FRANCHISEE written notice via email.
- c. FranchiCzar may suspend FRANCHISEE's right to access or use any portion or all of the Software or Services immediately upon notice to FRANCHISEE if it reasonably determines: (a) FRANCHISEE'S use of the Software or Services may subject FranchiCzar, its affiliates, or any third party to liability or may adversely impact the Software or Services; or (b) FRANCHISEE is in breach of this Agreement, the Franchise Agreement or any other agreement it may have with Franchisor. FranchiCzar's right to suspend FRANCHISEE's right to access or use the Software or Services is in addition to its right to terminate this Agreement as outlined herein.
- d. In the event of termination of this Agreement, FranchiCzar will hold all money in escrow for a period of no more than sixty (60) days following such termination. This holding period ensures all customer refunds and returns will be paid and FRANCHISEE hereby authorizes FranchiCzar to make all bona fide customer refunds as may be applicable.

## **6. WARRANTY.**

FranchiCzar warrants that (i) it has full power and authority to grant to FRANCHISEE the license to access and use the Software and Services as are granted pursuant to this Agreement and as are required for FRANCHISEE to receive and use the Services as contemplated by this Agreement; and (ii) it shall perform the Services and its other responsibilities under this Agreement in a manner that does not infringe, or constitute an infringement or misappropriation of any third party proprietary rights.

## **7. WARRANTY DISCLAIMERS; LIMITATION OF LIABILITY.**

- a. EXCEPT AS STATED IN SECTION 6 ABOVE, THE SOFTWARE AND SERVICES ARE PROVIDED "AS IS." FRANCHICZAR, ITS AFFILIATES, SUPPLIERS AND LICENSORS MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER, IMPLIED, STATUTORY OR OTHERWISE REGARDING THE SERVICES, INCLUDING WITHOUT LIMITATION NO REPRESENTATIONS OR WARRANTIES THAT THE SOFTWARE OR SERVICES ARE SECURE, MEET FRANCHISEE'S REQUIREMENTS, OR ARE FREE FROM ERRORS, VIRUSES, OR OTHER HARMFUL COMPONENTS. EXCEPT TO THE EXTENT PROHIBITED BY LAW, FRANCHICZAR, ITS AFFILIATES, SUPPLIERS AND LICENSORS DISCLAIM ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A

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PARTICULAR PURPOSE, NON- INFRINGEMENT, AND ANY WARRANTIES ARISING OUT OF ANY COURSE OF DEALING OR USAGE OF TRADE.

- b. IN NO EVENT SHALL FRANCHICZAR, ITS AFFILIATES, SUPPLIERS OR LICENSORS BE LIABLE FOR ANY DIRECT, INDIRECT, PUNITIVE, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE SOFTWARE, SERVICES OR THIS AGREEMENT, WHETHER BASED ON CONTRACT, TORT, WARRANTY, STRICT LIABILITY OR OTHERWISE, EVEN IF ADVISED OF THE POSSIBILITY OF ANY SUCH DAMAGES.
- c. **UNDER NO CIRCUMSTANCES WHATSOEVER SHALL THE AGGREGATE LIABILITY OF FRANCHICZAR, INCLUDING ITS AFFILIATES, SUPPLIERS OR LICENSORS, RESULTING FROM OR RELATING TO THIS AGREEMENT, OR THE USE OF THE SOFTWARE OR SERVICES, EXCEED THE FEES PAYABLE TO FRANCHICZAR HEREUNDER IN THE YEAR PRECEDING THE EVENT CAUSING ANY SUCH LIABILITY.**

## **8. INDEMNIFICATION.**

- a. FRANCHISEE will defend, indemnify, and hold harmless FranchiCzar, its affiliates, suppliers and licensors, and each of their respective employees, officers, directors, and representatives from and against any claims, demands, damages, losses, liabilities, costs, and expenses (including reasonable attorneys' fees) arising out of or relating to any third party claim concerning: (a) the use of the Software and Services (including any activities under its account); or (b) the other party's breach of this Agreement or violation of applicable law. FranchiCzar will promptly notify FRANCHISEE of any claim subject to this paragraph, but such failure to promptly notify FRANCHISEE will only affect the indemnifying party's obligations under this paragraph to the extent that such failure prejudices the FRANCHISEE's ability to defend the claim. FRANCHISEE may: (a) use counsel of its own choosing to defend against any claim (subject to FranchiCzar's written consent); and (b) settle the claim with FranchiCzar's prior written consent before entering into any settlement. However, FranchiCzar may assume control of the defense and settlement of the claim at any time upon written notice to FRANCHISEE.
- b. FranchiCzar indemnifies, defends, and holds FRANCHISEE harmless from and against any claims, actions, or demands alleging that the Software infringes on any patent, copyright, or other intellectual property right of a third party, whether registered or otherwise, unless such claim is related to or resulting from the gross negligence or willful misconduct of FRANCHISEE, or FRANCHISEE'S misuse of the Software in violation of this Agreement or the written policies of FranchiCzar.
- c. The indemnity obligations of the parties set forth in this Section 8 shall survive the expiration or earlier termination of the Agreement.

## **9. INDEPENDENT CONTRACTOR.**

FranchiCzar, and any FranchiCzar employees, agents, contractors, and subcontractors, in performance of this Agreement, are acting as independent contractors that are not employed by or under the control or supervision of FRANCHISEE. This Agreement shall not be construed as creating a partnership between the parties or any other form of legal association that would impose liability upon one party for the acts or failure to act of the other party.

## **10. MISCELLANEOUS.**

FranchiCzar and FRANCHISEE agree that:

(a) this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs, and permitted assigns; (b) FranchiCzar may assign either this Agreement, or any of its rights, interests, or obligations hereunder or thereunder, and FRANCHISEE will not assign this Agreement, or delegate or sublicense any of its rights under this Agreement, without FranchiCzar's prior written consent (and any such assignment or transfer in violation of this provision will be void); (c) this Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Texas, and for the purpose of resolving conflicts related to or arising out of this Agreement, the parties expressly agree and consent to the exclusive jurisdiction of, and venue in, the federal and state courts in the Brazoria County, State of Texas; (d) that each individual signing below has the authority to enter into this Agreement; (e) that neither party shall have any authority to act on behalf of the other party, unless specifically authorized by such other party in writing; (f) the failure of either party to exercise any rights or insist in any instance upon strict performance by the other party of any provision in this Agreement shall not be deemed a waiver of any rights or a bar to the later exercise thereof under this Agreement; (g) if any provision, or portion of this Agreement is held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions or portions hereof or thereof shall not be affected; (h) each party hereby knowingly and voluntarily waives its respective rights to trial by jury as to any claim, counterclaim, proceeding, cause of action or dispute arising out of or related to this Agreement; (i) in any action brought in law or in equity based on this Agreement, the prevailing party shall have its reasonable costs and attorney's fees paid by the non-prevailing party; (j) this Agreement and any addendums executed by the parties, constitutes the full understanding between FRANCHISEE and FranchiCzar with respect to the Software and the Services and supersedes all prior or contemporaneous agreements, whether oral or written, regarding the subject matter of this Agreement; and (k) the provisions of this Agreement, which, by their terms, require performance after the termination of this Agreement, or have application to events that may occur after the termination of this Agreement, shall survive the termination of this Agreement.

#### **11. FORCE MAJEURE.**

Neither FRANCHISEE nor FranchiCzar shall be liable for its failure to perform hereunder due to contingencies beyond its reasonable control, including but not limited to wars, acts of God, flood, windstorm, explosion, riots, sabotage, terrorism and fire (each a "**Force Majeure Event**"), provided that prompt notice of such delay is given to the other party and there is no "work around" or alternative plan such that the adverse impact of such Force Majeure Event can reasonably be avoided.

#### **12. NOTICES.**

Any notice or request that is required or permitted under this Agreement shall be in writing and shall be deemed to have been given to FRANCHISEE if addressed to the Franchised Location, and if to FranchiCzar at 2880 Broadway Bend Drive, Building #1, Pearland, Texas 77584, Attention: David Graham, and (a) if mailed by United States Registered or Certified Mail (postage prepaid, return receipt requested), upon receipt or refusal of receipt; or (b) if by a nationally recognized overnight delivery service, on the next business day after delivery. The parties shall endeavor to provide each other with simultaneous electronic ".pdf" copies of any notice sent hereunder via electronic mail.

#### **13. SERVICE BUNDLES.**

In FranchiCzar's sole discretion, it may offer to FRANCHISEE applicable service bundles described in the attached Exhibit B (the "Service Bundles"). FRANCHISEE may elect the Service Bundles only with the written consent of FranchiCzar. If applicable, in the event that FRANCHISEE is offered and makes this election after the Effective Date of this Agreement, then the Parties agree to execute an addendum, in a form substantially similar to Exhibit B, identifying FRANCHISEE'S selection.

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- a. A. Any changes initiated by the FRANCHISEE must be in writing delivered under the Notice provisions of this Agreement in Section 12.
- b. FRANCHISEE's Service Bundle selection runs through the life of the Franchise Agreement.
- c. FRANCHISEE will be allowed to select (and move freely) between the Service Bundles and FranchiCzar will honor those changes within thirty (30) days of receipt of written notice from FRANCHISEE to FranchiCzar under the Notice Provisions of this Agreement in Section 12.
- d. Ninety (90) Days written notice will be required to FranchiCzar if the FRANCHISEE elects to revert back from any Service Bundle to the FRANCHISEE'S previous fee structure; On the 91<sup>st</sup> day after written notice is received by FranchiCzar, the FRANCHISEE will revert back to the previous fee structure identified in Exhibit B of this Agreement.

**14. AMENDS AND SUPERCEDES.**

This Agreement amends and supersedes all previous agreements between the Parties and any and all previous agreements between the Parties are hereby terminated and considered null and void. The most recently executed addendum amends and supersedes any previously executed addendum between the Parties.

IN WITNESS WHEREOF, the parties hereto, each acting under due and proper authority, have executed this Agreement as of the date first above written.

**FRANCHISEE**

**FRANCICZAR LLC**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

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

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

Dated: \_\_\_\_\_

## **EXHIBIT A SERVICES**

- Integration with Rylos
- Integration with Office 365
- Fundio, payment processing engine
- Automated payouts
- Reporting engine
- Integration with lead pages
- Integration with the public facing website for lead collection
- Point of Sale System
- Dynamic reporting engine
- Ticketing management
- Regular updates
- Access to new features, as approved by the franchisor
- Digital Signatures (when/where available)
- Customer file management
- Customer Relationship Management
- Custom lists
- Custom fields

Services reflected are current as of February, 2023 but are subject to change.

**Exhibit B**  
**SERVICE BUNDLES**

FRANCHISEE will operate their business with FranchiCzar under the following fee structure as specified by their respective FRANCHISOR. **(Please choose one of the options below by placing an “X” next to your selection)**

\_\_\_\_\_ You will be using the full FranchiCzar Operation System (FCOS) services, inclusive of the point-of-sale system and (Fundio) pass-through-fees. We will provide for collection of all your customer payments through our online payment processing website portal. You must pay the then- current processing cost charged by our affiliate Fundio for the provision of credit card processing and ACH transfer services, which is currently **2.9%** of the amount processed plus **\$0.30 per transaction** for credit cards; and the current fee for ACH transfers is **2.0%** of the amount processed. The fees for FCOS are included within this fee.

\_\_\_\_\_ You will be using the full FranchiCzar Operating System (FCOS) services, except for the point- of-sale processing and (Fundio) pass-through-fees. You and your FRANCHISOR will be required to report weekly sales volumes for your location and will be charged an amount equal to **2.25%** of all payments received by Franchisee at the Franchised Location.

\_\_\_\_\_ You will be using only limited functions of the FranchiCzar Operating System (FCOS). These will be at the direction of your FRANCHISOR. You will be required to pay a rate of:

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**EXHIBIT L**  
**FINANCING DOCUMENTS**

Exhibit K



**EXHIBIT L-1**  
**GUIDANT FINANCIAL DOCUMENTS**

Exhibit K-1

# ROBS Agreement

Investing your retirement savings into a small business can be a prudent strategy for achieving your retirement goals. Guidant Financial is dedicated to ensuring that Guidant's Rollovers For Business Start-ups ("ROBS") meets all applicable regulations for a Rollover for Business Start-ups plan. Please review each statement and verify your understanding of the specific actions you must take when utilizing a Rollover for Business Start-ups plan such as Guidant's ROBS.

#### FIDUCIARY OBLIGATIONS:

To benefit from the tax-deferred advantages of a qualified retirement account, regulations require that you choose investments that are in the best interest of your retirement account.

I verify that I have performed due diligence and believe that my decision to invest my personal retirement funds into the corporation is a good investment in the best interest of my 401(k).

I verify my understanding that I could lose up to 100% of my investment if the business fails.

I have done my own due diligence and have determined that the use of my retirement monies as funding source for ROBS and related business transaction is a prudent use of my retirement monies and is a good investment for the 401(k) Plan.

I understand that Guidant is not undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with this transaction.

#### 401(k) PLAN RESPONSIBILITIES:

As the trustee of a 401(k) plan, you have a duty to manage the plan so that it benefits *all* employees not just the owners and officers of the Corporation.

I verify that I will use this 401(k) as a long-term savings vehicle for *all* employees of the business and agree that I will encourage all eligible employees to participate.

I verify my understanding that when company stock is offered for purchase within the 401(k) plan, the offering *must* be available for *all* eligible employees.

#### PERSONAL SALARY/COMPENSATION CONSIDERATIONS:

To avoid any appearance of a conflict-of-interest with your 401(k) investment, you must defer paying yourself compensation until the company becomes an active business.

I verify that I will not draw compensation from the company before being opened for business; the company must be actively engaged in the buying or selling of goods and/or services.

I verify my understanding that my compensation should come from revenue generated from the business and not from the proceeds of the sale of employer stock to the 401(k).

I verify my understanding that taking compensation above what is fair and reasonable for the position and industry can create a prohibited transaction.

#### CORPORATION & 401(k) FORMATION

Guidant will assist you in establishing your new corporation and a new 401(k) Plan. We will also obtain a Federal Tax ID Number (EIN) from the IRS. The EIN is the unique number the IRS assigns to your business and 401(K) plan and is typically required open a bank account.

Please indicate your consent in allowing us to file the EIN application for your corporation with the IRS on your behalf.

Please indicate your consent in allowing us to file the EIN application for your 401(k) plan with the IRS on your behalf.

#### TERMS OF AGREEMENT:

I acknowledge that I have read, understand, and agree to be bound by the terms of this Agreement as detailed in the linked [Terms of Agreement](#)<sup>1</sup>. These Terms of Agreement are hereby incorporated by reference and, together with the documents executed in connection therewith, constitute the entire agreement between parties. There are no agreements, understandings, restrictions, representations, or warranties other than those set forth or referred to herein unless the parties have entered into an Addendum in writing, signed by the parties, that specifically references this Agreement.

I agree to discuss these requirements – *Fiduciary Obligations, 401(k) Plan Responsibilities, & Personal Salary/Compensation Considerations* – with my Outside Counsel to make an informed decision.

Signature

Date

Printed Name

<sup>1</sup> [https://assets.guidantfinancial.com/public/2021/01/ROBS\\_TermsOfAgreement\\_Jan\\_2021.pdf](https://assets.guidantfinancial.com/public/2021/01/ROBS_TermsOfAgreement_Jan_2021.pdf)



# ROBS Agreement

## CLIENT INFORMATION

Client Legal Name: \_\_\_\_\_ Spouse's Name (if applicable): \_\_\_\_\_  
 Client Date of Birth: \_\_\_\_\_ Spouse's Date of Birth: -- -- --  
 Client Address: \_\_\_\_\_ County: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

What state do you want the Corporation filed in?<sup>2</sup>:

## SHAREHOLDER INFORMATION

Check if you are a Veteran.

**Retirement Funds/Accounts:** Please list all parties investing retirement funds that will be used with ROBS.

Account Owner Name	Type	Custodian	Amount	Inherited?
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**Non-Retirement Funds:** Please list all parties investing personal funds in your new Corporation

Account Owner Name	Source	Amount
	Guidant Fee/Cash	\$

I have confirmed with my custodian that my funds can be transferred and I acknowledge that I am ultimately responsible for ensuring that my funds are eligible for transfer/rollover into the ROBS Plan.

The Internal Revenue Code imposes a limit of one IRA distribution (this does not include rollovers) within a 12-month period that you also put back into the IRA within 60 days. Have you taken a 60-day distribution from an IRA in the last 12-months?

## OUTSIDE COUNSEL

Consultations with outside counsel are conducted by telephone. Please indicate who you prefer to have represented by outside counsel<sup>3</sup>:  Only me (single representation).

<sup>2</sup> In the event you submit your contract and later change the state of investment, additional requirements and fees will apply. Contact Guidant immediately.

<sup>3</sup> As provided in Paragraph 10 of the "Terms and Conditions." Client will receive telephonic consultations, ranging from 30-60 minutes maximum as determined by outside legal counsel to provide legal advice to Client on issues pertaining to the ROBS structure. If client's spouse/other investor desires to have separate legal counsel (i.e. no joint representation), the legal fees and costs of that separate legal counsel for the spouse/other investor will be the sole responsibility and expense of the Client. Client understands and agrees that GUIDANT will have no responsibility for such additional expenses.

# ROBS Agreement

I, \_\_\_\_\_, hereby acknowledge that I have personally filled out the ROBS Agreement, the information therein is accurate to the best of my knowledge, and Guidant is entitled to rely on that information in fulfilling the ROBS.

## PROPOSED INVESTMENT: BUSINESS TRANSACTION

- Are you purchasing a franchise?
  - Will you be purchasing an existing business with ROBS?  
If **yes**, please answer the four following questions:
    1. This acquisition is an:
    2. Who are you purchasing the existing business from:
      - ❖ If **other**, please specify:
    3. Does this existing business have employees that will remain with the business after you acquire it?
      - ❖ If **yes**, how many existing employees are expected to remain with the business?
    4. Does this existing business have an existing retirement plan of any type?
      - ❖ If **yes**, specify the type: \_\_\_\_\_
      - ❖ If **other**, please specify: \_\_\_\_\_
  - Do you contemplate the ROBS corporation will purchase, lease or otherwise occupy real estate that is owned by you, a family member or any entity in which you or any family member have any ownership?  
If **yes**, please explain: \_\_\_\_\_
  - Do you anticipate the ROBS corporation entering into **any** type of commercial transaction or dealings with you, a family member or any entity in which you or any family member have ownership?  
If **yes**, please explain: \_\_\_\_\_
  - Identify any and all parties (including other entities) involved with your pending business transaction. Include any familial relationships among those parties: \_\_\_\_\_
- 

“Joint Representation” means that both parties will be considered equally as clients, that both have the same legal interests, and both agree to attend all conferences with Outside Counsel. If you cannot meet those requirements, you must select single representation. With single representation, you may invite your spouse to attend any conference even if the spouse is not a client, with the understanding that you waive confidentiality in order to have the spouse attend. In this case, you both understand that only the represented spouse is entitled to reply on the legal advice.

# ROBS Agreement

**Do you, your spouse, your children, or other investor(s) currently have ownership interest in any other business entities?** (These include sole proprietorships, inactive and shell entities.)

Entity Name	State of Filing	Entity Type	Active?	What does it do?
Your ownership	Spouse's Ownership	List other owners, their relationship to you, and percentage of their ownership:		
# of Employees	# of 1099 Contractors:	Will this business interact with the ROBS business in any way? Explain:		
Type of Existing Retirement Plan:				

Entity Name	State of Filing	Entity Type	Active?	What does it do?
Your ownership	Spouse's Ownership	List other owners, their relationship to you, and percentage of their ownership:		
# of Employees	# of 1099 Contractors:	Will this business interact with the ROBS business in any way? Explain:		
Type of Existing Retirement Plan:				

I understand that ANY interaction or co-commerce between any entity/business I have an ownership interest in and the new corporation that is being set up as part of my ROBS plan may constitute a prohibited transaction. If I decide that the entity or entities in which I have a personal ownership interest will interact with the ROBS corporation in any way, I agree to consult with my account manager and the outside legal counsel referred by Guidant, prior to such interaction. I agree to inform my outside counsel of all facts relating to any such possible interaction. My initials below indicate that all individuals involved in the ROBS structure understand and agree to the above statements.

# ROBS Agreement

This Agreement to Provide Services, dated \_\_\_\_\_, is a contract between Guidant Financial Group, Inc. ("GFG") and \_\_\_\_\_ ("Client").

Upon return of a signed and completed copy of this Agreement, subject to the [Terms of Agreement](#), your payment of GFG's Agreed Fee, and the approval of this Agreement by GFG's compliance department, you will have retained GFG to produce documents and to provide services required for the ROBS program, as detailed below:

<b>AGREED FEE:</b> \$ _____
<ul style="list-style-type: none"><li>• Establishment of one (1) Corporation, including filing fees;<sup>4</sup></li><li>• Establishment of one (1) Profit Sharing 401(k) Pension Plan;<sup>5</sup></li><li>• Assistance in the establishment of corporate bank account;</li><li>• Assistance in the establishment of 401(k) bank account;</li><li>• Assistance in transfer of funds from current plan administrator to the new 401(k) Plan;</li><li>• Telephonic consultations with outside legal counsel;<sup>6</sup> and</li><li>• Lifetime support with GFG Consultant(s).</li></ul>

Please add the optional expedited service to the Agreed Fee for an additional \$499.00. This includes the expedited filing fee (where available), overnight delivery of documents as necessary, and expedited processing priority. This service is not offered for all states - consult your Consultant for details.<sup>7</sup>

Method of payment (select one of the choices below):

Expiration Month      Expiration Year

I understand there will be \$10 charge on all returned ACH charges

I have read, understand and agree to the terms of this agreement as detailed in the linked "[Terms of Agreement](#)".<sup>8</sup>

Client Signature

Date

Printed Name

**Ralph Nilssen**

<sup>4</sup> The default state of filing will be the Client's state of residence, unless otherwise indicated by the client and agreed to by GFG. It is the client's responsibility to notify GFG if client would prefer to file in a state other than client's state of residence. The number of shares and par value authorized for your Corporation will be determined based on GFG's standard practices, unless agreed to otherwise. GFG will pay up to \$500 in filing fees directly associated with the filing of the Articles of Incorporation. Filing fees will be determined by state filing fee requirements and based on GFG's standard filing practices, unless agreed to otherwise. Any filing fees, including fees related to the expedite of such filing, in excess of \$500 are the sole responsibility of the client and such excess fees must be paid by the client to GFG in advance of filing the Articles of Incorporation. GFG cannot guarantee the processing times for filings and will not be held liable for any damages caused by delay from processing a filing.

<sup>5</sup> In addition to the Agreed Fee, you will have the opportunity to engage GFG for the required plan administration services of your 401(k) Plan. Administration fees begin at \$139 per month. Fees will be paid in accordance with the terms of the Plan Administration Agreement. Additional fees may apply.

<sup>6</sup> As detailed in Paragraph 10 of the "Terms of Agreement."

<sup>7</sup> EXPEDITE filings in California will incur an additional charge of \$200 for each entity. This charge will be added to the Agreed Fee.

<sup>8</sup> Each individual contributing retirement funds to the ROBS is required to sign the agreement.



# SBA Consulting Agreement

## CLIENT INFORMATION

This Agreement is dated \_\_\_\_\_, and is between Guidant Financial Group, Inc. ("GFG") and \_\_\_\_\_ ("Client"), wherein GFG agrees to provide services relating to consulting of a Small Business Administration (SBA) loan. As part of this Agreement, Guidant will collect \$ \_\_\_\_\_ as a Deposit. This deposit will be refunded when it meets our Terms of Agreement at the closing of Client's SBA loan with lending bank. Please see Terms of the Agreement below.

### Method of payment (select one of the choices below):

I choose to pay the Deposit by ACH. (Please attach a copy of a voided check from either a personal or a business checking account in order for ACH to be properly run. The check cannot be from an equity line of credit, credit card check, or brokerage account.)<sup>1</sup>

I choose to pay the Deposit by credit card:

Credit Card Type:  Visa  MasterCard  AMEX  Discover

Card Number: \_\_\_\_\_ Expiration Date: \_\_\_\_/\_\_\_\_

Cardholder's Name (as it appears on the card):<sup>2</sup> \_\_\_\_\_

Card Billing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

## TERMS OF THE AGREEMENT:

1. **WHEN THIS AGREEMENT BECOMES ACCEPTED.** Notwithstanding any dates on this Agreement, this Agreement will be deemed accepted when two conditions have been satisfied: (a) Client returns a completed, signed copy of this Agreement; and (b) Client has paid the Deposit to GFG.
2. **LOAN CONSULTING DEPOSIT TO GFG.** GFG will assist the Client by providing consulting services regarding SBA lending options, assist in collecting necessary documents and advising clients on lending options for possible submission of loan applications to a lender and the SBA. The SBA does not require the use of an agent or for Client to obtain consulting or loan packaging services in order to submit a loan to the SBA. Client shall pay GFG a Deposit of \$ \_\_\_\_\_. The deposit shall be due and payable to GFG after the Client has had a consultation call with a GFG SBA Loan Consultant and there is mutual agreement to move the process forward and begin collecting documentation. In instances where the SBA loan principal amount is \$200,000.00 or less and Client has engaged Guidant for SBA Consulting Services only, Guidant shall retain the entire deposit as compensation for services provided to Client. Where the SBA loan principal amount is greater than \$200,000.00, upon notification from the SBA Bank Lender that the SBA loan has closed (funded), Guidant shall refund the \$ \_\_\_\_\_ deposit to the client via the payment method Client used to pay Deposit. Upon notification from the bank of the loan closing, Deposit shall be refunded and posted to account within 3-5 days depending on payment method used. In instances where Guidant has provided loan consulting services and you opt to proceed with a bank outside of Guidant's network, Guidant shall retain the Deposit as a fee for services provided.
3. **CLIENT'S DUTIES IN CONNECTION WITH THIS AGREEMENT.** Upon acceptance of this Agreement, GFG will assist you in your effort to secure an SBA loan. If GFG is unable to obtain a proposal for an SBA loan from a lender at market rates, GFG agrees to refund the Deposit, provided the following conditions have been met by Client:
  - a) All Information Client has submitted before and after signing the Agreement is complete and accurate;
  - b) Client has disclosed all material information (and will provide updates to the material information throughout the process) that would affect the qualification of an SBA loan. Examples of this include, but are not limited to: past convictions (felony or misdemeanor), judgments, tax liens, owed child support and/or bankruptcy filings;
  - c) Client has not abandoned the application or directed that it be withdrawn, and Client has exerted their good faith best effort to respond to Guidant's requests for information or data in a timely manner;
  - d) Client has not materially changed the project cost(s) after initial prequalification leading to Client no longer being qualified for the loan;

<sup>1</sup> A \$10.00 fee will be automatically assessed on all returned ACH charges. This fee will be assessed each time a charge is returned.

<sup>2</sup> Any individual(s) submitting his/her credit card for payment is required to authorize the charge by signing this Agreement.



# SBA Consulting Agreement

- e) Client will follow lender best practices and requirements with respect to the loan submission, including down payment, seller financing, business location selection, business plan and operations; and
- f) Client has not taken post-submission action to impair Client's credit status by refinancing any of Client's obligations or making major purchases that affect the Client's credit (such as a motor vehicle) or Client's liquidity.

If all of the above conditions are not fully satisfied, GFG may retain the entire \$ Deposit. Guidant will consult with you throughout the process and you will be given updates of the likelihood of success and how to proceed.

4. **NO REPRESENTATIONS OR WARRANTIES.** Although GFG will make an initial qualification screen of client's SBA submission, Client understands and acknowledges that GFG cannot and does not make representations or warranties as to the likelihood of approval of an SBA loan or any type of loan, or the length of time required for lender approval. GFG has no authority to bind the SBA or any lender. Client acknowledges and agrees that GFG and its GFG's employees have made no representations, promises or warranties to the Client and that Client has not relied on any representation, promise or warranty of GFG or GFG's employees regarding approval and/or obtaining a loan. Should Client fail to get approval of an SBA loan in accordance with Paragraph 2 above, the sole remedy for the Client shall be the refund of the GFG Deposit provided the conditions in Para.3 and this Agreement have been fully satisfied.
5. **NO ATTORNEY-CLIENT RELATIONSHIP WITH GFG OR ITS EMPLOYEES.** GFG is a facilitator, not a law firm. GFG does not provide legal services. No attorney-client relationship exists between Client and GFG, its management, salespersons or GFG's in-house legal counsel. Client is solely responsible for conducting his or her own due diligence as to the appropriateness and suitability of Guidant's services for Client's particular circumstances. Any legal or tax issues that Client may have must be resolved by Client's own attorney or tax advisor.
6. **RIGHT OF RESCISSION.** You have a right to rescind this contract for seven (7) calendar days from the date the payment has been collected by Guidant. If Client exercises his or her right of rescission within the seven day period, any out-of-pocket fees or expenses that were incurred prior to the notice of rescission to GFG will be deducted from the refund amount.
7. **BINDING ARBITRATION AND VENUE.** All claims or controversies between Client and GFG arising out of this Agreement or its performance shall be submitted to binding arbitration under the rules of the American Arbitration Association (unless the parties agree to another arbitration forum). Such binding arbitration shall be the exclusive remedy of the complaining party. The exclusive venue and jurisdiction for any such arbitration proceeding and judicial enforcement thereof shall be in King County, Washington, governed by Washington law.
8. **ENTIRE AGREEMENT.** This Agreement and the documents executed or delivered in connection therewith constitute the entire understanding and agreement between the parties. There are no agreements, understandings, restrictions, representations, or warranties other than those set forth or referred to herein unless the parties have entered into an Addendum in writing, signed by both parties, that specifically references this Agreement.

I have read, understand and agree to the Terms of this Agreement

		Ralph Nilssen
Client Signature	Date	Printed Name



**EXHIBIT L-2**  
**BENETRENDS DOCUMENTS**

Exhibit K-2



## Engagement Agreement

The undersigned hereby retains Benetrends, Inc. ("Benetrends") as a consultant and authorizes Benetrends to provide services (as indicated in the attached Benetrends Fee schedule necessary for the orderly administration of the undersigned employee retirement plan(s)). The undersigned agrees that services provided by Benetrends will be subject to the review and approval of the undersigned, the Plan Administrator (as defined in the appropriate Plan Documents) or their designated representatives and authorizes Benetrends to consult with the undersigned's financial advisor, accountant and/or attorney, as required.

\_\_\_\_\_ The undersigned acknowledges that he has read and agrees to conform to the terms and conditions of this Agreement and the Fee and Service Disclosure, which is subject to change. The Fee Schedule may be modified by Benetrends by providing a new Fee Schedule to the undersigned which will be effective 30 days after such date. In the event of a delinquency in payment of more than 30 days from the date billed, Benetrends' services will be suspended, and no administration, however urgent, will be performed until such time as payment for delinquent fees has been received by Benetrends.

\_\_\_\_\_ The undersigned acknowledges that he has read and agrees to the following terms of engagement:

- ▶ The undersigned understands that, in most cases, an employee will be required to terminate employment with a prior employer to access their retirement funds so that they can be rolled into the Retirement Plan (Plan) that you have authorized Benetrends to set up.
- ▶ All employees must be allowed to roll money into the Plan and must be given the same investment options.
- ▶ The undersigned must contribute to the Plan as soon as possible in order to comply with applicable IRS, DOL and ERISA rules and regulations. Benetrends recommends that the undersigned make a minimum contribution as soon as possible to all eligible employees no later than the third year after the creation of the Plan. A substantial contribution is generally seen as at least one percent (1%) of an eligible employee's annual salary.
- ▶ An employee's account balances in the Plan vests at the rate designated in the Plan's Adoption Agreement.
- ▶ Benetrends assumes no liability or responsibility if the Plan is serviced by another Third Party Administrator or Record-keeper.
- ▶ No investment of any money from the Plan into employer stock may be made more than 90 days after the initial investment in employer stock without an independent business appraisal. You must contact your Benetrends Retirement Plan Analyst for specific instructions before making an additional investment in employer stock.
- ▶ The undersigned acknowledges that, as a "C" Corporation, the entity cannot be an investment company and must be engaged in an active business that provides a service or product to one or more customers.
- ▶ The undersigned may not make an election to be taxed as an "S" Corporation while the Plan holds Qualifying Employer Stock as an asset. The sponsoring company must be set up and maintained as a "C" Corporation.

*As Amended*

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## Exhibit K-2

Benetrends assumes no liability for any penalties, adverse tax consequences or additional costs that may be charged, assessed or incurred because of the non-timely filing of required government reports, applications or other documents, or if the undersigned is delinquent in providing information requested by Benetrends. Benetrends does not assume, and will not bear, any responsibility or liability for any actions taken (or omitted to be taken) by the undersigned's prior plan consultant, actuary, contract or named administrator.

This Engagement Agreement, together with Our Rainmaker™ Guarantee, contains our entire understanding and agreement and supersedes all prior agreements and understandings, express or implied, oral or written. This Engagement Agreement will be governed by the laws of the Commonwealth of Pennsylvania and may not be changed or modified except by a written document signed by both Benetrends and the undersigned.

**Disputes.** Any and all disputes that may arise out of or relate to this Agreement, other agreements or any other relationship involving Client and Benetrends (whether occurring prior to, as part of, or after the signing of this Agreement), shall first be resolved by good faith negotiations between the parties with the assistance of nonbinding mediation. In the event either party determines that they are not able to resolve the dispute through negotiation and mediation, then the dispute shall be submitted to, and resolved by, final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Negotiation, mediation and arbitration shall be the exclusive means of dispute resolution as between Client and Benetrends and their respective agents, employees, officers and members. Arbitration shall be before a single arbitrator in the County of Montgomery, Pennsylvania. The Arbitrator shall apply Pennsylvania substantive law. Any party may bring an action in any court of competent jurisdiction, if necessary: (i) to compel arbitration under this arbitration provision, or (ii) to obtain preliminary relief in support of claims to be prosecuted in arbitration, or (iii) to enter a judgment of any award rendered pursuant to such arbitration.

\_\_\_\_\_ I understand the fee for the ongoing administration of the Plan begins 30 days from the agreed to and executed date below. **I also understand that Benetrends may not increase the fees during my first 12 monthly administration payments but may increase its fees thereafter by giving me notice of the increase at least thirty (30) days prior to my next monthly administration payment.**

**Client**

Agreed to & executed on (date): \_\_\_\_\_

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

Signature: \_\_\_\_\_

**Benetrends**

Accepted on (date)

Name: Cheryl Fischer

Signature: *Cheryl Fischer*

*As Amended*

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Exhibit K-2

**EXHIBIT M**  
**STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Wisconsin	Pending

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 L

**EXHIBIT N**  
**RECEIPT**

**(YOUR COPY)**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If GFH Pinot's Palette, LLC offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York State Law requires a franchisor to provide the franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If GFH Pinot's Palette, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: David Graham, GFH Pinot's Palette, LLC, 2880 Broadway Bend, Bldg. #1, Pearland, Texas 77584.

The issuance date of this Disclosure Document is June 8, 2023

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated as indicated above, that included the following Exhibits:

- Exhibit A – State Administrators/Agents for Service of Process
- Exhibit B – State Specific Addendum
- Exhibit C – Franchise Agreement
- Exhibit D – Area Development Agreement
- Exhibit E – Non-Use and Non-Disclosure Agreement
- Exhibit F – List of Franchisees and Area Developers
- Exhibit G – List of Franchisees and Area Developers Who Have Left the System
- Exhibit H – Financial Statements
- Exhibit I – Table of Contents of Confidential Operations Manual
- Exhibit J – General Release
- Exhibit K – FranchiCzar Agreement
- Exhibit L – Financing Documents
- Exhibit M – State Effective Dates

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Prospective Franchisee Signature

Printed Name

Date

PLEASE KEEP THIS COPY FOR YOUR RECORDS.

Receipt (Your Copy)

**RECEIPT**  
**(OUR COPY)**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If GFH Pinot's Palette, LLC offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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- Exhibit L – Financing Documents
- Exhibit M – State Effective Dates

---

Prospective Franchisee Signature

Printed Name

Date

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO, GFH PINOT'S PALETTE, LLC, 2880 Broadway Bend, Bld #1, Pearland, TEXAS 77584.

Receipt (Our Copy)